

Entergy Arkansas, LLC
Independence Plant
NPDES Permit No. AR0037451
Modification Application

February 2023

NPDES Permit No. AR0037451 Modification Application

Prepared for:

Entergy Arkansas, LLC – Independence Bluff Plant
555 Point Ferry Road
Newark, AR 72562

Prepared by:

Alliance Technical Group
219 Brown Lane
Bryant, AR 72022

February 2023

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APPLICATION SUMMARY

Entergy Arkansas, LLC – Independence Plant (Independence) is an electric generating facility located in Newark, Arkansas. The facility is currently permitted through the Arkansas Department of Energy and Environment – Division of Environmental Quality (DEQ), National Pollutant Discharge Elimination System (NPDES) Permit No. AR0037451.

BACKGROUND:

On November 3, 2015, the EPA issued a final rule amending 40 CFR Part 423, the effluent limitations guidelines and standards for the steam electric power generating point source category (2015 Final Rule). The amendments addressed and contained limitations and standards on fly ash transport water, bottom ash transport water, flue gas desulfurization (FGD) wastewater, flue gas mercury control wastewater, and gasification wastewater. Of these waste streams, only bottom ash transport water is generated at the Independence Plant. This promulgation of 40 CFR Part 423.13 (k)(1)(i) prohibited the discharge of bottom ash transport water “as soon as possible after November 1, 2020, but no later than December 31, 2023.” These 2015 amended ELGs were incorporated into the Independence NPDES permit in 2020 permit renewal with an effective date of November 1, 2020.

On October 13, 2020, the U.S. Environmental Protection Agency (“EPA”) published a final rule revising the technology-based effluent limitations guidelines and standards for the steam electric power generating point source category applicable to Bottom Ash Transport Water (BATW) (“2020 Reconsideration Rule”). The 2020 Reconsideration Rule prescribed certain effluent limitations guidelines (“ELGs”) applicable to existing point sources and provides limited subcategories to the ELGs established by the 2015 Final Rule. This includes the development of a new waste stream for bottom ash purge water (as defined in 40 CFR 423.11(cc)).

PERMIT MODIFICATION REQUEST:

Entergy requests the modification of its current NPDES permit to reflect the revised ELGs for Bottom Ash Transport Water as prescribed in the 2020 Reconsideration Rule as well as revision of descriptions of facility processes that have changed since the previous permit renewal.

Modification Request Pursuant to the 2020 Reconsideration Rule:

Independence requests the following modifications:

- a) Replace bottom ash transport water with bottom ash purge water as a source in Sections A4 and A7 of Part 1A.
- b) Revise the definition of “bottom ash transport water” in Condition No. 7 of Part II to reflect the updated definition in 40 CFR Part 423.11(p).
- c) Add the definition for “bottom ash purge water” as defined in 40 CFR Part 423.11(cc) to Part II of the permit.
- d) Remove the Bottom Ash Transport Water discharge prohibition in Condition No. 23 of Part II.
- e) Establish limitations and permit conditions for the discharge of “Bottom Ash Purge Water” in accordance with 40 CFR Part 423.13(k)(2)(ii).
- f) Since the compliance date on December 31, 2023 is no longer applicable under the 2020 Reconsideration Rule, change the Permit Compliance Schedule in Part 1B to December 31, 2025 to be consistent with the 2020 Reconsideration Rule.

Modification Request Pursuant to Changes in Facility Processes:

Independence requests the removal of any reference to the recycle ponds from the permit. The recycle ponds are no longer in use and have been closed in accordance with the DEQ approved closure plan.

A closed loop Submerged Flight Conveyor System was installed to process bottom ash transport water. An updated process description and process flow diagram has been included with the application.

Form 1



ARKANSAS

ENERGY & ENVIRONMENT

NPDES Individual Permit Application **Form 1**

5301 Northshore Drive
North Little Rock, AR 72118-5317

PURPOSE OF THIS APPLICATION (check all that apply)

- ☐ INITIAL APPLICATION FOR NEW FACILITY
☐ INITIAL APPLICATION FOR EXISTING FACILITY
☒ MODIFICATION OF EXISTING PERMIT
☐ REISSUANCE (RENEWAL) OF EXISTING PERMIT
☐ CONSTRUCTION PERMIT
-

SECTION A - GENERAL INFORMATION

A.1. Legal Applicant Name: Entergy Arkansas, LLC

A.2. Operator Type: Limited Liability Company

A.3. Corporation? ☒ Yes ☐ No → Skip to A.4

State of Incorporation: Texas

Attach a Proof/Status of Good Standing from Arkansas Secretary of State and from the state of incorporation, if applicable.

A.4. Facility Name: Independence Plant

A.5. Is the applicant identified in A.1, the owner of the facility? ☒ Yes → Skip to A.6 ☐ No

Owner of the facility: _____

A.6. Is there an outstanding state construction permit for this facility that needs to be terminated?

☐ Yes ☒ No → Skip to A.7

A state construction permit can be terminated by submitting Notice of Completion of Construction for State Construction Permits found through the link below:

<https://www.adeg.state.ar.us/water/permits/npdes/individual/pdfs/state-construction-permit-completion-of-construction.pdf>

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AR0037451	32-00042	Entergy Arkansas, LLC – Independence Plant	<u>Independence - 32</u>

- A.7. Indicate below any NPDES permits issued by DEQ to this facility, if applicable. (Check all that apply and list the corresponding permit number for each.)

NPDES permits issued by DEQ		
<input checked="" type="checkbox"/> NPDES Individual Discharge Permit AR0037451	<input type="checkbox"/> NPDES Non-Stormwater General Permit ARG _____	<input type="checkbox"/> NPDES Industrial Stormwater General Permit ARR00

- A.8. List permit numbers and/or names of any permits issued by DEQ or EPA for an activity located in Arkansas that is presently held by the applicant or its parent or subsidiary corporation which are not listed above:

Permit Name	Permit Number	Held by
Title V Air Permit	0449-AOP-R17	Entergy Arkansas, LLC
Solid Waste Class III Non-Commercial Landfill	0200-S3N-R2	Entergy Arkansas, LLC
Hazardous Waste EPAID	ARD096669015	Entergy Arkansas, LLC
Hazardous Waste EPAID	ARR000031666	Entergy Arkansas, LLC

- A.9. Is the facility required to file a disclosure statement?

☒ Yes, See Note below. ☐ Exempt

The disclosure statement form may be obtained from the DEQ web site at:

https://www.adeg.state.ar.us/ADEQ_Disclosure_Statement.pdf

Note: The latest Annual (10-K) and Quarterly (10-Q) SEC filings have been provided in lieu of a Disclosure Statement.

- A.10. Facility Physical Location. Attach a location map.

Street address 555 Point Ferry Road			
City or town Newark	State AR	ZIP code 72562	County Independence - 32

Front Door (gate) location of the facility.

Latitude:	<u>35°</u>	<u>40'</u>	<u>39.0"</u>
Longitude:	<u>91°</u>	<u>24'</u>	<u>42.6"</u>

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A.11. Mailing Address for permit, DMR, and invoices (Street or Post Office Box):

Street Address <u>425 West Capitol (A-TCBY-22D)</u>		P.O. Box <u>551</u>
City or town <u>Little Rock</u>	State <u>AR</u>	ZIP code <u>72203-0551</u>

A.12. Neighboring States Within 20 Miles of the permitted facility (Check all that apply):

☐ Louisiana

 ☐ Mississippi

 ☐ Missouri
☐ Oklahoma

 ☐ Tennessee

 ☐ Texas

A.13. Standard Industrial Classification (SIC) code and North America Industrial Classification System (NAICS) code for primary process and secondary process if applicable.

Primary SIC <u>4911</u>	Primary NAICS <u>221112</u>
Secondary SIC <input checked="" type="checkbox"/> N/A	Secondary NAICS <input checked="" type="checkbox"/> N/A

A.14. Responsible Official (as described on the last page of this application):

Name (First and Last) <u>Louise Duncan</u>	Title <u>VP, Power Plant Operations - EAL</u>
E-mail Address <u>ldunca3@entergy.com</u>	Phone Number <u>281-297-1831</u>

A.15. Cognizant Official (Duly Authorized Representative as described on the last page of this application):

Name (First and Last) <u>Todd Bradberry</u>	Title <u>General Manager</u>
E-mail Address <u>bbradbe@entergy.com</u>	Phone Number <u>870-698-4500</u>

Name (First and Last) <u>Stanley A. Chivers</u>	Title <u>Environmental Support Manager</u>
E-mail Address <u>schiver@entergy.com</u>	Phone Number <u>501-215-0024</u>

Name (First and Last) <u>Anthony Wilson</u>	Title <u>Senior Lead Environmental Analyst</u>
E-mail Address <u>Awilso1@entergy.com</u>	Phone Number <u>870-698-4517</u>

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A.16. Did a consulting firm prepare this application?

☒ Yes

☐ No → Skip to A.16

Contact Name (First and Last) <u>Amanda Gallagher</u>		Title <u>Environmental Engineer</u>
Company Name <u>GBMc & Associates</u>		
E-mail Address <u>agallagher@gbmcassoc.com</u>		Phone Number <u>501-847-7077</u>
Street Address <u>219 Brown Lane</u>		
City or town <u>Bryant</u>	State <u>AR</u>	ZIP Code <u>72022</u>

A.17. Wastewater Operator Information

Name (First and Last)	License Number	Municipal Wastewater Operator	Industrial Wastewater Operator
Anthony Wilson	004501		Advanced
Kimberly Fuller	009345		Basic

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SECTION B - OUTFALL INFORMATION

B.1. Outfall Information (If more than two outfalls, attach additional pages)

Outfall 002								
Design Flow <u>N/A</u>				Highest Monthly Average flow over the last two years 5.0 MGD (January 2022)				
End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>39'</u>	<u>13.4" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>21.6" W</u>
Monitoring Location (If different from End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>39'</u>	<u>13.4" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>21.6" W</u>
Name of Receiving Stream								
<u>White River</u>								
Treatment system (Include all components of the treatment system and attach a process flow diagram):								
<u>None</u>								
How and where are effluent samples collected? Include a narrative description of where samples are collected relative to the treatment system.								
<input type="checkbox"/> Grab <input type="checkbox"/> Composite <input checked="" type="checkbox"/> Both								
<u>Samples are collected via a sample port at the common cooling tower blowdown pit prior to being piped to the outfall.</u>								
How is flow measured and where (relative to the process flow diagram)?								
<u>Flow meter located at common cooling tower blowdown pit.</u>								
Is the outfall equipped with a diffuser?								
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No								
What is the diameter of the effluent pipe?								
<u>24 inches</u>								

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Internal Outfall 01C								
Design Flow <u>0.0075 MGD</u>					Highest Monthly Average flow over the last two years <u>0.042 MGD (December 2021).</u>			
End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>40'</u>	<u>30" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>38" W</u>
Monitoring Location (If different from End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>40'</u>	<u>30" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>38" W</u>
Name of Receiving Stream <u>Internal Outfall 01C and then through Outfall 002 to the White River</u>								
Treatment system (Include all components of the treatment system and attach a process flow diagram): <u>Advantex packed-bed media system followed by chlorination.</u>								
How and where are effluent samples collected? Include a narrative description of where samples are collected relative to the treatment system. <input checked="" type="checkbox"/> Grab <input type="checkbox"/> Composite <input type="checkbox"/> Both <u>Samples are collected after the chlorine contact chamber prior to entering the surge pond.</u>								
How is flow measured and where? <u>Totalizer Meter at sanitary wwtp.</u>								
Is the outfall equipped with a diffuser? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No								
What is the diameter of the effluent pipe? <u>N/A inches</u>								

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Internal Outfall 01H								
Design Flow <u>N/A MGD</u>					Highest Monthly Average flow over the last two years <u>4.0 MGD (December 2021).</u>			
End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>40'</u>	<u>14" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>13" W</u>
Monitoring Location (If different from End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>40'</u>	<u>14" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>13" W</u>
Name of Receiving Stream								
<u>Internal Outfall 01H and then through Outfall 002 to the White River</u>								
Treatment system (Include all components of the treatment system and attach a process flow diagram):								
Neutralization of wastewater from the boiler feedwater demineralization plant; followed by equalization in a surge pond, followed by sedimentation in two sedimentation ponds; oil/water separator for wastewater from the turbine area floor drains								
How and where are effluent samples collected? Include a narrative description of where samples are collected relative to the treatment system.								
<input checked="" type="checkbox"/> Grab <input type="checkbox"/> Composite <input type="checkbox"/> Both								
<u>Samples are collected after the sedimentation ponds prior to entering the cooling tower blowdown sump.</u>								
How is flow measured and where?								
<u>Flow meter.</u>								
Is the outfall equipped with a diffuser?								
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No								
What is the diameter of the effluent pipe?								
<u>N/A</u> inches								

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Internal Outfall 01I								
Design Flow <u>N/A MGD</u>					Highest Monthly Average flow over the last two years <u>4.0 MGD (December 2021).</u>			
End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>40'</u>	<u>23" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>25" W</u>
Monitoring Location (If different from End-of-Pipe Location:	Latitude:	<u>35°</u>	<u>40'</u>	<u>23" N</u>	Longitude:	<u>91°</u>	<u>24'</u>	<u>25" W</u>
Name of Receiving Stream								
<u>Internal Outfall 01I and then through Outfall 002 to the White River</u>								
Treatment system (Include all components of the treatment system and attach a process flow diagram):								
Several cooling tower maintenance chemicals used for corrosion, scale, and pH control in the cooling towers, but no additional treatment of the cooling tower blowdown occurs prior to discharge to the cooling tower blowdown sump.								
How and where are effluent samples collected? Include a narrative description of where samples are collected relative to the treatment system.								
<input checked="" type="checkbox"/> Grab <input type="checkbox"/> Composite <input type="checkbox"/> Both								
<u>Samples are collected prior to entering the cooling tower blowdown sump.</u>								
How is flow measured and where?								
<u>Flow meter.</u>								
Is the outfall equipped with a diffuser?								
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No								
What is the diameter of the effluent pipe?								
<u>N/A</u> inches								

B.2. Describe how influent is collected and conveyed to the treatment system.

A network of piping and stormwater drainage system is used to convey influent from the various sources to the treatment systems.

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B.3. Are you a publicly owned treatment works?

☐ Yes ☒ No → Skip to B.4

If “Yes”, complete the table below:

Pollutant	Maximum Daily Influent		Average Daily Influent		
	Value	Units	Value	Units	Number of Samples*
CBOD ₅ /BOD ₅					
TSS					
How and where were the influent samples collected? Include a narrative description of where samples are collected relative to the treatment system.					
<input type="checkbox"/> Grab <input type="checkbox"/> Composite <input type="checkbox"/> Both					

* At a minimum, influent testing data must be based on at least three samples taken within 4.5 years prior to the date of the permit application. Existing data may be used, if available, in lieu of sampling done solely for the purpose of this application

Attach the laboratory report for the CBOD₅/BOD₅ and TSS tests.

B.4. Attach a process flow diagram.

B.5. Attach a topographic map extending at least one mile beyond the property boundary with the discharge location(s) marked with this application.

B.6. Is the proposed or existing facility located above the 100-year flood level?

☒ Yes ☐ No

If “No”, what measures are (or will be) used to protect the facility? _____

Has a FEMA map been submitted with a previous application?

☒ Yes ☐ No

If “No”, a FEMA map must be submitted with this application as an attachment.

B.7. Population served for Municipal or Domestic Sewer Systems: N/A

B.8. Backup Power Generation for Treatment Plants

Are there any permanent backup generators? ☒ Yes ☐ No

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If Yes, how many? 1 Total Horsepower (hp)? 1005 hp

If No, check all that apply.

- ☐ Portable generator is available.
- ☐ The WWTP does not require power to operate.
- ☐ Operations at the facility will cease if power is not available.
- ☐ The WWTP has sufficient capacity to hold influent until power is restored.
- ☐ Other, please explain. _____

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SECTION C - WASTE STORAGE AND DISPOSAL INFORMATION

C.1. Are solids/sludge produced at this facility?

☒ Yes ☐ No → Skip to Section D

C.2. Do solids/sludge remain in treatment lagoon(s)?

☐ Yes ☒ No → Skip to C.3

How many lagoon(s)? _____ How old is the lagoon(s)? _____

Has sludge depth been measured? ☐ Yes ☐ No

If yes, when was it measured (MM/YYYY)? _____ Average sludge depth? _____ ft.

If no, when will it be measured? _____

Has sludge ever been removed? ☐ Yes ☐ No

If yes, when was it removed (MM/YYYY)? _____

C.3. Are solids/sludge disposed at a landfill?

☒ Yes ☐ No → Skip to C.4

Is the Landfill located in Arkansas? ☒ Yes ☐ No

If Yes, what is the DEQ solid waste permit issued to the landfill? Permit No. 0200-S3N-R2

If No, which state? State: N/A

Provide the solid waste permit Permit No. N/A

C.4. Are solids/sludge disposed by land application?

☐ Yes ☒ No → Skip to C.5

Is the land application site located in Arkansas? ☐ Yes ☐ No

If Yes, what is the DEQ state permit issued to the land application site? _____

If No, what state and their state permit? State: _____ Permit No. _____

C.5. Are solids/sludge disposed by septic tank?

☒ Yes ☐ No → Skip to C.6

Arkansas Department of Health Permit No. EHP70773

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C.6. Are solids/sludge distributed and marketed?

☐ Yes ☒ No → Skip to C.7

Company Name receiving solids/sludge		
E-mail Address		Phone Number
Street Address		
City or town	State	ZIP Code
Distributed by (check all that applies) <input type="checkbox"/> Pipe <input type="checkbox"/> Rail <input type="checkbox"/> Truck <input type="checkbox"/> Other _____		

C.7. Are solids/sludge disposed by sludge storage lagoon? (Lagoon for which the sole purpose is storing sludge):

☐ Yes ☒ No → Skip to C.8

How many lagoon(s)? _____ How old is the lagoon(s)? _____ years

Total surface area of lagoon(s)? _____ acre

Has sludge depth been measured? ☐ Yes ☐ No

If yes, when was it measured (MM/YYYY)? _____ Average depth? _____ ft.

If no, when will it be measured? _____

Has sludge ever been removed? ☐ Yes ☐ No

If yes, when was it removed (MM/YYYY)? _____

Does lagoon(s) have a liner? ☐ Yes ☐ No

C.8. Are solids/sludge disposed by incineration?

☐ Yes ☒ No → Skip to C.9

Company Name	
E-mail Address	Phone Number

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Street Address _____		
City or town _____	State _____	ZIP Code _____

C.9. Are solids/sludge disposed by **Other** method? (Provide complete description)

Sanitary sludges are disposed via a licensed septic hauler. Solids removed from sedimentation ponds are disposed of in landfill.

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SECTION D - WATER SUPPLY

D.1. Are there any water supply sources which are downstream of the outfall location, i.e., those which could be affected by the discharge from this facility?

☒ Yes ☐ No → Skip to Section E

D.2. Is the water supply source subsurface water?

☒ Yes ☐ No → Skip to D.3

Private Well?

☒ Yes ☐ No

Distance from discharge point: ☒ Within 5 miles ☐ Within 50 miles

Municipal Water Utility?

☐ Yes ☒ No

City or town _____

Distance from discharge point: ☒ Within 5 miles ☐ Within 50 miles

D.3. Is the water supply source surface water

☒ Yes ☐ No → Skip to D.4

Distance from discharge point: ☒ Within 5 miles ☐ Within 50 miles

D.4. **Other** (Provide complete description)

Independence Non-Community Potable Water System (N009)

Distance from discharge point: ☒ Within 5 miles ☐ Within 50 miles

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SECTION E - TRUST FUND REQUIREMENTS

E.1. Is the facility considered a “nonmunicipal domestic sewage treatment works” (NDSTW) as defined in [Ark. Code Ann. 8-4-203\(b\)?](#)

☐ Yes

☒ No

If “yes”, a completed NDSTW trust fund form must be submitted. The trust fund form may be obtained from the DEQ web site at:

<http://www.adeg.state.ar.us/water/permits/npdes/individual/pdfs/ndstw-trust-fund-certification-form.pdf>

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SECTION F - INDUSTRIAL ACTIVITY

F.1. Is this facility subject to an effluent limit guideline?

☒ Yes ☐ No → Skip to Section G

F.2. 40 CFR reference for applicable effluent limit guidelines. 40 CFR 423

List all applicable Subpart(s) N/A

F.3. Description of all operations at this facility including primary products or services (attach additional sheets if necessary):

<u>Steam Electric Generating Station</u>

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SECTION G - MODIFICATION AND CONSTRUCTION INFORMATION

G.1. Was “Modification of existing permit” or “Construction permit” checked off on **Purpose of this Application?** (Above Section A - General Information)

☒ Yes ☐ No → Skip to Section H

G.2. List proposed changes at the facility.

<u>See Application Summary</u>

G.3. If this application is for a State Construction permit, please note that, in accordance with Rule 6.202, plans and specifications and design calculations must be stamped and signed by a **Registered Professional Engineer in the State of Arkansas**. The basic design criteria for wastewater treatment plants in the State of Arkansas should be based on the latest edition of the “Recommended Standards for Sewage Works,” published by the Great Lakes-Upper Mississippi Board of State Sanitary Engineers known as 10 States Standards, with few modifications. Exception to the criteria will only be approved by DEQ when fully justified. A comprehensive list of exceptions to 10 State Standards is listed in Rule 6.202(B) and can be viewed here: https://www.adeg.state.ar.us/regs/files/reg06_final_150918.pdf

Checklist
<input type="checkbox"/> Professional Engineer registered in the State of Arkansas
<input type="checkbox"/> Design calculations signed and stamped, attached
<input type="checkbox"/> Plans and drawing signed and stamped, attached
<input type="checkbox"/> Specifications meet the 10 States Standards, except for those that are fully justified attached

G.4. In the case of construction, will the construction disturb one acre or more?

☐ Yes ☒ No → Skip to Section H

If the area disturbed is more than one acre up to, but not including, five acres, the facility is automatically covered under the Construction Stormwater General Permit ARR150000 and must comply with the terms and conditions of that permit.

If the area disturbed is five acres or more, a Construction Stormwater General Permit ARR150000 must be obtained by submitting a Notice of Intent and a Stormwater Pollution Prevention Plan to DEQ. The application information can be found here:

<https://www.adeg.state.ar.us/water/permits/npdes/stormwater/>

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SECTION H: CHECKLIST AND SIGNATORY REQUIREMENTS

H.1. Mark the sections of Form 1 below that have been completed and are being submitted as part of the application. For each section, specify any attachments that will be enclosed. Note that not all applicants are required to provide all attachments.

Form 1 Section	Attachments
<input checked="" type="checkbox"/> Section A – General Information	<input checked="" type="checkbox"/> w/Proof of Good Standing from Arkansas Secretary of State <input checked="" type="checkbox"/> w/Proof of Good Standing from State of Incorporation <input type="checkbox"/> w/Notice of Completion of Construction for State Construction Permits <input checked="" type="checkbox"/> w/Disclosure Statement <input checked="" type="checkbox"/> w/location map
<input checked="" type="checkbox"/> Section B – Outfall Information	<input type="checkbox"/> w/additional outfall information <input checked="" type="checkbox"/> w/topographic map extending at least one mile beyond the property boundary with the discharge location marked <input type="checkbox"/> w/FEMA flood plain map <input checked="" type="checkbox"/> w/process flow diagram
<input checked="" type="checkbox"/> Section C – Waste Storage and Disposal Information	
<input checked="" type="checkbox"/> Section D – Water Supply	
<input checked="" type="checkbox"/> Section E – Trust Fund Requirements	<input type="checkbox"/> w/Nonmunicipal Domestic Sewage Treatment Works Trust Fund Certification form
<input checked="" type="checkbox"/> Section F – Industrial Activity	
<input checked="" type="checkbox"/> Section G – Modification and Construction Information	<input type="checkbox"/> w/design calculations <input type="checkbox"/> w/design specifications <input type="checkbox"/> w/plans and drawing

H.2. Is the submittal of this Form 1 for the modification of an existing permit?

☒ Yes → Skip to H.3 ☐ No

If “No”, additional EPA Forms (in addition to this Form 1) are required for processing your application:

Check all boxes that are applicable

- ☐ EPA Form 2A – Municipal Dischargers
- ☐ EPA Form 2B – Concentrated Animal Feeding Operations
- ☐ EPA Form 2C – Existing Manufacturing, Commercial, Mining, and Silvicultural Operations
- ☐ EPA Form 2D – New Sources and New Dischargers Application for Permit to Discharge Process Wastewater
- ☐ EPA Form 2E – Facilities Which Do Not Discharge Process Wastewater (i.e. domestic, non-contact cooling water, etc)
- ☐ EPA Form 2F – Application for Permit to Discharge Stormwater Dischargers Associated with Industrial Activity

NPDES Permit Number	AFIN	Facility Name	County
AR0037451	32-00042	Entergy Arkansas, LLC – Independence Plant	<u>Independence - 32</u>

H.3. Cognizant Official (Duly Authorized Representative)

40 C.F.R. 122.22(b) states that all reports required by the permit, or other information requested by the Director, shall be signed by the applicant (or person authorized by the applicant) or by a duly authorized representative of that person. A person is duly authorized representative only if:

- (1) The authorization is made in writing by the applicant (or person authorized by the applicant);
- (2) The authorization specifies either an individual or a position having responsibility for the overall operation of the regulated facility or activity responsibility, or an individual or position having overall responsibility for environmental matters for the company.

The applicant hereby designates the following person as a Cognizant Official, or duly authorized representative, for signing reports, etc., including Discharge Monitoring Reports (DMR) required by the permit, and other information requested by the Director:

Print name (First and Last) <u>Todd Bradberry</u>	Official title <u>General Manager</u>	
Signature <u>Todd Bradberry</u> <small>Todd Bradberry (Feb 21, 2023 12:56 CST)</small>	Date signed <u>Feb 21, 2023</u>	Telephone number <u>870-698-4500</u>

Print name (First and Last) <u>Stanley A. Chivers</u>	Official title <u>Environmental Support Manager</u>	
Signature <u>Stanley Chivers</u> <small>Stanley Chivers (Feb 21, 2023 15:29 CST)</small>	Date signed <u>Feb 21, 2023</u>	Telephone number <u>501-215-0024</u>

Print name (First and Last) <u>Anthony Wilson</u>	Official title <u>Senior Lead Environmental Analyst</u>	
Signature <u>Anthony Wilson</u> <small>Anthony Wilson (Feb 20, 2023 11:02 CST)</small>	Date signed <u>Feb 20, 2023</u>	Telephone number <u>870-698-4517</u>

H.4. Responsible Official

“By my signature below, I certify that I met the requirement to be the signatory as defined in 40 C.F.R. § 122.22.”


“By my signature below, I certify that the cognizant official designated above is qualified to act as a duly authorized representative under the provisions of 40 CFR 122.22(b).” NOTE: If no duly authorized representative is designated in this section, the Division considers the applicant to be the responsible official for the facility and only reports, etc., signed by the applicant will be accepted by the Division.

“By my signature below, I certify that, if this facility is a corporation, it is registered with the Secretary of State in Arkansas.”

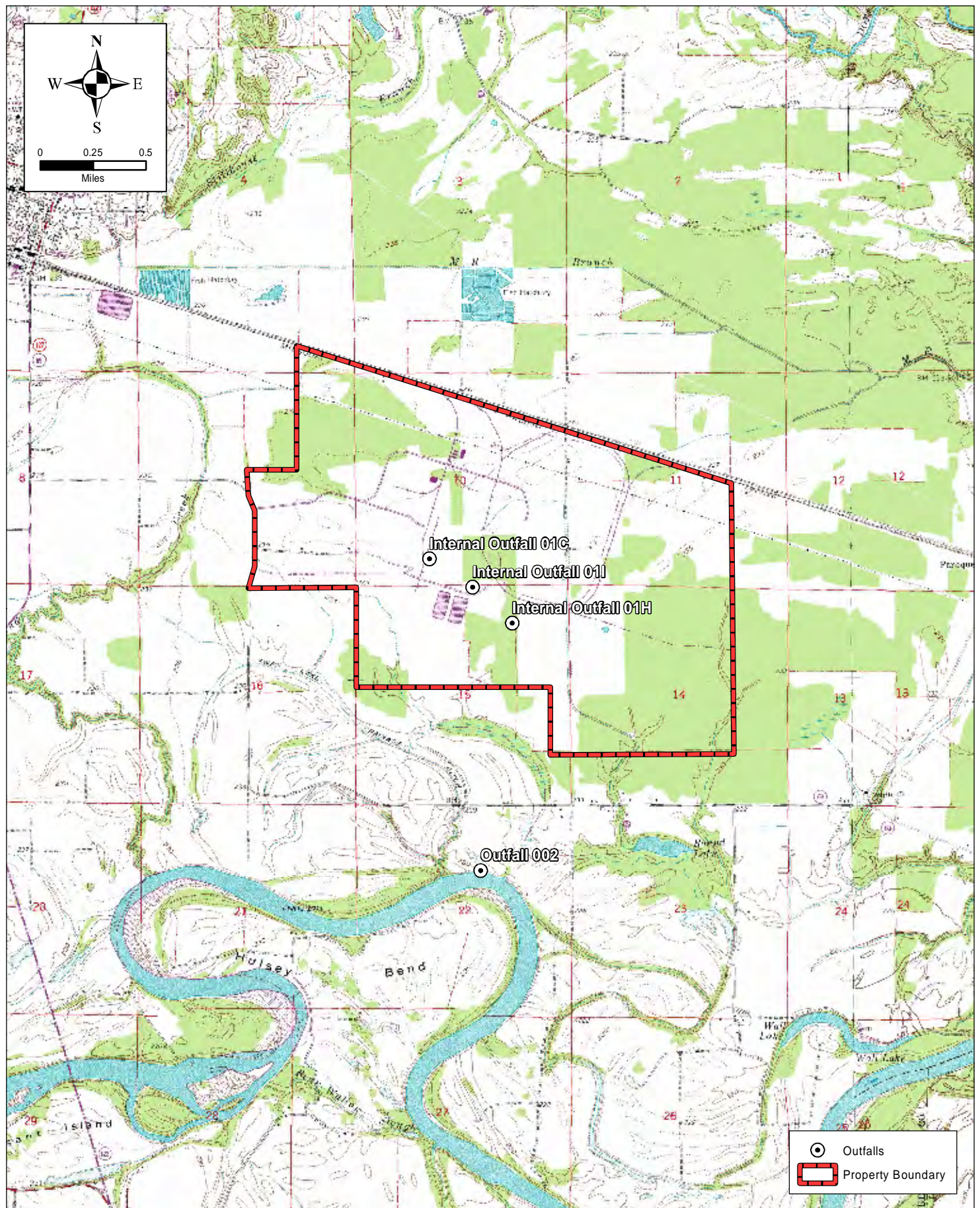
“I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system,

NPDES Permit Number	AFIN	Facility Name	County
AR0037451	32-00042	Entergy Arkansas, LLC – Independence Plant	<u>Independence - 32</u>

or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations. I further certify under penalty of law that all analyses reported as less than detectable in this application or attachments thereto were performed using the EPA approved test method having the lowest detection limit for the substance tested.”

Print name (First and Last) <u>Louise Duncan</u>	Official title <u>VP, Power Plant Operations - EAL</u>	
Signature  <small>Louise Duncan (Mar 2, 2023 17:18 CST)</small>	Date signed <u>Mar 2, 2023</u>	Telephone number <u>205-718-6655</u>

Area Maps



DESIGNED BY AAG
 CHECKED BY AAG
 APPR. BY AAG
 DRAWN BY IT



SHEET TITLE
 TOPOGRAPHIC
 SITE MAP

JOB NAME
 INDEPENDENCE PLANT
 ENTERGY ARKANSAS, LLC
 REDFIELD, ARKANSAS

PROJECT NO. 1145-22-050	REV. NO.
DATE 08/01/2022	DWG. NO.
SCALE SHOWN	S3



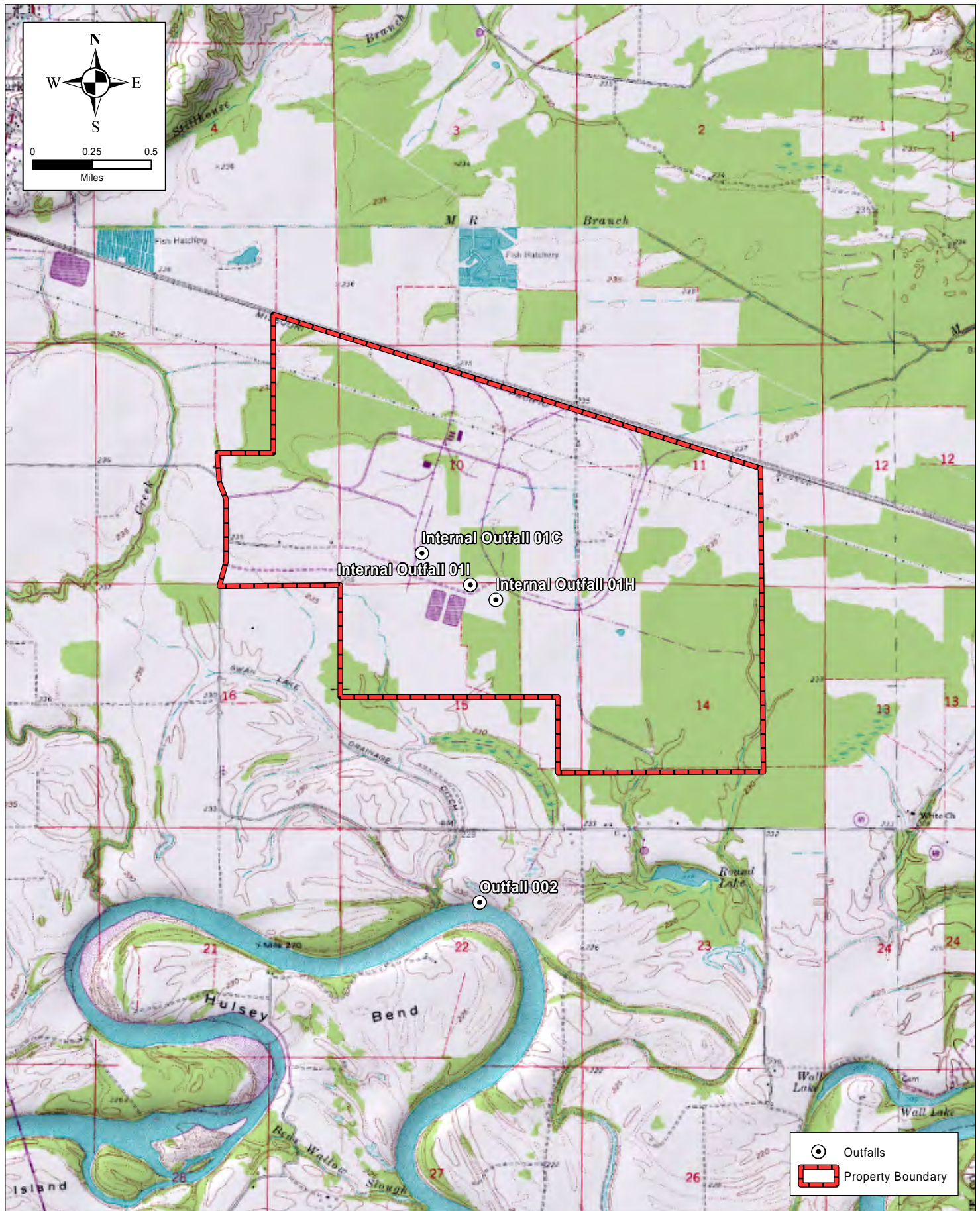
DESIGNED BY	AAG
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DRAWN BY	IT



SHEET TITLE
AERIAL PHOTOGRAPHY SITE MAP

JOB NAME
INDEPENDENCE PLANT ENTERGY ARKANSAS, LLC REDFIELD, ARKANSAS

PROJECT NO.	REV. NO.
1145-22-050	
DATE	DWG. NO.
11/03/2022	S2
SCALE	
SHOWN	



DESIGNED BY	AAG
CHECKED BY	AAG
APPR. BY	AAG
DRAWN BY	IT



SHEET TITLE	TOPOGRAPHIC SITE MAP
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JOB NAME	INDEPENDENCE PLANT ENTERGY ARKANSAS, LLC REDFIELD, ARKANSAS
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PROJECT NO.	1145-22-050	REV. NO.	
DATE	11/03/2022	DWG. NO.	S3
SCALE	SHOWN		

Process Description

PROCESS DESCRIPTION

GENERAL INFORMATION:

The Independence Plant is located near Newark, Arkansas, in Independence County. The area bordering the plant is farmland and the White River. The station operates under NPDES permit number AR0037451 and has two identical coal-fired units with a total capacity of approximately 1780 megawatts (MW) gross. Operation for Unit 1 began 1983 and Unit 2 in 1985. While the White River is the principal water supply for the station, 6 wells supply boiler makeup, potable, and high-pressure service water. The Independence Plant employs a closed-cycle recirculating system with cooling towers. A topographic map showing the Independence Plant is shown in the Maps Attachment.

WASTEWATER PRODUCTION AND TREATMENT:

Effluent from the Independence Plant consists of cooling tower blowdown, sanitary wastewater, low volume wastewater (turbine area sump drains, boiler blowdown, regeneration wastewater from demineralizer plant, and ash dust suppression water), coal pile runoff, ash landfill leachate (combustion residual leachate), stormwater runoff from the ash landfill, process areas, and switchyard, and bottom ash purge water.

Low volume wastewater, sanitary waste treatment, coal storage area runoff, and stormwater runoff from all process areas of the plant flow to the surge pond prior to discharge as neutralization/precipitation effluent. The NPDES outfall locations is shown in the Maps Attachment. A schematic of the wastewater flow (process flow diagram) is shown in a separate Attachment. The following information describes wastewater contributing to each outfall.

OUTFALL 01C- SANITARY WASTEWATER:

The major portion of the water utilized in the station's potable water system is ultimately collected and processed in the station's sanitary waste treatment system. The potable water system supplies the station's drinking fountains, lavatories, and showers. Sanitary wastewater is collected and transferred via lift stations to the sanitary waste treatment plant. Approximately an equal amount of infiltration from stormwater is processed through the system.

The sanitary wastewater treatment facility consists of anaerobic digestion with AdvanTex Treatment System recirculating filters followed by chlorine disinfection.

OUTFALL 01H - NEUTRALIZATION/PRECIPITATION TREATMENT DISCHARGE:

Effluent contributing to Outfall 01H consists of combined flow from Outfall 01C, low volume wastewater from turbine area sump drains, coal pile runoff, ash landfill leachate, bottom ash transport purge water, and storm water. Wastewater from the sources described below is collected and stored in the station surge pond, which itself provides some additional treatment as well as equalization. Wastewater from the surge pond is pumped into one of two sedimentation ponds in which suspended solids removal is enhanced by the addition of a cationic polymer (such as diallyldimethylammonium chloride). The discharge

from the sedimentation ponds is then either reused as partial makeup to the station's recirculating water system or is pumped to the river via the cooling tower blowdown sump.

When the wastewater is pumped to the river via the cooling tower blowdown sump, the station is able to more efficiently manage and control the levels of the on-site wastewater treatment ponds and reduce the overall amount of water treatment chemicals required.

Components of the effluent are described below.

Water Treatment Wastes:

Well water is stored in the groundwater storage tank where it is used to supply approximately 1 MGD for use in the boiler furnace and ash handling system. Well water is also used to supply boiler makeup and high-pressure service water. The boiler makeup water treatment system processes 420,000 gpd of well water to produce high purity boiler makeup water. The boiler makeup water treatment system consists of a reverse osmosis unit and polishing mixed bed exchangers. This boiler makeup water is further treated with ammonia as a pH control and reducing agent. Sodium phosphate is used in boiler treatment only to reduce hardness during startup. A sodium sulfate inorganic polymer (such as Boiler Guard STFP) may be used for hotwell treatment during startup. Approximately 400,000 gpd of boiler makeup water is pumped to the condensate storage tank. The auxiliary boiler system is treated with methoxypropylamine for corrosion protection and hydroquinone to scavenge oxygen.

Wastewater associated with the water treatment system is the waste from the reverse osmosis system. Reverse osmosis wastewater represents approximately 43,000 gpd. The mixed bed exchangers are regenerated off site and do not contribute a wastewater stream. Water treatment wastes, consisting of reverse osmosis waste, sample lines and miscellaneous drainage, are discharged to the surge ponds.

Boiler Area Runoff and Drains:

Water collected in the boiler area drains to oily water system and accounts for approximately 15,000 gpd.

Boiler Blowdown:

Boiler blowdown accounts for an average of 288,000 gpd of the wastewater flow. This waste stream is combined with water treatment wastes and fireside wash wastes in a gravity line to the surge pond.

Auxiliary Cooling Water:

A bio-penetrant/surfactant is used for cleaning the auxiliary cooling water system.

Fireside Wash Wastewater:

Fireside, air preheater and economizer wastes are generated approximately once a year from each unit (during outages) and result in approximately 3,000 gpd. These wastes are collected in a sump and pumped to the surge pond.

Bottom Ash Transport Water System (BATW) Purge Water

Bottom ash from the ash hoppers is routed to the Submerged Flight Conveyor (SFC). The SFC consists of a large rectangular tank which contains a long drag chain conveyor. The conveyor moves very slowly (a few feet per minute) and continuously transports ash up the inclined chain until ash is dropped into a concrete bunker. Ash continuously dewateres as it travels the length of the chain conveyor and continues to dewater (to an extent) in the bunker. Any water that is released in the bunker is captured and routed back into the system. From the SFC system, Bottom Ash Transport Water (BATW) is pumped back up to the units for re-use in transporting additional ash back to the SFC for dewatering. Bottom ash collected in the bunker is loaded into trucks and either transported off-site for beneficial use or for disposal in the on-site ash landfill.

Discharges from the BATW system are minimal. Water purged from the BATW system would be associated with maintenance/repair activities and water imbalances within the system due to stormwater inflow or water chemistry. Two Overflow Tanks which are part of the BATW system provide water balancing capabilities. In addition, two bins serve as maintenance tanks to allow for storage of BATW in the event that some portion (or all) of the bottom ash handling system must be drained for a maintenance activity.

Ash-Disposal Area and Switchyard Runoff:

Runoff from the ash disposal area, which may include runoff from the switchyard area, flows to the surge pond. Runoff from the ash disposal area accounts for approximately 600,000 gpd of wastewater.

Turbine Area Floor and Equipment Drains:

Wastewater from the turbine area floor and equipment drains flow into an oily waste retention basin which provides gravity separation and surge capacity. Effluent from this basin flows through two parallel plate oil separators and into the surge pond. Turbine area floor and equipment drains account for approximately 430,000 gpd of wastewater.

Coal Pile Runoff:

Rainfall runoff from the coal storage area drains to the surge pond. Based on the average annual rainfall of 50 inches, approximately 626,000 gpd of coal pile runoff is produced. This runoff is combined with drainage from settling pond/settling area and other areas in the station leading to the surge pond.

Ash Landfill Leachate:

Leachate drains from the permitted ash landfill and is pumped to the conveyance which leads to the surge pond.

OUTFALL 01I - COOLING TOWER BLOWDOWN:

The recirculating cooling water system is the largest water-use system at the Independence Plant and is the key element in the station's water reuse scheme. Each unit utilizes a natural draft cooling tower to dissipate waste heat transferred through the station's steam condenser system.

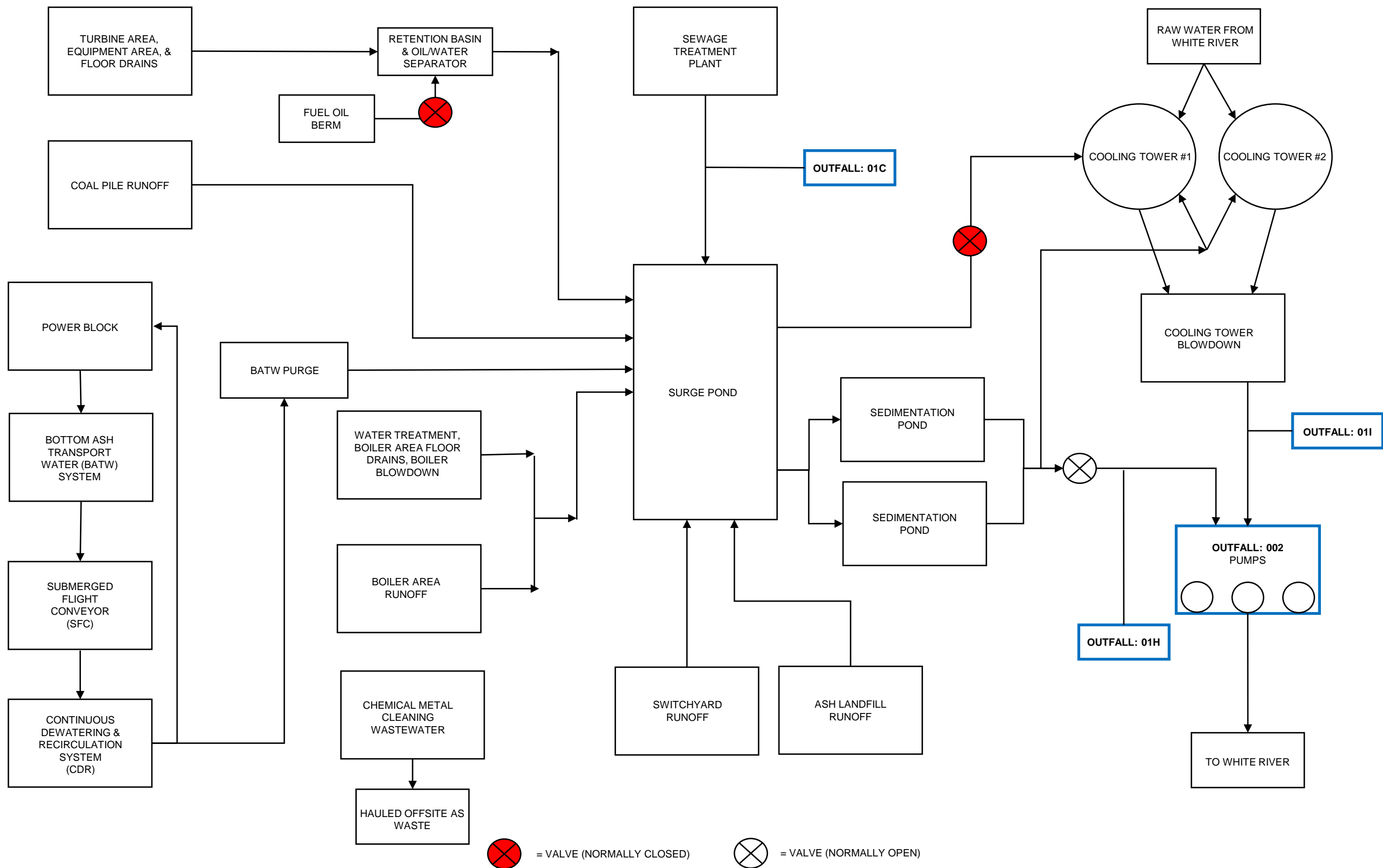
The main condenser for each unit requires up to 310,000 gallons per minute (gpm) of cooling water from their respective cooling towers. At design conditions each cooling tower will evaporate in excess of 8000 gpm.

Chemicals are added to the recirculating cooling water system to control system chemistry and prevent physical or biological fouling of the system. Sulfuric acid is added to the recirculating system to control pH. Currently, dichloroisocyanuric acid is added to prevent biological growth from accumulating in the system, while chemicals such as didecyldimethylammonium chloride are added to control algae growth. A phosphate based cooling tower treatment chemical is used for steel corrosion and scale prevention. Other chemicals like sodium mercaptobenzothiazole are used to control copper corrosion. A polymer is used as silt dispersant and scale inhibitor. A continuous blowdown from each tower is used to maintain the desired cooling water chemistry and to control the cycles of concentration within the recirculating cooling water system. The blowdown from each tower is monitored for flow, temperature, and pH. The blowdown from the two towers combines in a common sump from which the cooling tower blowdown is pumped directly to the river.

OUTFALL 002 - COMBINED WASTEWATER:

Outfall. 002 represents the combined discharges from the cooling tower blowdown (Outfall 01I) and the neutralization precipitation discharge (Outfall 01H) from the sedimentation pond measured prior to discharge to the White River.

Process Flow Diagram



WATER BALANCE FLOW DIAGRAM

INDEPENDENCE PLANT

ENTERGY ARKANSAS, LLC
NEWARK, ARKANSAS

Bottom Ash Transport Water System Assessment and Certification



Professional Engineer Certification of Bottom Ash System Discharge for Independence Steam Electric Station

Project Number: 60668649

January 9, 2023

Revision 0

Privileged & Confidential; Prepared at the Request of Counsel



Table of Contents

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P. E. Certification..... 2

1.0 Introduction..... 3

2.0 BA System Description 4

3.0 Estimated Volume of Primary Active Wetted BA System 5

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5.0 Facility Process Flow and Wastewater Treatment Review..... 8

6.0 Conclusions 9

Appendices 10



Federal Register §423.19 Requirement Index

The requirements stipulated in Federal Register §423.19(c)(1) for PE Certification of Bottom Ash Purge Volume are addressed in this document. The index below correlates the specific requirements of the certification statement content to the page numbers where the content appears.

Item	Regulation Details	Report Page(s)
§423.19 (c) (2) Signature and Certification	The certification statement must be signed and certified by a professional engineer	Page 2
§423.19 (c) (3) (A)	A statement that the professional engineer is a licensed professional engineer	Page 2
§423.19 (c) (3) (B) & (C)	A statement that the professional engineer is familiar with the regulation requirements and facility.	Page 2
§423.19 (c) (3) (D)	The primary active wetted bottom ash system volume in § 423.11(aa)	Page 6
§423.19 (c) (3) (E)	Material Assumptions, information, and calculations used by the certifying professional engineer to determine the primary active wetted bottom ash system volume	Pages 4-6
§423.19 (c) (3) (F)	A list of all potential discharges under § 423.13(k)(2)(i)(A)(1) through (4) or §423.16(g)(2)(i)(A) through (D), the expected volume of each discharge, and the expected frequency of each discharge	Page 7
§423.19 (c) (3) (G)	Material assumptions, information, and calculations used by the certifying professional engineer to determine the expected volume and frequency of each discharge including a narrative discussion of why such water cannot be managed within the system and must be discharged	Page 7, Appendix A1
§423.19 (c) (3) (H)	List of all wastewater treatment systems at the facility currently, or otherwise required by a date certain under this section	Page 8
§423.19 (c) (3) (I)	Narrative discussion of each treatment system including the system type, design capacity and current or expected operation	Page 8



P. E. Certification

I, John E. Waggener, Jr., am a registered Professional Engineer in the State of Arkansas (No. 7759) and 14 other states. I am very familiar with the October 13, 2020, Steam Electric Reconsideration Rule, as I have worked nationally since 2011 with the power industry during the development of the final rule.

I am familiar with the Independence Steam Electric Station (ISES) and have been collaborating with a team of AECOM engineers, familiar with the facility, to develop this certification report. We have worked closely with the facility personnel to assess the facility systems and purge volume.

Based on the detailed analysis in this report, I certify that the facility is in compliance with the Bottom Ash allowable discharge volume.

A handwritten signature in blue ink, reading "John E. Waggener, Jr.", is positioned above the printed name.

John E. Waggener, Jr. P. E.
Arkansas PE No. 7759



1.0 Introduction

Entergy Corporation operates the Independence Steam Electric Station (ISES) in Arkansas, which consists of two electric generating units (Units 1 & 2) that burn low-sulfur coal to yield a total generating capacity of 1800 MW (900 MW per unit). This facility operates a Continuous Dewatering and Recirculation (CDR) closed-loop system with a Remote Submerged Flight Conveyor (SFC) to separate bottom ash (for disposal) from bottom ash transport water (BATW) that is recycled back to the system. The Remote SFC was installed in the fall of 2019.

John Waggener, P.E along with associate engineers from AECOM, was contracted to review and assess the operational practices associated with bottom ash (BA) dewatering and BATW management for the BA system at the ISES facility and to review / certify that the system is in compliance with the Steam Electric Reconsideration Rule Effluent Limitation Guidelines (ELG) (40 CFR Part 423). The objective was to assess the current operation and any existing discharges, determine the minimum discharge purge rate from the BA system to maintain the water balance at design conditions, and compare the observed and calculated discharge rates against the allowable discharge rate under the ELG. As part of this objective, several tasks were executed:

- Development of a BA system block diagram illustrating water sources, discharges, or other dispositions;
- Identification of all flows into and out of the BA system to determine source, volume (i.e., flowrate), excess water incursions, non-allowable releases, and any leaks or maintenance issues in the system;
- Calculation of the volume of the primary active wetted BA system per the EPA Steam Electric Reconsideration Rule, 40 CFR Part 423 to determine the allowable discharge;
- Determination that the ISES BATW purge does not exceed 10% of the primary active wetted BA system on a 30-day rolling average; and
- Review of all other wastewater treatment systems within the facility.

For this report, the AECOM team reviewed existing documents for the BA system at ISES, including process flow diagrams (PFDs), piping and instrument diagrams (P&IDs), operational procedures, general arrangements (GA), installation & operating manuals (IOMs), equipment drawings, and civil and structural drawings. The AECOM team has conducted several site visits to review the current operation and the source and destination of water streams associated with the BA system. The latest site visit occurred on October 18, 2022. The data/observations gathered, and the additional information provided by the client via requests for information (RFIs) are the basis for this report.

2.0 BA System Description

The BA system at ISES was installed when the plant was built and was modified in 2019 to incorporate the United Conveyor Company (UCC) designed CDR System. An overview of the BA system equipment and a comparison of the plant's operation to the BA system design is provided in the subsequent sections. P&IDs M-55292-08-003 Sheets 1&2 contained within the report in Appendix A.1/2 can be used as references for process connections.

The BA system at ISES consists of several pieces of equipment:

- BA Hoppers A/B/C (VVV type) - one set per unit
- Pyrite Hoppers A-H - one set per unit
- Pyrite Transfer Tank - one per unit
- Two strainers in the Low-Pressure Ash Water (LPAW) piping to the BA Hoppers (one operating/one spare) - one set per unit
- Remote Submerged Flight Conveyor (SFC) with Lamella Plates - common for both units
- Surge Tank - common for both units
- Overflow Tanks A/B – common for both Units
- Maintenance Tanks A/B - common for both Units
- Recirculation System:
 - Three High-Pressure Ash Water (HPAW) Pumps (one operating per unit with one spare))
 - Six LPAW Pumps (two operating per unit with one spare per unit)
- BA Sump and Pumps (with VFD, one operating/one spare) - one set per unit
- Equipment Area Sump and Pumps - common for both units
- BA Dewatering Bunker and Bunker Area Sump and Pumps - common for both units
- LPAW Pumphouse Sump and Pump - common for both units



3.0 Estimated Volume of Primary Active Wetted BA System

The total allowable purge from a BA system is defined by the Environmental Protection Agency (EPA) as 10% or less of the volume of the primary active wetted BA system per day on a 30-day rolling average. Thus, to determine the total allowable purge per day for ISES, AECOM first estimated the volume of the primary active wetted BA system following the definition provided by the EPA in the rule published August 2020¹ and the normal operating conditions for plant equipment:

"... maximum volumetric capacity of bottom ash transport water in all non-redundant piping (including recirculation piping) and primary tanks (e.g., bins, troughs, clarifiers, and hoppers) of a wet bottom ash system, excluding the volumes of surface impoundments, secondary bottom ash system equipment (e.g., installed spares, redundancies, and maintenance tanks), and non-bottom ash transport systems that may direct process water to the bottom ash system."

Table 3-1 lists equipment volumes and the total primary active wetted BA system volume for ISES. These calculations are based on equipment drawings, piping drawings, GAs, P&ID information, and civil/structural drawings provided by Entergy for the BA system. Table 3-2 summarizes the calculated active wetted volume for ISES and the estimated quantity of allowable purge. The wetted active BA system volume is approximately 839,758 gallons. Therefore, the allowable purge volume per day on a 30-day rolling average is 83,976 gallons.

¹ EPA, 40 CFR Part 423, Steam Electric Reconsideration Rule, Final Rule. August 31, 2020.

Table 3-1: Summary of Volume of the Primary Active Wetted BA System for ISES.

Equipment	Quantity per Unit	Total Quantity	Dimensions (L x W x D) or Capacity	Total Volume (gallons)
Pyrites Hopper	Eight per Unit	16	ID 3.5 ft x Length 7 ft	3,232
Pyrites Transfer Tank	One per Unit	2	Conic Tank: ID 12 ft x Length 14 ft	16,463
Bottom Ash Hopper	Three per Unit	6	Active Volume per Hopper 12,298 gallons	73,788
Submerged Flight Conveyor	SFC System - Common for both Units	1	Vendor information Normal water capacity: 136,000 gallons	136,000
Surge Tank	SFC System - Common for both Units	1	Active Water Volume 100,250 gallons	100,250
Overflow Tanks	SFC System – Common for both Units	2	Overall: 35 ft ID x 47 ft Tall Cone Bottom Tank	417,503
Bottom Ash Hopper Area Sump	One per Unit	2	12 ft x 5.7 ft x 10.3125 ft	10,554
Equipment Area Sump	SFC System - Common for both Units	1	20 ft x 10 ft x 11 ft	16,457
Bunker Area Sump	SFC System - Common for both Units	1	10 ft x 10 ft x 7.5 ft	5,236
LPAW Pumphouse Sump	SFC System - Common for both Units	1	4 ft x 4 ft x 5 ft	598
Piping Volume				59,681
Estimated Primary Active Wetted BA Volume System				839,758

Table 3-2: Estimated Allowable Purge for ISES Power Plant

Parameter	Units	ISES
Wetted BA System Volume	gallon	839,758
Allowable Discharge Limit, 30-day Rolling Average (10% of Wetted BA System Volume)	gpd	83,976

4.0 BA Discharge Volume

ISES measures and records the existing regulated discharge volume with a magnetic flow meter on the blowdown from the Surge Tank. Blowdown systems operate with an approximate 25 gpm instantaneous maximum flow. The flow records show that the intermittent use of the blowdown has resulted in a discharge of 15,000 to 17,000 gallons per day (over a 30-day rolling average) which is less than the allowable daily discharge limit. This purge is required to maintain a neutral water balance. Fresh water flow into the BA handling system can exceed the volume of water leaving the system during single unit and low load operation as a result of pump seal water flows, area washdown flows, and rainfall events. Thus, some of the water in the system must occasionally be discharged to maintain a neutral water balance, and potentially the control of contaminant levels and corrosion in the BA system. These instances that result in discharge of water are allowable under §423.13(k)(2)(i)(A)(1) and §423.13(k)(2)(i)(A)(4). Specifically, ISES expects the following daily discharges as described in §423.13(k)(2)(i)(A):

Table 4-1: Summary of Discharge Volumes

Regulatory condition	Expected Daily discharge volume (gallons)
(1) To maintain system water balance when precipitation-related inflows are generated from storm events exceeding a 10-year storm event of 24-hour or longer duration (e.g., 30-day storm event) and cannot be managed by installed spares, redundancies, maintenance tanks, and other secondary bottom ash system equipment;	<17,000
(2) To maintain system water balance when regular inflows from wastestreams other than bottom ash transport water exceed the ability of the bottom ash system to accept recycled water and segregating these other wastestreams is not feasible; or	<17,000
(3) To maintain system water chemistry where installed equipment at the facility is unable to manage pH, corrosive substances, substances or conditions causing scaling, or fine particulates to below levels which impact system operation or maintenance; or	<17,000
(4) To conduct maintenance not otherwise included in paragraphs (k)(2)(i)(A) (1), (2), or (3) of this section and not exempted from the definition of transport water in § 423.11(p), and when water volumes cannot be managed by installed spares, redundancies, maintenance tanks, and other secondary bottom ash system equipment.	<17,000

Details of the calculated BA system flows and purge are included in Appendix A.1. The appendix describes the normal and worst-case operating scenarios with respect to water flow.

5.0 Facility Process Flow and Wastewater Treatment Review

The overall raw water intake, treatments, usage, and discharge to the river are depicted in Appendix A.2, "Facility Process Flow Diagram." The diagram presents the estimated water flow throughout the entire plant system. The majority of the water used in the process is supplied by the river. Other water sources are groundwater wells and rainfall. Most of river intake water is evaporated in the process cooling tower system.

Other wastewater treatment systems at the facility include:

- A. Oily Water treatment system
 - a. Oil / Water separator used to treat water collected in the drains from the turbine area.
 - b. Oil is skimmed from the surface of the water and collected for disposal.
 - c. Treated water is discharged intermittently to the Surge Pond.
 - d. Average system flow is presented as Stream 20 in Appendix A.2.
- B. Sanitary Waste Treatment system
 - a. Wastewater from the site potable water and sanitary drains is treated to reduce total suspended solids, nitrates, and biological contaminants.
 - b. Treated water is discharged to the surge pond.
 - c. Average system flow is presented as stream 26 in Appendix A.2.
- C. Sedimentation Ponds
 - a. Discharges from the Surge Pond are processed through the Sedimentation ponds where any suspended solids are gravity settled.
 - b. The treated water is returned to the cooling tower blowdown sump and the inlet to the cooling towers.
 - c. Average flow to the Sedimentation Ponds is presented as Stream 27 in Appendix A.2.

6.0 Conclusions

The objective of this assessment was to assess the current operation and any existing discharges, determine the minimum discharge rate from the BA system to maintain the water balance in the system operating at design conditions, and compare the observed and calculated discharge rates against the allowable discharge rate under the revised Effluent Limitation Guidelines (ELG). As part of this assessment, AECOM arrived at several conclusions:

1. The total active wetted volume of the BA system was calculated to be 839,758 gallons. The resulting allowable system purge is 83,976 gallons per day as calculated on a 30-day rolling average.
2. An instantaneous blowdown flow of 25 gpm is the only means by which BATW is purged from the BA system. The intermittent use of blowdown has resulted in a discharge of 15,000-17,000 gallons per day (30-day average) and is within the allowable daily discharge limit.
3. There is a very low probability that the allowable purge discharge volume will be exceeded even in the event of heavy rainfall or equipment outages.
4. Water inventory in the Overflow and Maintenance tanks must be closely managed to ensure adequate storage capacity for normal and maintenance surge events. Water volumes in the tanks can be managed with blowdown while maintaining compliance with discharge limits.

Appendices

A1. Purge Calculation Support Details

A2. Facility Process Flow Diagram, October 19, 2022



APPENDIX A.1 Purge Calculation Support Details

1.0 BA System Block Flow Diagram and Water Balance

AECOM prepared water balances to assess the ability of the existing BATW to manage surge flows. Plant operation includes sluicing and non-sluicing conditions which occur at different times-throughout the day. To provide a consistent basis of flow throughout the system, AECOM tabulated all flow rates on a 30-day, time-averaged basis and provided station-based flows for both operational modes within the water balance for the plant.

1.1 Design Basis

Table 1-1 presents a high-level summary of the parameters that affect the water balance of the BA system at ISES. The plant was modeled at design conditions at its maximum load profile with both one and two units in operation along with several additional cases, discussed in Section 1.4. Continual usage of HPAW pump seal water during both sluicing and non-sluicing mode was captured. Furthermore, 10-year historical weather data from the National Oceanic and Atmospheric Administration (NOAA) was used to determine average rainfall addition.

Excess water volumes in the system due to surge or maintenance events were compared to the allowable 30-day purge volume (2,519,280 gallons).

Table 1-1. BA System Water Balance Design Basis Summary.

Parameter	Units	Water Balance Assumptions		Notes
Plant	-	ISES		
Operational Case	-	Single Unit Design	Dual Unit Design	
No. Operating Units	-	1	2	
Load Profile	-	Full (900 MW)		
Continual High-Pressure Ash Water (HPAW) Pump Operation?	(Y/N)	Y		A value of "Y" corresponds with continual operation and recirculation of HPAW throughout the system.
Normal Rainfall	(Y/N)	Y		The surface area for the WB facility was used as a proxy for the surface area of the Independence facility. Average monthly and daily rainfall were calculated from the 10-year historic rainfall data for Little Rock provided by the National Oceanic and Atmospheric Administration (NOAA).

1.2 Key Operating Assumptions

Key design and operating assumptions used to produce the water balance and BFD for Independence are provided in the list below.



1. Station flows are represented on the BFD which consists of a BA system for each unit and common equipment at the Remote SFC.
2. Streams are represented on a 30-day basis, including time-averaging of sluicing and non-sluicing conditions.
3. A single unit sluices at a time.
4. Two LPAW Pumps in service continuously per operating unit
5. At ISES, one HPAW pump per operating unit runs continuously, even when not sluicing (or if the unit is offline) and requires an accompanying two LPAW pumps.
6. Only process streams representing plant design were considered in the balance, which excluded any intermittent or normally no flow (NNF) and inactive streams denoted on the BFD and summarized below:
 - a. S13 & S14, Emergency Wall Cooling & Seal Trough.
 - b. S13A, Emergency Pyrite Hoopers (PH) Sluicing lines.
 - c. SFC Bypass.
 - d. S39, SFC Drains.
 - e. S38, SFC Emergency Overflow.
 - f. S12, LPAW Pumps to Low-Pressure Pumphouse Sump.
 - g. S46, Low-Pressure Pumphouse Sump to Equipment Sump.
 - h. S47 & S48, Equipment Sump to Maintenance Tanks.
7. HPAW Demand: User demand for the BAH Nozzles, PH Jet Pumps and Nozzles, Pyrite Transfer Tank (PTT) Jet Pumps were set via the provided P&IDs from both facilities. The remainder of HPAW flow was assumed to flow through the BAH Jet Pumps.
8. LPAW Demand: The demand of LPAW make-up water to the BAH was varied to balance the remainder of LPAW after accounting for the demand of Agitation Nozzles, Wall Cooling and Seal Trough, miscellaneous LPAW users (BAH Windows during sluicing and BAH Vacuum Relief Valves) set via the provided P&IDs from both facilities.
9. The flow of gravity drained water from the Bunker Area to the Bunker Sump (S35) was assumed to occur continuously at the provided flow rate of 51 gpm per operating unit from existing plant P&IDs (P&ID M-55292-08-008 RevE).
10. The LPAW Pump header recirculation piping (S-10) was assumed to continuously flow per the normally open valve on UCC P&IDs. Flow to the LPAW users was reduced by 1,000 gpm per operating LPAW pump based on the sized orifice plate on the recirculation line (P&ID M-55292-08-011 RevE).
11. BAH Overflow was assumed to occur during non-BAH sluicing at the volumetric flowrate of 500 gpm (provided on the following P&IDs M-55292-08-004/5 Rev E).
12. Rainfall:
 - a. Normal Rainfall: Average monthly and daily rainfall were calculated from the 10-year historical rainfall data for Little Rock provided by the National Oceanic and Atmospheric Administration (NOAA) for the Little Rock, AR location, <https://www.weather.gov/wrh/Climate?wfo=lzk>.
 - b. Rainfall Stresses:
 - The 10-year/30-day storm event was used for maximum rainfall over a 30-day duration and is defined as the rainfall experienced over a 30-day period for a once in a 10-year storm event.

- Use of a 10-year/24-hour storm event was used for maximum rainfall over a 24-hour duration and is defined as the amount of rainfall experienced over a single day period for a once in a 10-year storm event.
 - c. The surface area of the Remote SFC System for ISES was assumed to be the same as the area at Entergy White Bluff (equipped with identical SFC system) for rainfall calculation purposes. The drawings provided for ISES did not depict the entire Remote SFC area (Dwg No.3003-11).
 - d. Coordinates for rainfall point precipitation frequency estimates were determined from a Google Earth search.
 - e. Both Partial Duration Series (PDS) and Annual Maximum Series (AMS) data were obtained from the NOAA (National Oceanographic & Atmospheric Administration) Atlas 14 Time Series Database for a 10-yr/30-day storm event, where the PDS value was selected for conservative design with a higher value than the AMS value. This logic was then applied to the 10-yr/24-hour storm event.
13. Area Washdown Flows: Area washdown streams were assumed to operate at a flowrate of 200 gpm per plant operations.

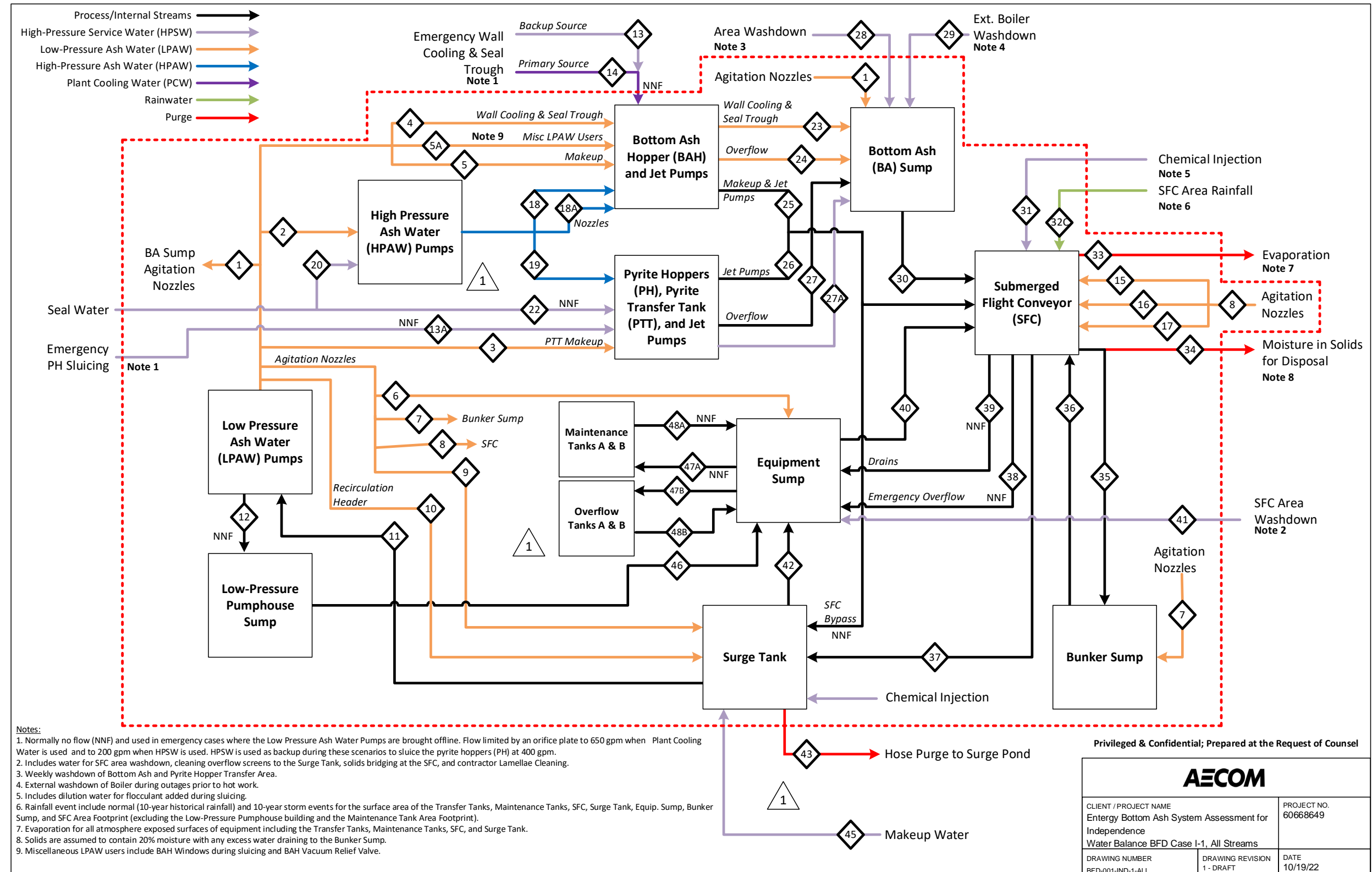
1.3 Water Balance & Block Flow Diagrams

Figure 1-1 illustrates the updated BFD for the water balance of ISES. Full-sized copies of the associated stream tables are provided in Appendix 2. Stream types are noted using the color-coding in each figure, where:

- Black is an internal stream (a combination of multiple stream types),
- Lavender is a High-Pressure Service Water (HPSW) freshwater stream,
- Orange is a LPAW stream,
- Blue is an HPAW stream,
- Purple is a plant cooling water (PCW) stream,
- Green is a rainfall stream, and
- Red is for discharge (purge) streams.

The system boundaries have been denoted with a red dotted line. Some streams cross the boundary flow into or out of the BA system, depending on arrow direction. Any accumulation within the system is assumed to occur at the Surge Tank.

Figure 1-1. Block Flow Diagram for All Streams of ISES.





1.4 Water Balance Cases & Key Results

AECOM developed six water balances cases for ISES to study the effect of normal plant operations (two cases) and stress operations (four cases) on the BA system and allowable discharge rate. The stress cases represent the worst-case conditions of freshwater input due to excessive rainfall or LPAW pump outage events on both 30-day and 24-hour durations. The stress cases were considered as isolated events. AECOM did not consider simultaneously occurring stress events, such as a heavy rainfall event and subsequent LPAW outage in the same 30-day period or 24-hour period, and analyses are limited to reviewing each event independently. Similarly, the balances do not include accommodation for existing water inventory in the maintenance or overflow tanks.

1.4.1 Case Summary

The purpose of the Normal Water Balance Cases (Case 1A and Case 1B) is to determine the minimum discharge rate from the BA system to maintain the water balance in the system operating at design conditions and compare the discharge rate against the allowable discharge rate. The balances were considered with one unit and two units operating, Case 1A and Case 1B, respectively. The purpose of the Stress Water Balance Cases (Cases 2 through 5) is to determine the additional system discharge necessary to maintain the water balance after large water influxes and compare that value to the 30-day allowable discharge.

These cases are also used to assess the system's capacity to absorb and store incoming water from events on top of plant operation on a 24-hour duration (Capacity Stresses). Stress cases were all considered for a single unit operation. The normal and stress cases are summarized in Table 1-2 below.

Table 1-2. Summary of Water Balance Cases.

Case No.	Case Description	Duration	Details & Assumptions
1A	Normal, one-unit	30-day	Average monthly rainfall, normal washdown of the BA & SFC area, typical sluicing-related users (chemical injection).
1B	Normal, two-unit	30-day	Identical to Case 1A, but with two operating units.
2	Rainfall Stress	30-day	Identical to Case 1A, but with a 10-year/30-day storm event and no washdowns of the outdoor SFC area (extended rainfall likely cleans this area).
3	LPAW Outage Stress (with sluicing)	30-day	Identical to Case 1A, but with an LPAW outage event occurring (emergency wall cooling & seal trough and PH sluicing flows).
4	Heavy Rainfall Stress (with sluicing)	24-hour	A 10-year/24-hour storm event, typical sluicing-related users, and no washdowns during the rare storm event (as operations would be aware of the additional water stress on the system).
5	LPAW Outage (no sluicing)	24-hour	An LPAW outage event occurring with typical sluicing-related users not operating (except for continual HPAW seal water, independent of pump operation) as the HPAW pumps would not be operating. No washdowns are expected (operations would be occupied repairing the outage) and average daily rainfall is included.



1.4.2 Key Results

The results from each case have been tabulated in Tables 1-3, 1-4, and 1-5. Tables 1-3 and 1-4 provide a summary of volume addition by stream type crossing the system boundary.



Table 1-3. BA System Boundary Stream Flow Summary for ISES, by Stream Type, Case 1A-3.

Stream Type	Case 1A: Normal, Single-Unit Operation (gallons)	Case 1B: Normal, Dual-Unit Operation (gallons)	Case 2: 10- Year/30-Day Rainfall (gallons)	Case 3: Pump Outage (gallons)
	30-Day Duration			
High Pressure Service Water (HPSW) ¹	1,284,771	1,609,543	1,188,771	1,308,771
Plant Cooling Water (PCW) ¹	-	-	-	312,000
Rainfall (R) ¹	160,083	160,083	500,916	160,083
Evaporation (Evap) ¹	(168,767)	(168,767)	(168,767)	(168,767)
Moisture in Solids (Solids) ¹	(738,417)	(1,476,834)	(738,417)	(738,417)
Summary of Streams¹	537,670	124,025	782,504	873,670
30-Day Discharge Allowance ^{1,2}	(2,519,280)	(2,519,280)	(2,519,280)	(2,519,280)
Discharge Margin^{1,3}	(1,981,610)	(2,395,255)	(1,736,776)	(1,645,610)
Percentage of 30-Day Allowable Discharge Used	21%	5%	31%	35%
Percentage of 30-Day Allowable Discharge Remaining	79%	95%	69%	65%

1. Positive values indicate an influx of water to the system, whereas negative values denote discharges from the system.

2. 30-day Discharge Allowance is based on total wetted volume of the system indicating a total of 83,976 gallons can be discharged per day. This value was multiplied by 30-day, yielding a total limit of 2,519,280 gallons over the 30-day period.

3. Discharge Margin is defined as the difference between the net accumulation in the system and the allowable discharge.

Table 1-4 includes the volume addition from the Capacity Stress cases on a 24-hour basis and the available margin between the volume addition and the overflow or maintenance tank storage capacity.



Table 1-4. BA System Boundary Stream Flow Summary for ISES, by Stream Type, Cases 4 -5.

Stream Type	Case 4: 10-Year/24-Hour Rainfall (gallons)	Case 5: Pump Outage (gallons)
	24-Hour Duration	
High Pressure Service Water (HPSW) ¹	29,340	52,800
Plant Cooling Water (PCW) ¹	-	312,000
Rainfall (R) ¹	189,858	5,336
Evaporation (Evap) ¹	(5,626)	(5,626)
Moisture in Solids (Solids) ¹	(24,614)	(24,614)
Net Volume to Store or Purge	188,958	339,897
Volume of Overflow Tanks	417,499	--
Volume of Maintenance Tanks	--	417,499
Remaining Tank Capacity after Stress Event	228,540	77,601
Percentage of Tank Volume Used	45%	81%
Percentage of Tank Volume Remaining	53%	19%

1. Positive values indicate an influx of water to the system, whereas negative values denote discharges from the system.

Table 4-5, at the end of this section, provides a detailed view of each water user and its stream type that contribute to the positive water balance.

Specific analysis for each of the cases are described in the subsections below: Normal Operation (Case 1A and 1B), Allowable Discharge Stresses (Case 2 and Case 3), and Capacity Stresses (Case 4 and Case 5).

1.4.2.1 Normal Operation -Case 1A and Case 1B

As illustrated in Table 4-3, the water balance in the BA system over 30 days under normal operation with either one or two units is positive, meaning water must be discharged from the system to maintain a neutral balance. This is largely due to continued use of HPAW seal water regardless of sluicing conditions. When a single unit operates at full load, the plant must discharge 537,670 gallons over 30 days or a continuous 12.5 gpm stream (Case 1A) compared to 124,025 gallons over 30 days or a continuous 3 gpm stream (Case 1B) when operating two units at full load.

The plant is allowed to discharge 10% of its primary wetted bottom ash system volume per day, which equates to 83,976 gpd, as calculated as a 30-day rolling average. Thus, in any given 30-day period, the maximum volume of BATW the plant can discharge is 2,519,280 gallons. Discharges in excess of this volume would constitute a non-allowable purge. Calculated purge requirements for the cases examined are significantly less than the allowable discharge volume. For example, normal operation of the plant with either one or two units operating at full load should only require 21% or 5% of the 30-day allowable discharge, respectively.

Based on site data collected during single unit operation at variable load, ISES intermittently discharges approximately 25 gpm through a 1" hose, equating to roughly 550,000 gallons over a 30-day period – 22% of the allowable discharge volume. The observed purge during single-unit operation is very similar to the calculated, required purge..



1.4.2.2 Case 2 and Case 3

Case 2 and Case 3 represent excessive rainfall and LPAW pump outage stresses. The stress cases were modeled assuming a single-unit operation as a single-unit operation provides the most conservative net accumulation result. As stated previously, in each of the cases, stresses are applied separately of one another. AECOM did not consider simultaneous stress events, such as a heavy rainfall event and subsequent LPAW outage in the same 30-day period or 24-hour period, and analyses are limited to reviewing each event independently. Similarly, the cases do not consider an active water volume in the maintenance tanks that is also being managed with the stress water volume.

As noted in Table 1-3, the rainfall stress (Case 2) and the LPAW outage stress (Case 3) required purge rates of 782,504 and 873,670 gallons, respectively, which are less than the 30-day allowable discharge volume. This would indicate that the system has capacity to handle and discharge high water volume events such as a storm or LPAW pump outage within the current discharge limit.

1.4.2.3 Capacity Stresses -Case 4 and Case 5

Case 4 and Case 5 represent a 24-hour duration stress for excessive rainfall or LPAW pump outages. The influx of water in the short, high volume events is compared to the available storage provided by the two Overflow and two Maintenance Tanks.

Per Table 1-4, the short-duration rainfall stress (Case 4) yields a volume of 188,958 gpd, which is well within the capacity of the Overflow Tank to manage during normal operation. LPAW outage stress (Case 5) generates a volume of 339,897 gpd which should be stored within the Maintenance Tanks as needed. These events would utilize 46% of the Overflow Tank volume and 81% of the total Maintenance Tank volume, respectively. The system therefore has capacity to store water generated by the short duration, high volume events. ISES will need to closely monitor tank levels and manage blowdown rates within discharge limits to effectively manage water inventory before another surge event occurs.

Table 4-5 provides additional insight on specific streams and flowrates which contribute to this event.

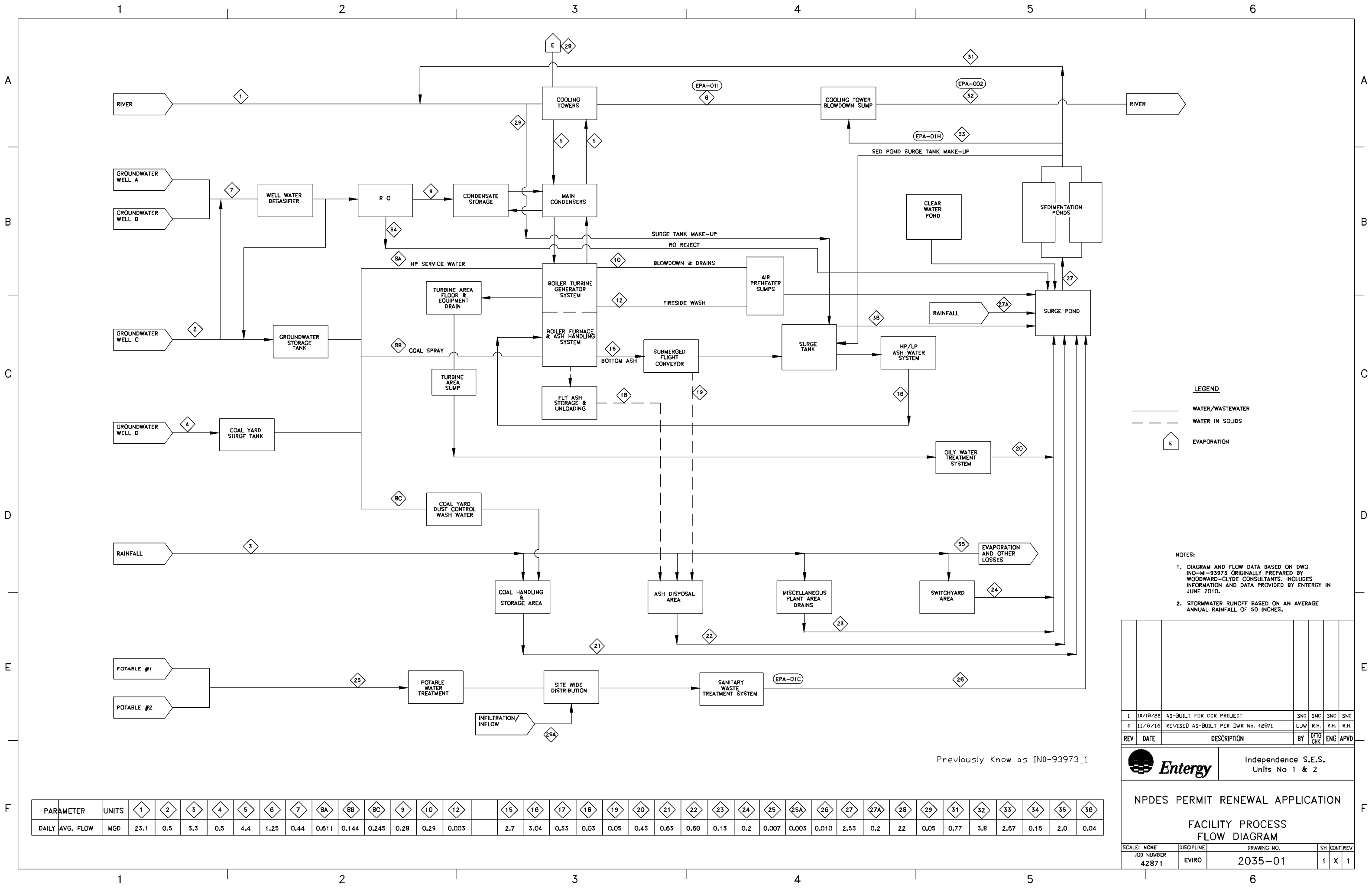
Table 4-5. BA System Boundary Stream Flow Summary for ISES, Detailed.

Stream No.	Stream Description	Stream Type ¹	Case 1A: Normal, Single-Unit Operation (gallons)	Case 1B: Normal, Dual-Unit Operation (gallons)	Case 2: Allowable Discharge Stress, 10-Year/30-Day Rainfall (gallons)	Case 3: Allowable Discharge Stress, Pump Outage (gallons)	Case 4: System Capacity Stress, 10-Year/24-Hour Rainfall (gallons)	Case 5: System Capacity Stress, Pump Outage (gallons)
			30-Day Duration			24-Hour Duration		
13_In st	Emergency Wall Cooling & Seal Trough - Secondary Source - Instantaneous	HPS W	-	-	-	-	-	-
13A_In st	Emergency PH Sluicing – Instantaneous	HPS W	-	-	-	24,000	-	24,000
14_In st	Emergency Wall Cooling & Seal Trough - Primary Source - Instantaneous	PCW	-	-	-	312,000	-	312,000
20	Seal Water to HPAW Pumps	HPS W	864,000	864,000	864,000	864,000	28,800	28,800
21	Seal Water to BAH Crushers ¹	HPS W						-
22	Seal Water to PH	HPS W	-	-	-	-	-	-
28	BA & Pyrite Area Washdown to BA Sump	HPS W	308,571	617,143	308,571	308,571	-	-
29	External Boiler Washdown to BA Sump	HPS W	-	-	-	-	-	-
31	Flocculant Chemical Injection	HPS W	16,200	32,400	16,200	16,200	540	-
32A	10-year / 30-day Rainfall to SFC Area	R	-	-	500,916	-	-	-
32B	10-year / 24-hour Rainfall to SFC Area	R	-	-	-	-	189,858	-
32C	30-Day Average Rainfall to SFC Area	R	160,083	160,083	-	160,083	-	-
32D	24-hour Average Rainfall to SFC Area	R	-	-	-	-	-	5,336
41	Total SFC Area Washdown	HPS W	96,000	96,000	-	96,000	-	-
45	Make-up Water to Surge Tank	HPS W	-	-	-	-	-	-
33	Evaporation	Evap	(168,767)	(168,767)	(168,767)	(168,767)	(5,626)	(5,626)
34	Moisture In Solids for Disposal	Solids	(738,41)	(1,476,8)	(738,41)	(738,41)	(24,614)	(24,614)



			7)	34)	7)	7))
Calculated Purge			(537,67 0)	(124,02 5)	(782,50 4)	(873,67 0)	188,958	339,89 7

¹ Crusher seal water has been eliminated from the system.



LEGEND

- WATER/WASTEWATER
- - - WATER IN SOLIDS
- E EVAPORATION

NOTES:

- DIAGRAM AND FLOW DATA BASED ON DWG INO-MI-93973 ORIGINALLY PREPARED BY WOODWARD-CLYDE CONSULTANTS. INCLUDES INFORMATION AND DATA PROVIDED BY ENTERGY IN JUNE 2010.
- STORMWATER RUNOFF BASED ON AN AVERAGE ANNUAL RAINFALL OF 50 INCHES.

1	10/19/22	AS-BUILT FOR CCR PROJECT	SNC	SNC	SNC	SNC
0	11/9/16	REVISED AS-BUILT PER DWR No. 42071	LJW	R.H.	R.H.	R.H.
REV	DATE	DESCRIPTION	BY	CHK	ENG	APVD

Entergy Independence S.E.S. Units No 1 & 2

NPDES PERMIT RENEWAL APPLICATION

FACILITY PROCESS FLOW DIAGRAM

SCALE: NONE	DISCIPLINE	DRAWING NO.	SH	CONT	REV
JOB NUMBER 42871	EVIRO	2035-01	1	X	1

Certificates of Good Standing



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LLC Member information is now confidential per Act 865 of 2007

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For service of process contact the [Secretary of State's office](#).

Corporation Name	ENTERGY ARKANSAS, LLC
Fictitious Names	
Filing #	811182061
Filing Type	Foreign Limited Liability Company
Filed under Act	Foreign LLC; 1003 of 1993
Status	Good Standing
Principal Address	
Reg. Agent	WILLIAM WEBSTER DARLNG WILLIAM WEBSTER DARLNG
Agent Address	425 W. CAPITOL AVENUE, 27TH FL. LITTLE ROCK, AR 72201
Date Filed	10/11/2018
Officers	LAURA R. LANDREAUX, MANAGER , Incorporator/Organizer MARK A KEPPLER , Tax Preparer
Foreign Name	N/A
Foreign Address	2001 TIMBERLOCH PLACE SPRING, TX 77380
State of Origin	TX

[Purchase a Certificate of Good Standing for this Entity](#)

[Pay Franchise Tax for this corporation](#)

TEXAS SECRETARY of STATE
JOHN B. SCOTT

BUSINESS ORGANIZATIONS INQUIRY - VIEW ENTITY

Filing Number:

803117857

Original Date of Filing:

September 13, 2018

Formation Date:

N/A

Tax ID:

32068374043

Duration:

Perpetual

Entity Type:

Domestic Limited Liability Company (LLC)

Entity Status:

In existence

FEIN:

Name:

Entergy Arkansas, LLC

Address:

425 W CAPITOL AVE ATTN: L-ENT-15N
LITTLE ROCK, AR 72201-3405 USA

REGISTERED AGENT	FILING HISTORY	NAMES	MANAGEMENT	ASSUMED NAMES	ASSOCIATED ENTITIES	INITIAL ADDRESS
Name	Entity Type	Document Description	Filing Date	Entity Filing Number	Jurisdiction	Capacity
Entergy Arkansas, Inc.	Domestic For-Profit Corporation		November 26, 2018	803164406		Survivor

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10-K/10-Q Reports

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

FORM 10-K

(Mark One)



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

For the Fiscal Year Ended December 31, 2021

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, LLC (a Texas limited liability company) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 83-1918668	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 2107 Research Forest Drive The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 576-4000 47-4469646	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777
1-31508	ENTERGY MISSISSIPPI, LLC (a Texas limited liability company) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 83-1950019		

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

Registrant	Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Entergy Corporation	Common Stock, \$0.01 Par Value	ETR	New York Stock Exchange
	Common Stock, \$0.01 Par Value	ETR	NYSE Chicago, Inc.
Entergy Arkansas, LLC	Mortgage Bonds, 4.875% Series due September 2066	EAI	New York Stock Exchange
Entergy Louisiana, LLC	Mortgage Bonds, 4.875% Series due September 2066	ELC	New York Stock Exchange
Entergy Mississippi, LLC	Mortgage Bonds, 4.90% Series due October 2066	EMP	New York Stock Exchange
Entergy New Orleans, LLC	Mortgage Bonds, 5.0% Series due December 2052	ENJ	New York Stock Exchange
	Mortgage Bonds, 5.50% Series due April 2066	ENO	New York Stock Exchange
Entergy Texas, Inc.	5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share)	ETI/PR	New York Stock Exchange

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

Registrant	Title of Class
Entergy Texas, Inc.	Common Stock, no par value

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

	Yes	No
Entergy Corporation	ü	
Entergy Arkansas, LLC	ü	
Entergy Louisiana, LLC	ü	
Entergy Mississippi, LLC	ü	
Entergy New Orleans, LLC		ü
Entergy Texas, Inc.	ü	
System Energy Resources, Inc.		ü

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

	Yes	No
Entergy Corporation		ü
Entergy Arkansas, LLC		ü
Entergy Louisiana, LLC		ü
Entergy Mississippi, LLC		ü
Entergy New Orleans, LLC		ü
Entergy Texas, Inc.		ü
System Energy Resources, Inc.		ü

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Entergy Corporation	<input checked="" type="checkbox"/>
Entergy Arkansas, LLC	
Entergy Louisiana, LLC	
Entergy Mississippi, LLC	
Entergy New Orleans, LLC	
Entergy Texas, Inc.	
System Energy Resources, Inc.	

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

Entergy Corporation

(\$0.01 par value)

Outstanding at January 31, 2022

203,027,662

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

The aggregate market value of Entergy Corporation Common Stock, \$0.01 Par Value, held by non-affiliates as of the end of the second quarter of 2021 was \$20.0 billion based on the reported last sale price of \$99.70 per share for such stock on the New York Stock Exchange on June 30, 2021. Entergy Corporation is the sole holder of the common stock of Entergy Texas, Inc. and System Energy Resources, Inc. Entergy Corporation is the direct and indirect holder of the common membership interests of Entergy Utility Holding Company, LLC, which is the sole holder of the common membership interests of Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy New Orleans, LLC.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 6, 2022, are incorporated by reference into Part III hereof.

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

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

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, projections, 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,” “continue,” “potential,” “plan,” “predict,” “forecast,” and other similar words or expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although each of these registrants believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, these registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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

- resolution of pending and future rate cases and related litigation, 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, as well as delays in cost recovery resulting from these proceedings;
- 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, the MISO-wide base rate of return on equity allowed or any MISO-related charges and credits required by the FERC, 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 return on equity criteria, 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 owned or operated nuclear generating facilities and nuclear materials and fuel, including with respect to the planned shutdown and sale of Palisades, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license 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 changing regulatory requirements, changing economic conditions, and emerging operating and industry issues;
- the commitment of substantial human and capital resources required for the safe and reliable 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;
- 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;

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 and other regulated air emissions, heat and other regulated discharges to water, requirements for waste management and disposal and for the remediation of contaminated sites, wetlands protection and permitting, and changes in costs of compliance with 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, trade/tariff, domestic purchase requirements, or energy policies;
- the effects of full or partial shutdowns of the federal government or delays in obtaining government or regulatory actions or decisions;
- 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 (including from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Hurricane Ida), 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, as well as any related unplanned outages;
- effects of climate change, including the potential for increases in extreme weather events and sea levels or coastal land and wetland loss;
- the risk that an incident at any nuclear generation facility in the U.S. could lead to the assessment of significant retrospective assessments and/or retrospective insurance premiums as a result of Entergy's participation in a secondary financial protection system and a utility industry mutual insurance company;
- 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, including completion of projects timely and within budget and to obtain the anticipated performance or other benefits, and its 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 events and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;
- changes to federal income tax laws and regulations, including the continued impact of the Tax Cuts and Jobs Act and its intended and unintended consequences on financial results and future cash flows;
- the effects of Entergy's strategies to reduce tax payments;
- changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy's ability to refinance existing securities 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 effects of litigation and government investigations or proceedings;

FORWARD-LOOKING INFORMATION (Concluded)

- changes in technology, including (i) Entergy's ability to implement new or emerging technologies, (ii) the impact of changes relating to new, developing, or alternative sources of generation such as distributed energy and energy storage, renewable energy, energy efficiency, demand side management and other measures that reduce load and government policies incentivizing development of the foregoing, and (iii) competition from other companies offering products and services to Entergy's customers based on new or emerging technologies or alternative sources of generation;
- Entergy's ability to effectively formulate and implement plans to reduce its carbon emission rate and aggregate carbon emissions, including its commitment to achieve net-zero carbon emissions by 2050, and the potential impact on its business of attempting to achieve such objectives;
- 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;
- the effects of a global event or pandemic, such as the COVID-19 global pandemic, including economic and societal disruptions; volatility in the capital markets (and any related increased cost of capital or any inability to access the capital markets or draw on available bank credit facilities); reduced demand for electricity, particularly from commercial and industrial customers; increased or unrecoverable costs; supply chain, vendor, and contractor disruptions; delays in completion of capital or other construction projects, maintenance, and other operations activities, including prolonged or delayed outages; impacts to Entergy's workforce availability, health, or safety; increased cybersecurity risks as a result of many employees telecommuting; increased late or uncollectible customer payments; regulatory delays; executive orders affecting, or increased regulation of, Entergy's business; changes in credit ratings or outlooks as a result of any of the foregoing; or other adverse impacts on Entergy's ability to execute on its business strategies and initiatives or, more generally, on Entergy's results of operations, financial condition, and liquidity;
- Entergy's ability to attract and retain talented management, directors, and employees with specialized skills;
- Entergy's ability to attract, retain, and manage an appropriately qualified workforce;
- changes in accounting standards and corporate governance;
- declines in the market prices of marketable securities and resulting funding requirements and the effects on benefits costs for Entergy's defined benefit pension and other postretirement benefit plans;
- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;
- the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by mid-2022, including the implementation of the planned shutdown and sale of 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; and
- Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete strategic transactions that Entergy may undertake.

DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
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
COVID-19	The novel coronavirus disease declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention in March 2020
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
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which was sold in March 2017
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy

DEFINITIONS (Continued)

Abbreviation or Acronym	Term
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
HLBV	Hypothetical liquidation at book value
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in April 2020 and was sold in May 2021
Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in April 2021 and was sold in May 2021
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
Mcf	1,000 cubic feet of gas
MISO	Midcontinent Independent System Operator, Inc., a regional transmission organization
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatts
MWh	Megawatt-hour(s)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, 70% of which is co-owned by Entergy Louisiana (57.5%) and Entergy Texas (42.5%) and 10.9% of which is owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
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), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in May 2019 and was sold in August 2019
PPA	Purchased power agreement or power purchase agreement
PRP	Potentially responsible party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
Registrant Subsidiaries	Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc.
River Bend	River Bend Station (nuclear), owned by Entergy Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources. The agreement terminated effective August 2016.
System Energy	System Energy Resources, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by the FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014 and was disposed of in January 2019
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, owned 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

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

- The **Utility** business segment includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business.
- The **Entergy Wholesale Commodities** business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. See “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” below for discussion of the operation and planned shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants, including the planned shutdown and sale of Palisades, the only remaining operating plant in Entergy Wholesale Commodities’ merchant nuclear fleet.

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

Segment	% of Revenue			% of Total Assets		
	2021	2020	2019	2021	2020	2019
Utility	94	91	88	100	96	96
Entergy Wholesale Commodities	6	9	12	2	7	8
Parent & Other (a)	—	—	—	(2)	(3)	(4)

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

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

Hurricane Ida

In August 2021, Hurricane Ida caused extensive damage to the Entergy distribution and, to a lesser extent, transmission systems across Louisiana resulting in widespread power outages. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida for Entergy Louisiana and Entergy New Orleans are currently estimated to be approximately \$2.7 billion. Also, Utility revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

Entergy has recorded accounts payable for the estimated costs incurred that were necessary to return customers to service. Entergy recorded corresponding regulatory assets of approximately \$1.1 billion and construction work in progress of approximately \$1.6 billion. Entergy recorded the regulatory assets in accordance with its accounting policies and based on the historic treatment of such costs in its service area because management believes that recovery through some form of regulatory mechanism is probable. There are well-established mechanisms and precedent for addressing these catastrophic events and providing for recovery of prudently incurred storm costs in accordance with applicable regulatory and legal principles. Because Entergy has not gone through the regulatory process regarding these storm costs, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs that it may ultimately recover, or the timing of such recovery.

Entergy is considering all available avenues to recover storm-related costs from Hurricane Ida, including federal government assistance and securitization financing. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately \$1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, Entergy Louisiana sought approval for the creation and funding of a \$1 billion restricted escrow account for Hurricane Ida restoration costs. In September 2021, Entergy New Orleans withdrew \$39 million from its funded storm reserves. In February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans's storm reserve and increase the storm reserve funding level to \$150 million, to be funded through securitization. Storm cost recovery or financing will be subject to review by applicable regulatory authorities.

Results of Operations

2021 Compared to 2020

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing 2021 to 2020 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)			
2020 Net Income (Loss) Attributable to Entergy Corporation	\$1,800,223	(\$64,951)	(\$346,938)	\$1,388,334
Operating revenues	1,873,960	(244,705)	5	1,629,260
Fuel, fuel-related expenses, and gas purchased for resale	878,372	15,357	(4)	893,725
Purchased power	362,066	5,339	4	367,409
Other regulatory charges (credits) - net	97,019	—	—	97,019
Other operation and maintenance	179,005	(213,173)	163	(34,005)
Asset write-offs, impairments, and related charges	—	237,002	—	237,002
Taxes other than income taxes	44,050	(36,121)	(479)	7,450
Depreciation and amortization	128,953	(57,624)	(129)	71,200
Other income (deductions)	75,588	(87,105)	9,063	(2,454)
Interest expense	43,153	(9,098)	14,976	49,031
Other expenses	(1,723)	(85,248)	—	(86,971)
Income taxes	546,520	(130,318)	(103,322)	312,880
Preferred dividend requirements of subsidiaries and noncontrolling interest	(18,064)	—	(28)	(18,092)
2021 Net Income (Loss) Attributable to Entergy Corporation	<u>\$1,490,420</u>	<u>(\$122,877)</u>	<u>(\$249,051)</u>	<u>\$1,118,492</u>

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

Results of operations for 2021 include a charge of \$340 million (\$268 million net-of-tax), reflected in "Asset write-offs, impairments, and related charges," as a result of the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements for further discussion of the sale of the Indian Point Energy Center.

Results of operations for 2020 include resolution of the 2014-2015 IRS audit, which resulted in a reduction in deferred income tax expense of \$230 million that includes a \$396 million reduction in deferred income tax expense at Utility related to the basis of assets contributed in the 2015 Entergy Louisiana and Entergy Gulf States Louisiana business combination, including the recognition of previously uncertain tax positions, and deferred income tax expense of \$105 million at Entergy Wholesale Commodities and \$61 million at Parent and Other resulting from the revaluation of net operating losses as a result of the release of the reserves. See Note 3 to the financial statements for further discussion of the IRS audit resolution.

Operating Revenues

Utility

Following is an analysis of the change in operating revenues comparing 2021 to 2020:

	Amount
	(In Millions)
2020 operating revenues	\$9,171
Fuel, rider, and other revenues that do not significantly affect net income	1,409
Retail electric price	404
Volume/weather	55
System Energy provision for rate refund	25
Return of unprotected excess accumulated deferred income taxes to customers	(19)
2021 operating revenues	\$11,045

The Utility operating companies' results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to:

- an increase in Entergy Arkansas's formula rate plan rates effective May 2021;
- increases in Entergy Louisiana's overall formula rate plan revenues, including an interim increase effective April 2020 due to the inclusion of the first-year revenue requirement for the Lake Charles Power Station, an increase in the transmission recovery mechanism effective September 2020, an interim increase effective December 2020 due to the inclusion of the first-year revenue requirement for the Washington Parish Energy Center, and increases in the transmission and distribution recovery mechanisms effective September 2021;
- increases in Entergy Mississippi's formula rate plan rates effective April 2020, April 2021, and July 2021;
- an interim increase in Entergy New Orleans's formula rate plan revenues resulting from the recovery of New Orleans Power Station costs, effective November 2020, and a rate increase effective November 2021; and
- the implementation of the generation cost recovery rider, which includes the first-year revenue requirement for the Montgomery County Power Station, effective January 2021, an increase in the transmission cost recovery factor rider effective March 2021, and an increase in the distribution cost recovery factor rider effective March 2021, each at Entergy Texas.

See Note 2 to the financial statements for further discussion of the regulatory proceedings discussed above.

The volume/weather variance is primarily due to an increase of 3,574 GWh, or 3%, in billed electricity usage, including the effect of more favorable weather on residential sales and an increase in industrial usage, partially offset by a decrease in weather-adjusted residential usage and a decrease in usage during the unbilled sales period. The increase in industrial usage is primarily due to an increase in demand from expansion projects, primarily in the transportation, metals, and chemicals industries, and an increase in demand from cogeneration customers. The decrease in weather-adjusted residential usage was primarily due to the impact that the COVID-19 pandemic had on prior year usage.

The System Energy provision for rate refund variance is due to a provision for rate refund recorded in 2020 to reflect a one-time credit of \$25 million provided for in the Federal Power Act section 205 filing made by System Energy in December 2020. The one-time credit was made in the first quarter 2021. See Note 2 to the financial statements for further discussion of the proceedings involving System Energy at the FERC.

The return of unprotected excess accumulated deferred income taxes to customers resulted from activity at the Utility operating companies in response to the enactment of the Tax Cuts and Jobs Act. The return of unprotected excess accumulated deferred income taxes began in second quarter 2018. In 2021, \$87 million was returned to customers through reductions in operating revenues as compared to \$68 million in 2020. There is no effect on net income as the reductions in operating revenues were offset by reductions in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

Billed electric energy sales for Utility for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	35,669	35,173	1
Commercial	26,818	26,466	1
Industrial	49,819	47,117	6
Governmental	2,438	2,414	1
Total retail	114,744	111,170	3
Sales for resale	16,656	13,658	22
Total	131,400	124,828	5

See Note 19 to the financial statements for additional discussion of operating revenues.

Entergy Wholesale Commodities

Operating revenues for Entergy Wholesale Commodities decreased from \$943 million for 2020 to \$698 million for 2021 primarily due to the shutdown of Indian Point 2 in April 2020 and the shutdown of Indian Point 3 in April 2021.

Following are key performance measures for Entergy Wholesale Commodities for 2021 and 2020:

	2021	2020
Owned capacity (MW) (a)	1,205	2,246
GWh billed	11,328	20,581
<u>Entergy Wholesale Commodities Nuclear Fleet</u>		
Capacity factor	97%	93%
GWh billed	9,836	18,863
Average energy price (\$/MWh)	\$54.56	\$40.33
Average capacity price (\$/kW-month)	\$0.26	\$1.92
Refueling outage days:		
Palisades	—	52

(a) The reduction in owned capacity is due to the shutdown of the 1,041 MW Indian Point 3 plant in April 2021.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$2,478 million for 2020 to \$2,657 million for 2021 primarily due to:

- an increase of \$49 million in compensation and benefits costs in 2021 primarily due to higher incentive-based compensation accruals in 2021 as compared to prior year, lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, and an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities. See “**Critical Accounting Estimates**” below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- an increase of \$28 million in distribution operations expenses primarily due to higher reliability costs;
- an increase of \$27 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing;
- an increase of \$20 million in non-nuclear generation expenses primarily due to higher expenses associated with plants placed in service, including the Lake Charles Power Station, which began commercial operation in March 2020; the New Orleans Power Station, which began commercial operation in May 2020; the Washington Parish Energy Center, purchased in November 2020; and the Montgomery County Power Station, which began commercial operation in January 2021;
- an increase of \$16 million in nuclear generation expenses primarily due to higher nuclear labor costs, including contract labor, and a higher scope of work performed in 2021 as compared to 2020;
- an increase of \$15 million as a result of the amount of transmission costs allocated by MISO. See Note 2 to the financial statements for further information on the recovery of these costs;
- the effects of recording final judgments to resolve claims in the Waterford 3 damages case and the Grand Gulf damages case in 2020 and the River Bend damages case in 2021, each against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$18 million in 2020 of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense compared to the reimbursement of approximately \$4 million in 2021. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;
- lower nuclear insurance refunds of \$13 million; and
- several individually insignificant items.

The increase was partially offset by a decrease of \$19 million in meter reading expenses as a result of the deployment of advanced metering systems and a gain of \$15 million, recorded in 2021, on the sale of a pipeline.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments and increases in franchise taxes resulting from an increase in revenue collected.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Lake Charles Power Station, the Montgomery County Power Station, and the Washington Parish Energy Center.

Other regulatory charges (credits) - net includes:

- regulatory charges of \$44 million, recorded in the fourth quarter 2020 at Entergy Arkansas, to reflect the 2019 historical year netting adjustment included in the APSC's December 2020 order in the 2020 formula rate plan proceeding. See Note 2 to the financial statements for discussion of Entergy Arkansas's 2020 formula rate plan filing;
- regulatory credits of \$47 million, recorded in 2020 at Entergy Arkansas, to reflect the amortization of the 2018 historical year netting adjustment reflected in the 2019 formula rate plan filing. See Note 2 to the financial statements for discussion of Entergy Arkansas's 2019 formula rate plan filing;
- the reversal in 2021 of the remaining \$39 million regulatory liability for Entergy Arkansas's 2019 historical year netting adjustment as part of its 2020 formula rate plan proceeding. See Note 2 to the financial statements for discussion of Entergy Arkansas's 2020 formula rate plan filing;
- regulatory charges of \$33 million, recorded in the fourth quarter 2020 at Entergy Louisiana, due to a settlement with the IRS related to the uncertain tax position regarding Hurricane Katrina and Hurricane Rita Louisiana Act 55 financing because the savings will be shared with customers. See Note 3 to the financial statements for further discussion of the settlement and savings obligation;
- regulatory charges of \$29 million, recorded in the first quarter 2020 at Entergy Louisiana, due to a settlement with the IRS related to the uncertain tax position regarding the Hurricane Isaac Louisiana Act 55 financing because the savings will be shared with customers. See Note 3 to the financial statements for further discussion of the settlement and savings obligation;
- regulatory credits of \$20 million, recorded in the second quarter 2021 at Entergy Mississippi, to reflect the effects of the joint stipulation reached in the 2021 formula rate plan filing proceeding. See Note 2 to the financial statements for discussion of Entergy Mississippi's 2021 formula rate plan filing; and
- regulatory credits of \$19 million, recorded in the fourth quarter 2021 at Entergy Mississippi, to reflect that the 2021 earned return is below the formula bandwidth. See Note 2 to the financial statements for discussion of Entergy Mississippi's formula rate plan filings.

In addition, Entergy records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and nuclear decommissioning trust earnings plus asset retirement obligation related costs collected in revenue.

Other income increased primarily due to changes in decommissioning trust fund activity, including portfolio rebalancing of the decommissioning trust funds in 2021, partially offset by a decrease in the allowance for equity funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project and the Montgomery County Power Station project.

Interest expense increased primarily due to:

- the issuances by Entergy Louisiana of \$1.1 billion of 0.62% Series mortgage bonds, \$300 million of 2.90% Series mortgage bonds, and \$300 million of 1.60% Series mortgage bonds, each in November 2020;
- the issuances by Entergy Louisiana of \$500 million of 2.35% Series mortgage bonds and \$500 million of 3.10% Series mortgage bonds, each in March 2021;
- the issuance by Entergy Louisiana of \$1 billion of 0.95% Series mortgage bonds in October 2021;

- the issuance by Entergy Mississippi of \$170 million of 3.50% Series mortgage bonds in May 2020 and an additional \$200 million in a reopening of the same series in March 2021; and
- a decrease in the allowance for borrowed funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project and the Montgomery County Power Station project.

The increase was partially offset by the repayments by Entergy Louisiana of \$200 million of 5.25% Series mortgage bonds and \$100 million of 4.70% Series mortgage bonds, each in December 2020 and the repayment by Entergy Louisiana of \$200 million of 4.8% Series mortgage bonds in May 2021.

See Note 5 to the financial statements for a discussion of long-term debt.

Noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of Entergy Arkansas's tax equity partnership for the Searcy Solar facility under HLBV accounting. Entergy Arkansas has recorded a regulatory charge of \$18 million in 2021 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements for discussion of the HLBV method of accounting.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$500 million for 2020 to \$287 million for 2021 primarily due to:

- a decrease of \$162 million resulting from the absence of expenses from Indian Point 2, after it was shut down in April 2020, and Indian Point 3, after it was shut down in April 2021; and
- a decrease of \$53 million in severance and retention expenses. Severance and retention expenses were incurred in 2021 and 2020 due to management's strategy to exit the Entergy Wholesale Commodities merchant power business.

See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" below for a discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 13 to the financial statements for further discussion of severance and retention expenses.

Asset write-offs, impairments, and related charges for 2021 include a charge of \$340 million (\$268 million net-of-tax) as a result of the sale of the Indian Point Energy Center in May 2021, partially offset by the effect of recording in 2021 a final judgment in the amount of \$83 million (\$66 million net-of-tax) to resolve the Indian Point 2 third round and Indian Point 3 second round combined damages case against the DOE related to spent nuclear fuel storage costs. Asset write-offs, impairments, and related charges for 2020 include impairment charges of \$19 million (\$15 million net-of-tax) primarily as a result of expenditures for capital assets. These costs were charged to expense as incurred as a result of the impaired fair 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 exit the Entergy Wholesale Commodities merchant power business. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" below for a discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 14 to the financial statements for a discussion of the impairment of long-lived assets and the sale of the Indian Point Energy Center. See Note 8 to the financial statements for further discussion of spent nuclear fuel litigation.

Taxes other than income taxes decreased primarily due to lower ad valorem taxes and lower payroll taxes.

Depreciation and amortization expenses decreased primarily due to:

- the absence of depreciation expense from Indian Point 2, after it was shut down in April 2020, and from Indian Point 3, after it was shut down in April 2021; and
- the effect of recording in 2021 a final judgment to resolve claims in the Palisades damages case against the DOE related to spent nuclear fuel storage costs. The damages awarded included \$9 million of spent nuclear fuel storage costs previously recorded as depreciation expense. See Note 8 to the financial statements for discussion of spent nuclear fuel litigation.

Other income decreased primarily due to lower gains on decommissioning trust fund investments including the absence of earnings from nuclear decommissioning trust funds that were transferred in the sale of the Indian Point Energy Center in May 2021. The decrease was partially offset by lower non-service pension costs. See Notes 15 and 16 to the financial statements for a discussion of decommissioning trust fund investments. See Note 14 to the financial statements for a discussion of the sale of the Indian Point Energy Center. See Note 11 to the financial statements for a discussion of pension and other postretirement benefits costs.

Other expenses decreased primarily due to the absence of decommissioning expense from Indian Point 2 and Indian Point 3, after the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements for a discussion of the sale of the Indian Point Energy Center.

Income Taxes

The effective income tax rates were 14.6% for 2021 and (9.5%) for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 26, 2021 for discussion of results of operations for 2020 compared to 2019.

Entergy Wholesale Commodities Exit from the Merchant Power Business

Entergy sold its FitzPatrick plant to Exelon in March 2017 and, as discussed below, transferred its Vermont Yankee plant to NorthStar in January 2019, sold its Pilgrim plant to Holtec in August 2019, and sold its Indian Point plants to Holtec in May 2021. Entergy also sold the Rhode Island State Energy Center, a natural gas-fired combined cycle generating plant, in December 2015. As of December 31, 2021, Entergy Wholesale Commodities’ only remaining operating nuclear plant is the 811 MW Palisades plant, which is under contract to be sold, subject to certain conditions, after it is shut down in May 2022.

These plant sales and the contract to sell Palisades are the result of a strategy that Entergy has undertaken to manage and reduce the risk of the Entergy Wholesale Commodities business, including exiting the merchant power business. Management evaluated the challenges for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs.

Entergy Wholesale Commodities also includes the ownership of Big Rock Point, a non-operating nuclear facility in Michigan, that was acquired when Entergy purchased the Palisades nuclear plant. Big Rock Point is under contract to be sold with the Palisades plant. In addition, Entergy Wholesale Commodities provides operations and management services, including decommissioning-related services, to nuclear power plants owned by non-affiliated entities in the United States. A relatively minor portion of the Entergy Wholesale Commodities business

is the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Shutdown and Disposition of Vermont Yankee

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

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 supported the Vermont Public Utility Commission's approval of the transaction. The agreements provided additional financial assurance for decommissioning, spent fuel management and site restoration, and detailed the site restoration standards. In October 2018 the NRC issued an order approving the application to transfer Vermont Yankee's license to NorthStar for decommissioning. In December 2018 the Vermont Public Utility Commission issued an order approving the transaction consistent with the Memorandum of Understanding's terms. On January 11, 2019, Entergy and NorthStar closed the transaction.

Entergy Nuclear Vermont Yankee had an outstanding credit facility that was used to pay for dry fuel storage costs. This credit facility was guaranteed by Entergy Corporation. A subsidiary of Entergy assumed the obligations under the credit facility, and it remains outstanding. At the closing of the sale transaction, NorthStar caused Entergy Nuclear Vermont Yankee, renamed NorthStar Vermont Yankee, to issue a \$139 million promissory note to the Entergy subsidiary that assumed the credit facility obligations. The amount of the note includes the balance outstanding on the credit facility, as well as borrowing fees and costs incurred by Entergy in connection with the credit facility.

See Note 14 to the financial statements for discussion of the closing of the Vermont Yankee transaction.

Shutdown and Sale of Pilgrim

In October 2015, Entergy determined that it would close the Pilgrim plant, and Pilgrim ceased operations in May 2019. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to cease operations earlier than expected.

On July 30, 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in Entergy Nuclear Generation Company, LLC, the owner of Pilgrim, for \$1,000 (subject to adjustments for net liabilities and other amounts). On August 22, 2019, the NRC approved the transfer of Pilgrim's facility licenses to Holtec. On August 26, 2019, Entergy and Holtec closed the transaction.

The sale of Entergy Nuclear Generation Company, LLC to Holtec included the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. The transaction resulted in a loss of \$190 million (\$156 million net-of-tax) in 2019. See Note 14 to the financial statements for discussion of the closing of the Pilgrim transaction.

Shutdown and Sale of Indian Point 2 and Indian Point 3

In April 2007, Entergy submitted to the NRC a joint application to renew the operating licenses for Indian Point 2 and Indian Point 3 for an additional 20 years. In January 2017, Entergy reached a settlement with New York State, several State agencies, and Riverkeeper, Inc., under which Indian Point 2 and Indian Point 3 would cease commercial operation by April 30, 2020 and April 30, 2021, respectively, subject to certain conditions, including New York State's withdrawal of opposition to Indian Point's license renewals and issuance of contested permits and similar authorizations. In September 2018 the NRC issued renewed operating licenses for Indian Point 2 through April 2024 and for Indian Point 3 through April 2025. Pursuant to the January 2017 settlement agreement, Indian Point 2 ceased commercial operations on April 30, 2020, and Indian Point 3 ceased commercial operations on April 30, 2021. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to shut down the Indian Point plants.

In April 2019, Entergy entered into an agreement to sell, directly or indirectly, 100% of the equity interests in the subsidiaries that own Indian Point 1, Indian Point 2, and Indian Point 3 to a Holtec subsidiary for decommissioning the plants. In November 2019, Entergy and Holtec submitted a license transfer application to the NRC. The NRC issued an order approving the application in November 2020, subject to the NRC's authority to condition, revise, or rescind the approval order based on the resolution of four pending hearing requests. In January 2021 the NRC issued an order denying all four hearing requests challenging the license transfer application. In January 2021, New York State filed a petition for review with the D.C. Circuit asking the court to vacate the NRC's January 2021 order denying the State's hearing request, as well as the NRC's November 2020 order approving the license transfers. In March 2021 additional parties also filed petitions for review with the D.C. Circuit seeking review of the same NRC orders. In March 2021 the court consolidated all of the appeals into the same proceeding. Pursuant to an April 2021 settlement among Entergy, Holtec, New York State, and several other parties, discussed below, all petitioners to the D.C. Circuit proceeding withdrew their pending appeals, and the court terminated the consolidated proceeding in June 2021.

In November 2019, Entergy and Holtec also submitted a petition to the New York State Public Service Commission (NYPSC) seeking an order from the NYPSC disclaiming jurisdiction or abstaining from review of the transaction or, alternatively, approving the transaction. Closing was also conditioned on obtaining from the New York State Department of Environmental Conservation an agreement related to Holtec's decommissioning plan as being consistent with applicable standards. In April 2021, Entergy and Holtec filed a joint settlement proposal with the NYPSC that resolved all issues among all parties, including financial assurance, site restoration, financial reporting, continued funding for state and local emergency management and response activities, a memorandum of understanding with local taxing jurisdictions, and the dismissal of the federal appeals described in the preceding paragraph. In May 2021 the NYPSC approved the joint settlement proposal and the transaction.

The transaction closed in May 2021. The sale included the transfer of the licenses, spent fuel, decommissioning liabilities, and nuclear decommissioning trusts for the three units. The transaction resulted in a charge of \$340 million (\$268 million net-of-tax) in the second quarter of 2021. See Note 14 to the financial statements for discussion of the closing of the Indian Point transaction.

Planned Shutdown and Sale of Palisades

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

In September 2017 the Michigan Public Service Commission issued an order conditionally approving the PPA amendment transaction, but only granting Consumers Energy recovery of \$136.6 million of the \$172 million requested early termination payment. As a result, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy continues to operate Palisades under the existing PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades nuclear power plant permanently no later than May 31, 2022. As a result of the increase in the expected operating life of the plant, the expected probability-weighted undiscounted net cash flows as of September 30, 2017 exceeded the carrying value of the plant and related assets. Accordingly, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets incurred at Palisades after September 30, 2017 are no longer charged to expense as incurred, but recorded as assets and depreciated or amortized, subject to the typical periodic impairment reviews prescribed in the accounting rules.

On July 30, 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in the subsidiary that owns Palisades and the Big Rock Point Site. The sale will include the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. In February 2020 the parties signed an amendment to the purchase and sale agreement to remove the closing condition that the nuclear decommissioning trust fund must have a specified amount and Entergy agreed to contribute \$20 million to the nuclear decommissioning trust fund at closing, among other amendments. Pursuant to a subsequent agreement the \$20 million was paid to Holtec in September 2021. At the closing of the sale transaction, the Holtec subsidiary will pay \$1,000 (subject to adjustment for net liabilities and other amounts) for the equity interests in the subsidiary that owns Palisades and the Big Rock Point Site.

The Palisades transaction is subject to certain closing conditions, including: the permanent shutdown of Palisades and the transfer of all nuclear fuel from the reactor vessel to the spent nuclear fuel pool; NRC regulatory approval for the transfer of the Palisades and Big Rock Point operating and independent spent fuel storage installation licenses; receipt of a favorable private letter ruling from the IRS; and, the Pilgrim transaction having closed. In December 2020, Entergy and Holtec submitted a license transfer application to the NRC requesting approval to transfer the Palisades and Big Rock Point licenses from Entergy to Holtec. In February 2021 several parties filed with the NRC petitions to intervene and requests for hearing challenging the license transfer application. In March 2021, Entergy and Holtec filed answers opposing the petitions to intervene and hearing requests, and the petitioners filed replies. In March 2021 an additional party also filed a petition to intervene and request for hearing. Entergy and Holtec filed an answer to the March 2021 petition in April 2021. The NRC issued an order approving the application in December 2021, subject to the NRC's authority to condition, revise, or rescind the approval order based on the resolution of four pending requests for hearing. In January 2022, Holtec submitted a supplement to the approved license transfer application to the NRC to reflect changes to Holtec's planned decommissioning organizational structure for Palisades.

Subject to the above conditions, the Palisades transaction is expected to close in mid-2022. As of December 31, 2021, Entergy's adjusted net investment in Palisades was (\$50) million. The primary variables in the ultimate loss or gain that Entergy will incur on the transaction are the values of the nuclear decommissioning trust and the asset retirement obligations at closing, the financial results from plant operations until the closing, and the level of any unrealized deferred tax balances at closing. Palisades completed its final refueling outage in October 2020.

Costs Associated with Exit of the Entergy Wholesale Commodities Business

Entergy incurred approximately \$12 million in costs in 2021, \$71 million in costs in 2020, and \$91 million in costs in 2019 associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business, primarily employee retention and severance expenses and other benefits-related costs, and contracted economic development contributions. Entergy expects to incur employee retention and severance

expenses of approximately \$5 million in 2022 associated with the exit from the merchant power business. See Note 13 to the financial statements for further discussion of these costs.

Entergy Wholesale Commodities incurred \$5 million in 2021, \$19 million in 2020, and \$100 million in 2019 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, expenditures for capital assets, and asset retirement obligation revisions. 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 exit the Entergy Wholesale Commodities merchant power business. See Note 14 to the financial statements for further discussion of the impairment charges.

Liquidity and Capital Resources

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

Capital Structure

Entergy's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the net issuance of debt in 2021. See Note 5 to the financial statements for a discussion of long-term debt.

	December 31, 2021	December 31, 2020
Debt to capital	69.5%	68.3%
Effect of excluding securitization bonds	(0.1%)	(0.2%)
Debt to capital, excluding securitization bonds (a)	69.4%	68.1%
Effect of subtracting cash	(0.3%)	(1.7%)
Net debt to net capital, excluding securitization bonds (a)	69.1%	66.4%

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

As of December 31, 2021, 22.2% of the debt outstanding is at the parent company, Entergy Corporation, 77.3% is at the Utility, and 0.5% is at Entergy Wholesale Commodities. Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable and commercial paper, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, common shareholders' equity, and subsidiaries' preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy's financial condition because the securitization bonds are non-recourse to Entergy, as more fully described in Note 5 to the financial statements. Entergy also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition because net debt indicates Entergy's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

The Utility operating companies and System Energy seek to optimize their capital structures in accordance with regulatory requirements and to control their cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that their operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a dividend to their parent, or both, in appropriate amounts to maintain the capital structure. To the extent that their operating cash flows are insufficient to support planned investments, the Utility operating companies and System Energy may issue

incremental debt or reduce dividends, or both, to maintain their capital structures. In addition, Entergy may make equity contributions to the Utility operating companies and System Energy to maintain their capital structures in certain circumstances such as financing of large transactions or payments that would materially alter the capital structure if financed entirely with debt and reduced dividends.

Long-term debt, including the currently maturing portion, makes up most of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2021. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2021. The amounts below include payments on System Energy's Grand Gulf sale-leaseback transaction, which are included in long-term debt on the balance sheet.

Long-term debt maturities and estimated interest payments	2022	2023	2024	2025-2026	after 2026
	(In Millions)				
Utility	\$1,017	\$3,141	\$2,929	\$3,345	\$22,112
Entergy Wholesale Commodities	141	—	—	—	—
Parent and Other	763	99	99	1,896	3,171
Total	<u>\$1,921</u>	<u>\$3,240</u>	<u>\$3,028</u>	<u>\$5,241</u>	<u>\$25,283</u>

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in June 2026. 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 year ended December 31, 2021 was 1.60% on the drawn portion of the facility.

As of December 31, 2021, amounts outstanding and capacity available under the \$3.5 billion credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$165	\$6	\$3,329

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

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of December 31, 2021, Entergy Corporation had \$1.201 billion of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2021 was 0.28%.

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

	2022	2023	2024	2025-2026	after 2026
	(In Millions)				
Finance lease payments	\$15	\$15	\$13	\$22	\$16

Leases are discussed in Note 10 to the financial statements.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2021 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2021	Letters of Credit Outstanding as of December 31, 2021
Entergy Arkansas	April 2022	\$25 million (b)	2.75%	—	—
Entergy Arkansas	June 2026	\$150 million (c)	1.23%	—	—
Entergy Louisiana	June 2026	\$350 million (c)	1.32%	\$125 million	—
Entergy Mississippi	April 2022	\$10 million (d)	1.60%	—	—
Entergy Mississippi	April 2022	\$35 million (d)	1.60%	—	—
Entergy Mississippi	April 2022	\$37.5 million (d)	1.60%	—	—
Entergy New Orleans	June 2024	\$25 million (c)	1.73%	—	—
Entergy Texas	June 2026	\$150 million (c)	1.60%	—	\$1.3 million

- (a) The interest rate is the estimated interest rate as of December 31, 2021 that would have been applied to outstanding borrowings under the facility.
- (b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
- (c) 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.
- (d) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

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

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into an uncommitted standby letter of credit facility as a means to post collateral to support its obligations to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2021:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2021 (a) (b)
Entergy Arkansas	\$25 million	0.78%	\$8.5 million
Entergy Louisiana	\$125 million	0.78%	\$15.0 million
Entergy Mississippi	\$65 million	0.78%	\$9.3 million
Entergy New Orleans	\$15 million	1.00%	\$1.0 million
Entergy Texas	\$80 million	0.875%	\$79.6 million

- (a) As of December 31, 2021, letters of credit posted with MISO covered financial transmission right exposure of \$0.2 million for Entergy Mississippi and \$0.1 million for Entergy Texas. See Note 15 to the financial statements for discussion of financial transmission rights.
- (b) As of December 31, 2021, in addition to the \$9.3 million in MISO letters of credit, Entergy Mississippi has \$1 million in non-MISO letters of credit outstanding under this facility.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition, results of operations, or cash flows. Following are Entergy's payment obligations as of December 31, 2021 on non-cancelable operating leases with a term over one year:

	2022	2023	2024	2025-2026	after 2026
	(In Millions)				
Operating lease payments	\$65	\$56	\$48	\$44	\$15

Leases are discussed in Note 10 to the financial statements.

Other Obligations

Entergy currently expects to contribute approximately \$200 million to its pension plans and approximately \$42.8 million to other postretirement plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below and Note 11 for a discussion of qualified pension and other postretirement benefits funding.

Entergy has \$712 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, the Registrant Subsidiaries enter into fuel and purchased power agreements that contain minimum purchase obligations. The Registrant Subsidiaries each have rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations.

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2022 through 2024.

Planned construction and capital investments	2022	2023	2024
	(In Millions)		
Utility:			
Generation	\$1,105	\$1,235	\$1,580
Transmission	755	765	795
Distribution	1,285	1,535	1,620
Utility Support	580	440	310
Total	3,725	3,975	4,305
Entergy Wholesale Commodities and Other	10	—	—
Total	<u>\$3,735</u>	<u>\$3,975</u>	<u>\$4,305</u>

In addition to the planned spending in the table above, the Utility also expects to pay for \$885 million of capital investments in 2022 related to Hurricane Ida restoration work that has been accrued as of December 31, 2021.

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

- Investments in generation projects to modernize, decarbonize, and diversify Entergy's portfolio, including the Sunflower Solar Facility, Walnut Bend Solar Facility, West Memphis Solar Facility, Orange County Advanced Power Station, St. Jacques Louisiana Solar, and potential construction of additional generation.
- Investments in Entergy's Utility nuclear fleet.
- Transmission spending to drive reliability and resilience while also supporting renewables expansion.
- Distribution and Utility Support spending to improve reliability, resilience, and customer experience through projects focused on asset renewals and enhancements and grid stability.

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

Renewables

Sunflower Solar Facility

In November 2018, Entergy Mississippi announced that it signed an agreement for the purchase of an approximately 100 MW solar photovoltaic facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. The estimated base purchase price is approximately \$138.4 million. The estimated total investment, including the base purchase price and other related costs, for Entergy Mississippi to acquire the Sunflower Solar Facility is approximately \$153.2 million. The purchase is contingent upon, among other things, obtaining necessary approvals, including full cost recovery, from applicable federal and state regulatory and permitting agencies. The project is being built by Sunflower County Solar Project, LLC, an indirect subsidiary of Recurrent Energy, LLC. Entergy Mississippi will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. In December 2018, Entergy Mississippi filed a joint petition with Sunflower Solar Project with the MPSC for Sunflower Solar Project to construct and for Entergy Mississippi to acquire and thereafter own, operate, improve, and maintain the solar facility. Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism, the interim capacity rate adjustment mechanism, in the formula rate plan to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the annual ownership costs of the Sunflower Solar Facility. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism. Recovery through the interim capacity rate adjustment requires MPSC approval for each new resource. In August 2019 consultants retained by the Mississippi Public Utilities Staff filed a report expressing concerns regarding the project economics. In March 2020, Entergy Mississippi filed supplemental testimony addressing questions and observations raised by the consultants retained by the Mississippi Public Utilities Staff and proposing an alternative structure for the transaction that would reduce its cost. A hearing before the MPSC was held in March 2020. In April 2020 the MPSC issued an order approving certification of the Sunflower Solar Facility and its recovery through the interim capacity rate adjustment mechanism, subject to certain conditions including: (i) that Entergy Mississippi pursue a partnership structure through which the partnership would acquire and own the facility under the build-own-transfer agreement and (ii) that if Entergy Mississippi does not consummate the partnership structure under the terms of the order, there will be a cap of \$136 million on the level of recoverable costs. Closing is targeted to occur by the end of the second quarter 2022.

Walnut Bend Solar Facility

In October 2020, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 100 MW Walnut Bend Solar Facility is in the public interest. Entergy Arkansas primarily requested cost recovery through the formula rate plan rider. In July 2021 the APSC granted Entergy Arkansas's petition and approved the acquisition of the resource and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In January 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained. Entergy Arkansas views the progress of the outreach to potential tax equity investors and the current status of the discussions as consistent with its expectations for the timeline for achieving a tax equity partnership. Closing was expected to occur in 2022. The counterparty has notified Entergy Arkansas that it is seeking changes to certain terms of the build-own-transfer agreement, including both cost and schedule. Negotiations are ongoing, but at this time the project is not expected to achieve commercial operation in 2022.

West Memphis Solar Facility

In January 2021, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 180 MW West Memphis Solar Facility is in the public interest. In October 2021 the APSC granted Entergy Arkansas's petition and approved the acquisition of the West Memphis Solar Facility and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. Closing is expected to occur in 2023.

2021 Solar Certification and the Geaux Green Option

In November 2021, Entergy Louisiana filed an application with the LPSC seeking certification of and approval for the addition of four new solar photovoltaic resources with a nameplate capacity of 475 megawatts (the 2021 Solar Portfolio) and the implementation of a new green tariff, the Geaux Green Option (Rider GGO). The 2021 Solar Portfolio consists of four resources that are expected to provide \$242 million in net benefits to Entergy Louisiana's customers. These resources, all of which would be constructed in Louisiana, include (i) Vacherie Solar Energy Center, a 150 megawatt resource in St. James Parish; (ii) Sunlight Road Solar, a 50 megawatt resource in Washington Parish; (iii) St. Jacques Louisiana Solar, a 150 megawatt resource in St. James; and (iv) Elizabeth Solar Facility, a 125 megawatt resource in Allen Parish. St. Jacques Louisiana Solar would be acquired through a build-own-transfer agreement; the remaining resources involve power purchase agreements. The filing proposes to recover the costs of the power purchase agreements through the fuel adjustment clause and the acquisition costs through the formula rate plan.

The proposed Rider GGO is a voluntary rate schedule that would enhance Entergy Louisiana's ability to help customers meet their sustainability goals by allowing customers to align some or all of their electricity requirements with renewable energy from the resources. Because subscription fees from Rider GGO participants would help to offset the cost of the resources, the design of Rider GGO also preserves the benefits of the 2021 Solar Portfolio for non-participants by providing them with the reliability and capacity benefits of locally-sited solar generation at a discounted price.

The LPSC has established a procedural schedule that is expected to result in an LPSC decision by the end of 2022. Discovery is currently underway.

Other Generation

Orange County Advanced Power Station

In September 2021, Entergy Texas filed an application seeking PUCT approval to amend Entergy Texas's certificate of convenience and necessity to construct, own, and operate the Orange County Advanced Power Station, a new 1,215 MW combined-cycle combustion turbine facility to be located in Bridge City, Texas at an expected total cost of \$1.2 billion inclusive of the estimated costs of the generation facilities, transmission upgrades, contingency, an allowance for funds used during construction, and necessary regulatory expenses, among others. The project includes combustion turbine technology with dual fuel capability, able to co-fire up to 30% hydrogen by volume upon commercial operation and upgradable to support 100% hydrogen operations in the future. In December 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A hearing on the merits is scheduled for April 2022. A final order by the PUCT is expected in September 2022. Subject to receipt of required regulatory approvals and other conditions, the facility is expected to be in-service by May 2026.

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its January 2022 meeting, the Board declared a dividend of \$1.01 per share. Entergy paid \$775 million in 2021, \$748 million in 2020, and \$712 million in 2019 in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plans, Entergy periodically grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plans, these shares can be newly issued shares, treasury

stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans.

In addition to the authority to fund grant exercises, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a \$500 million share repurchase program. As of December 31, 2021, \$350 million of authority remains under the \$500 million share repurchase program. The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities, or if limitations in the credit markets continue for a prolonged period.

Sources of Capital

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

- internally generated funds;
- cash on hand (\$443 million as of December 31, 2021);
- storm reserve escrow accounts;
- debt and equity issuances in the capital markets, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- bank financing under new or existing facilities or commercial paper; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, the Registrant Subsidiaries expect to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

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

The FERC has jurisdiction over securities issuances by the Utility operating companies and System Energy. The City Council has concurrent jurisdiction over Entergy New Orleans's securities issuances with maturities longer than one year. The APSC has concurrent jurisdiction over Entergy Arkansas's issuances of securities secured by Arkansas property, including first mortgage bond issuances. No regulatory approvals are necessary for Entergy Corporation to issue securities. The current FERC-authorized short-term borrowing limits and long-term financing authorization for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are effective through October 2023. Entergy Arkansas has obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2022. Entergy New Orleans also has obtained long-term financing authorization from the City Council that extends through December 2023. Entergy Arkansas, Entergy Louisiana, and System Energy each has obtained long-term financing authorization from the FERC that extends through October 2023 for issuances by the nuclear fuel company variable interest entities. In addition to borrowings from commercial banks, the Registrant Subsidiaries may also borrow from the Entergy System money pool and from other internal short-term borrowing arrangements. The money pool and the other internal borrowing arrangements are inter-company borrowing arrangements designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short-term borrowings combined may not exceed the FERC-authorized limits. See Notes 4 and 5 to the financial statements for further discussion of Entergy's borrowing limits, authorizations, and amounts outstanding.

Equity Issuances and Equity Distribution Program

In January 2021, Entergy entered into an equity distribution sales agreement with several counterparties establishing an at the market equity distribution program, pursuant to which Entergy may offer and sell from time to time shares of its common stock. The sales agreement provides that, in addition to the issuance and sale of shares of Entergy common stock, Entergy may also enter into forward sale agreements for the sale of its common stock. The aggregate number of shares of common stock sold under this sales agreement and under any forward sale agreement may not exceed an aggregate gross sales price of \$1 billion. In 2021, Entergy utilized the at the market equity distribution program and sold nearly \$500 million, approximately \$300 million of which has not been settled and is subject to adjustment pursuant to the forward sale agreements. In addition to settlement of existing forward sales agreements, Entergy Corporation currently expects to issue approximately \$700 million of equity through 2024. Entergy is considering various methods, including, among others, at the market distributions, block trades, and preferred equity issuances. See Note 7 to the financial statements for discussion of the forward sales agreements and common stock issuances and sales under the equity distribution program.

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida (Entergy Louisiana)

In August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild.

In October 2020, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta. Subsequently, Entergy Louisiana and the LPSC staff filed a joint motion seeking approval to exclude from the derivation of Entergy Louisiana's capital structure and cost rate of debt for ratemaking purposes, including the allowance for funds used during construction, shorter-term debt up to \$1.1 billion issued by Entergy Louisiana to fund costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta costs on an interim basis. In November 2020 the LPSC issued an order approving the joint motion, and Entergy Louisiana issued \$1.1 billion of 0.62% Series mortgage bonds due November 2023. Also in November 2020, Entergy Louisiana withdrew \$257 million from its funded storm reserves.

In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages. As discussed in the "Fuel and purchased power recovery" section of Note 2 to the financial statements, Entergy Louisiana recovered the incremental fuel costs associated with Winter Storm Uri over a five-month period from April 2021 through August 2021.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms are currently estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana is seeking an LPSC determination that \$2.11 billion was prudently incurred and, therefore, is eligible for recovery from customers. Additionally, Entergy Louisiana is requesting that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million is appropriate. In July 2021, Entergy Louisiana supplemented the application

with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. As previously discussed, in August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana supplemented the application with a request to establish and securitize a \$1 billion restricted storm escrow account for Hurricane Ida related restoration costs, subject to a subsequent prudence review. In total, Entergy Louisiana requested authorization for the issuance of system restoration bonds in one or more series in an aggregate principal amount of \$3.18 billion, which includes the costs of re-establishing and funding a storm damage escrow account, carrying costs and unamortized debt costs on interim financing, and issuance costs. After filing of testimony by LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contains the following key terms: \$2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and are eligible for recovery; carrying costs of \$51 million are recoverable; a \$290 million cash storm reserve should be re-established; a \$1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana is authorized to finance \$3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC voted to approve the settlement at its February 2022 meeting.

Hurricane Laura, Hurricane Delta, and Winter Storm Uri (Entergy Texas)

In August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to distribution and transmission infrastructure, and the loss of sales during the power outages. In April 2021, Entergy Texas filed an application with the PUCT requesting a determination that approximately \$250 million of system restoration costs associated with Hurricane Laura, Hurricane Delta, and Winter Storm Uri, including approximately \$200 million in capital costs and approximately \$50 million in non-capital costs, were reasonable and necessary to enable Entergy Texas to restore electric service to its customers and Entergy Texas's electric utility infrastructure. The filing also included the projected balance of approximately \$13 million of a regulatory asset containing previously approved system restoration costs related to Hurricane Harvey. In September 2021 the parties filed an unopposed settlement agreement, pursuant to which Entergy Texas removed from the amount to be securitized approximately \$4.3 million that will instead be charged to its storm reserve, \$5 million related to no particular issue, of which Entergy Texas would be permitted to seek recovery in a future proceeding, and approximately \$300 thousand related to attestation costs. In December 2021 the PUCT issued an order approving the unopposed settlement and determining system restoration costs of \$243 million related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri and the \$13 million projected remaining balance of the Hurricane Harvey system restoration costs were eligible for securitization. The order also determines that Entergy Texas can recover carrying costs on the system restoration costs related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri.

In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of the system restoration costs that are the subject of the April 2021 application. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Millions)		
Cash and cash equivalents at beginning of period	\$1,759	\$426	\$481
Net cash provided by (used in):			
Operating activities	2,301	2,690	2,817
Investing activities	(6,179)	(4,772)	(4,510)
Financing activities	2,562	3,415	1,638
Net increase (decrease) in cash and cash equivalents	(1,316)	1,333	(55)
Cash and cash equivalents at end of period	\$443	\$1,759	\$426

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased by \$389 million in 2021 primarily due to:

- increased fuel costs, including those related to Winter Storm Uri. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- an increase of approximately \$220 million in storm spending in 2021. See Note 2 to the financial statements for discussion of recent storms;
- income tax payments of \$98 million in 2021 compared to income tax refunds of \$31 million in 2020. Entergy had net income tax payments in 2021 related to state income taxes and federal estimated taxes, offset by federal income tax refunds received associated with the completion of the 2014-2015 IRS audit. Entergy had income tax refunds in 2020 as a result of an overpayment on a prior year state income tax return;
- lower Entergy Wholesale Commodities revenues in 2021;
- an increase of \$65 million in severance and retention payments in 2021 as compared to 2020. See Note 13 to the financial statements for a discussion of the severance and retention payments related to Entergy Wholesale Commodities. See "[**Entergy Wholesale Commodities Exit from the Merchant Power Business**](#)" above for a discussion of management's strategy to exit the Entergy Wholesale Commodities merchant power business;
- a decrease of \$55 million in proceeds received from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- an increase of \$40 million in pension contributions in 2021 as compared to 2020. See "[**Critical Accounting Estimates**](#)" below and Note 11 to the financial statements for a discussion of qualified pension and other postretirement benefits funding.

The decrease was partially offset by higher collections from Utility customers and a decrease in spending of \$52 million on nuclear refueling outages in 2021 as compared to prior period.

Investing Activities

Net cash flow used in investing activities increased by \$1,407 million in 2021 primarily due to:

- an increase of \$1,278 million in distribution construction expenditures primarily due to higher capital expenditures for storm restoration in 2021 and increased spending on the reliability and infrastructure of the distribution system, partially offset by lower spending in 2021 on advanced metering infrastructure;
- an increase of \$366 million in transmission construction expenditures primarily due to higher capital expenditures for storm restoration in 2021;
- a decrease of \$212 million in net receipts from storm reserve escrow accounts; and
- the purchase of the Hardin County Peaking Facility by Entergy Texas in June 2021 for approximately \$37 million and the purchase of the Searcy Solar facility by the Entergy Arkansas tax equity partnership in December 2021 for approximately \$132 million. See Note 14 to the financial statements for discussion of the Hardin County Peaking Facility and the Searcy Solar facility purchases.

The increase was partially offset by:

- the purchase of Washington Parish Energy Center by Entergy Louisiana in November 2020 for approximately \$222 million. See Note 14 to the financial statements for further discussion of the Washington Parish Energy Center purchase;
- a decrease of \$208 million in non-nuclear generation construction expenditures primarily due to higher spending in 2020 on the Montgomery County Power Station, Lake Charles Power Station, New Orleans Power Station, and New Orleans Solar Station projects, partially offset by a higher scope of work performed during outages in 2021 as compared to 2020;
- a decrease of \$102 million in decommissioning trust fund investment activity;
- a decrease of \$49 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, materials and services deliveries, and the timing of cash payments during the nuclear fuel cycle;
- a decrease of \$26 million in information technology construction expenditures primarily due to decreased spending on various technology projects in 2021, including advanced metering infrastructure; and
- \$25 million in plant upgrades for the Choctaw Generating Station in March 2020.

Financing Activities

Net cash flow provided by financing activities decreased by \$854 million in 2021 primarily due to:

- long-term debt activity providing approximately \$3,481 million of cash in 2021 compared to providing approximately \$4,467 million in 2020;
- an increase of \$107 million in net repayments of commercial paper in 2021 compared to 2020; and
- a decrease of \$37 million in proceeds received from treasury stock issuances in 2021 due to a larger amount of previously repurchased Entergy Corporation common stock issued in 2020 to satisfy stock option exercises.

The decrease was partially offset by:

- net sales proceeds of \$201 million from the issuance of common stock in 2021 under the at the market equity distribution program. See Note 7 to the financial statements for discussion of the equity distribution program;
- capital contributions of \$51 million received in 2021 from the noncontrolling tax equity investor in AR Searcy Partnership, LLC and used by the partnership to acquire the Searcy Solar facility. See Note 14 to the financial statements for discussion of the Searcy Solar facility purchase; and

- an increase of \$50 million primarily due to higher prepaid deposits related to contributions-in-aid-of-construction generation interconnection agreements in 2021 as compared to 2020.

For the details of Entergy's commercial paper program, see Note 4 to the financial statements. See Note 5 to the financial statements for details of long-term debt.

2020 Compared to 2019

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow Activity" in Item 7 of Entergy's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 26, 2021 for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Rate, Cost-recovery, and Other Regulation

State and Local Rate Regulation and Fuel-Cost Recovery

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

Company	Authorized Return on Common Equity
Entergy Arkansas	9.15% - 10.15%
Entergy Louisiana	9.0% - 10.0% Electric; 9.3% - 10.3% Gas
Entergy Mississippi	9.03% - 11.08%
Entergy New Orleans	8.85% - 9.85%
Entergy Texas	9.65%

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

Federal Regulation

The FERC regulates wholesale sales of electricity rates and interstate transmission of electricity, including rates for System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. The current return on equity and capital structure of System Energy are currently the subject of complaints filed by certain of the operating companies' retail regulators. The current return on equity under the Unit Power Sales Agreement is 10.94%. Prior to each operating company's termination of participation in the System Agreement (Entergy Arkansas in December 2013, Entergy Mississippi in November 2015, and Entergy Louisiana, Entergy New Orleans, and Entergy Texas, each in August 2016), the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which was a rate schedule approved by the FERC. Certain of the Utility operating companies' retail regulators are pursuing litigation involving the System Agreement at the FERC and in federal courts. See Note 2 to the financial statements for discussion of the complaints filed with the FERC challenging System Energy's return on equity and capital structure, System Energy's treatment of uncertain tax positions and the Grand Gulf sale leaseback arrangement, rates charged under the Unit Power Sales Agreement, and the prudence of Grand Gulf's operations and 2012 extended power uprate.

Market and Credit Risk Sensitive Instruments

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

- The commodity price risk associated with the sale of electricity by the Entergy Wholesale Commodities business.
- The interest rate and equity price risk associated with Entergy's investments in pension and other postretirement benefit trust funds. See Note 11 to the financial statements for details regarding Entergy's pension and other postretirement benefit trust funds.
- The interest rate and equity price risk associated with Entergy's investments in nuclear plant decommissioning trust funds, particularly in the Entergy Wholesale Commodities business. See Note 16 to the financial statements for details regarding Entergy's decommissioning trust funds.
- The interest rate risk associated with changes in interest rates as a result of Entergy's outstanding indebtedness. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

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

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

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" above for a discussion of management's strategy to shut down and sell all remaining plants in the Entergy Wholesale Commodities merchant nuclear fleet. As of December 31, 2021, Palisades is the only remaining operating plant in the Entergy Wholesale Commodities merchant nuclear fleet. Almost all of the Palisades output is sold under a power purchase agreement that is scheduled to expire in 2022. Planned generation currently under contract from the Palisades plant is 99% for 2022, all of which is sold under normal purchase/normal sale contracts. Total planned generation for 2022 is 2.8 TWh.

Entergy Wholesale Commodities Portfolio

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 primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. Cash and letters of credit are also acceptable forms of credit support. At December 31, 2021, based on power prices at that time, Entergy had liquidity exposure of \$29 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$8 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of December 31, 2021, Entergy would have been required to provide approximately \$30 million of additional cash or letters of credit under some of the agreements. As of December 31, 2021, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by an insignificant amount for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of December 31, 2021, substantially all of the credit exposure associated with the planned energy output under contract for the Palisades plant through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

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

NRC Reactor Oversight Process

The NRC's Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC's inspection program and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC's Reactor Oversight Process Action Matrix columns: "licensee response column," or Column 1, "regulatory response column," or Column 2, "degraded cornerstone column," or Column 3, and "multiple/repetitive degraded cornerstone column," or Column 4, and "unacceptable performance," or Column 5. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC with, in general, progressively increasing levels of associated costs. Continued plant operation is not permitted for plants in Column 5. All of the nuclear generating plants owned and operated by Entergy's Utility and Entergy Wholesale Commodities businesses are currently in Column 1.

In March 2021 the NRC placed Grand Gulf in Column 3 based on the incidence of five unplanned plant scrams during calendar year 2020, some of which were related to upgrades made to the plant's turbine control system during the spring 2020 refueling outage. The NRC conducted a supplemental inspection of Grand Gulf in accordance with its inspection procedures for nuclear plants in Column 3 and, in October 2021, notified Entergy that all inspection objectives were met. The NRC issued its report in November 2021 and Grand Gulf was returned to Column 1.

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

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

- **Timing** - In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated for those plants that do not have an announced shutdown date. The estimate may include assumptions regarding the possibility that the plant may have an operating life shorter than the operating license expiration. Second, an assumption must be made regarding whether all decommissioning activity will proceed immediately upon plant retirement, or whether the plant will be placed in SAFSTOR status. SAFSTOR is decommissioning a facility by placing it in a safe, stable condition that is maintained until it is subsequently decontaminated and dismantled to levels that permit license termination, normally within 60 years from permanent cessation of operations. A change of assumption regarding either the period of continued operation, the use of a SAFSTOR period, or whether Entergy will continue to hold the plant or the plant is held for sale can change the present value of the asset retirement obligation.
- **Cost Escalation Factors** - Entergy's current decommissioning cost studies include an assumption that decommissioning costs will escalate over present cost levels by factors ranging from approximately 2% to 3% annually. A 50-basis point change in this assumption could change the estimated present value of the decommissioning liabilities by approximately 6% to 18%. The timing assumption influences the significance of the effect of a change in the estimated inflation or cost escalation rate because the effect increases with the length of time assumed before decommissioning activity ends.
- **Spent Fuel Disposal** - Federal law requires the DOE to provide for the permanent storage of spent nuclear fuel, and legislation has been passed by Congress to develop a repository at Yucca Mountain, Nevada. The DOE has not yet begun accepting spent nuclear fuel and is in non-compliance with federal law. The DOE continues to delay meeting its obligation and Entergy's nuclear plant owners are continuing to pursue damage claims against the DOE for its failure to provide timely spent fuel storage. Until a federal site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities during the decommissioning period can have a significant effect (as much as an average of 20% to 30% of total estimated decommissioning costs).

Entergy's decommissioning studies include cost estimates for spent fuel storage. These estimates could change in the future, however, based on the expected timing of when the DOE begins to fulfill its obligation to receive and store spent nuclear fuel. See Note 8 to the financial statements for further discussion of Entergy's spent nuclear fuel litigation.

- **Technology and Regulation** - Over the past several years, more practical experience with the actual decommissioning of nuclear facilities has been gained and that experience has been incorporated into Entergy's current decommissioning cost estimates. Given the long duration of decommissioning projects, additional experience, including technological advancements in decommissioning, could be gained and affect current cost estimates. In addition, if regulations regarding nuclear decommissioning were to change, this could affect cost estimates.
- **Interest Rates** - The estimated decommissioning costs that are the basis for the recorded decommissioning liability are discounted to present value using a credit-adjusted risk-free rate. When the decommissioning liability is revised, increases in cash flows are discounted using the current credit-adjusted risk-free rate. Decreases in estimated cash flows are discounted using the credit-adjusted risk-free rate used previously in estimating the decommissioning liability that is being revised. Therefore, to the extent that a revised cost study results in an increase in estimated cash flows, a change in interest rates from the time of the previous cost estimate will affect the calculation of the present value of the revised decommissioning liability.

Revisions of estimated decommissioning costs that decrease the liability also result in a decrease in the asset retirement cost asset. Revisions of estimated decommissioning costs that increase the liability result in an increase in the asset retirement cost asset, which is then depreciated over the asset's remaining economic life. See Note 14 to the financial statements for further discussion of impairment of long-lived assets and Note 9 to the financial statements for further discussion of asset retirement obligations.

Utility Regulatory Accounting

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

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

Impairment of Long-lived Assets

Entergy has significant investments in long-lived assets in both of its operating segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment when there are indications that the carrying amount of an asset or asset group may not be recoverable. This evaluation involves a significant degree of estimation and uncertainty. In the Entergy Wholesale Commodities business, Entergy's

investments in merchant generation assets are subject to impairment if adverse market or regulatory conditions arise, particularly if it leads to a decision or an expectation that Entergy will operate or own a plant for a shorter period than previously expected; if there is a significant adverse change in the physical condition of a plant; or, if capital investment in a plant significantly exceeds previously-expected amounts.

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

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

- Future power and fuel prices - Electricity and gas prices can be very volatile. This volatility increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.
- Market value of generation assets - Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, these transactions are relatively infrequent, the market for such assets is volatile, and the value of individual assets is affected by factors unique to those assets.
- Future operating costs - Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant effect on operations could cause a significant change in these assumptions.
- Timing and the life of the asset - Entergy assumes an expected life of the asset. A change in the timing assumption, whether due to management decisions regarding operation of the plant, the regulatory process, or operational or other factors, could have a significant effect on the expected future cash flows and result in a significant effect on operations.

See Note 14 to the financial statements for a discussion of impairment conclusions related to the Entergy Wholesale Commodities nuclear plants.

Taxation and Uncertain Tax Positions

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

taxes, including unrecognized tax benefits, open audits, and other significant tax matters are discussed in Note 3 to the financial statements.

Included in the IRS examination of Entergy's 2015 tax returns is the tax effect of the October 2015 combination of two Entergy utility companies, Entergy Gulf States Louisiana and Entergy Louisiana. Entergy Louisiana maintained a carryover tax basis in the assets received and the tax consequences provided for an increase in tax basis as well. This resulted in recognition in 2015 of a \$334 million permanent difference and income tax benefit, net of the uncertain tax position recorded on the transaction. As discussed in Note 3 to the financial statements, the IRS completed its examination of the 2014 and 2015 tax years and issued its 2014-2015 Revenue Agent Report in November 2020. Entergy Louisiana reversed the provision for uncertain tax positions with respect to the business combination. See additional discussion of the 2014 and 2015 IRS audit in Note 3 to the financial statements.

In addition, as discussed in Note 3 to the financial statements, in 2015, System Energy and Entergy Louisiana adopted a new method of accounting for income tax return purposes in which nuclear decommissioning liabilities are treated as production costs of electricity includable in cost of goods sold. The new method resulted in a reduction of taxable income of \$1.2 billion for System Energy and \$2.2 billion for Entergy Louisiana in 2015. In the third quarter 2020 the IRS issued Notices of Proposed Adjustment concerning this uncertain tax position allowing System Energy to include \$102 million of its decommissioning liability in cost of goods sold and Entergy Louisiana to include \$221 million of its decommissioning liability in cost of goods sold. The Notices of Proposed Adjustment will not be appealed.

As a result of System Energy being allowed to include part of its decommissioning liability in cost of goods sold, System Energy and Entergy recorded a deferred tax liability of \$26 million in 2020. System Energy also recorded federal and state taxes payable of \$402 million in 2020; on a consolidated basis, however, Entergy utilized tax loss carryovers to offset the federal taxable income adjustment and accordingly did not record federal taxes payable as a result of the outcome of this uncertain tax position. The state taxes due were paid in 2021.

As a result of Entergy Louisiana being allowed to include part of its decommissioning liability in cost of goods sold, Entergy Louisiana and Entergy recorded a deferred tax liability of \$60 million in 2020. Both Entergy Louisiana and Entergy utilized tax loss carryovers to offset the taxable income adjustment and accordingly did not record taxes payable as a result of the outcome of this uncertain tax position.

The partial disallowance of the uncertain tax position to include the decommissioning liability in cost of goods sold resulted in a \$1.5 billion decrease in the balance of unrecognized tax benefits related to federal and state taxes for Entergy which were recorded in 2020. Additionally, both System Energy and Entergy Louisiana, in 2020, recorded a reduction to their balances of unrecognized tax benefits for federal and state taxes of \$461 million and \$1.1 billion, respectively.

See Note 3 to the financial statements for discussion of the effects of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017.

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified, defined benefit pension plans, including cash balance plans and final average pay plans. Generally, plan participation is determined based on the employee's most recent date of hire and collective bargaining agreement where applicable. Additionally, Entergy currently provides other postretirement health care and life insurance benefits for substantially all full-time employees whose most recent date of hire or rehire is before July 1, 2014 and who reach retirement age and meet certain eligibility requirements while still working for Entergy.

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

Assumptions

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

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

Discount rates

In selecting an assumed discount rate to calculate benefit obligations, Entergy uses a yield curve based on high-quality corporate debt with cash flows matching the expected plan benefit payments. In estimating the service cost and interest cost components of net periodic benefit cost, Entergy discounts the expected cash flows by the applicable spot rates.

Projected health care cost trend rates

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

Expected long-term rate of return on plan assets

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

In 2017, Entergy confirmed its liability-driven investment strategy for its pension assets, which recommended that the target asset allocation adjust dynamically over time, based on the funded status of the plan, to an ultimate allocation of 35% equity securities and 65% fixed income securities. The ultimate asset allocation is expected to be attained when the plan is 100% funded. The target pension asset allocation for 2021 was 58% equity and 42% fixed income securities. In 2022, Entergy expects to adjust its asset allocation strategy for pension assets, which will target an overall shift to less fixed income securities and more equity securities.

In 2017, Entergy implemented a new asset allocation strategy for its non-taxable and taxable other postretirement assets, based on the funded status of each sub-account within each trust. The new strategy no longer focuses on targeting an overall asset allocation for each trust, but rather a target asset allocation for each sub-account within each trust that adjusts dynamically based on the funded status. The 2021 weighted average target postretirement asset allocation is 42% equity and 58% fixed income securities. See Note 11 to the financial statements for discussion of the current asset allocations for Entergy's pension and other postretirement assets.

Costs and Sensitivities

The estimated 2022 and actual 2021 qualified pension and other postretirement costs and related underlying assumptions and sensitivities are shown below:

Costs	Estimated 2022	2021
	(In millions)	
Qualified pension cost	\$183	\$471.8 (a)
Other postretirement income	(\$12.6)	(\$25.9)
Assumptions	2022	2021
Discount rates		
Qualified pension		
Service cost	3.07%	2.81%
Interest cost	2.49%	2.08%
Other postretirement		
Service cost	3.20%	2.98%
Interest cost	2.31%	1.86%
Expected long-term rates of return		
Qualified pension assets	6.75%	6.75%
Other postretirement - non-taxable assets	5.75% - 6.75%	6.00% - 6.75%
Other postretirement - taxable assets - after tax rate	4.75%	5.00%
Weighted-average rate of increase in future compensation	3.98% - 4.40%	3.98% - 4.40%
Assumed health care cost trend rates		
Pre-65 retirees	5.65%	5.87%
Post-65 retirees	5.90%	6.31%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond		
Pre-65 retirees	2032	2030
Post-65 retirees	2032	2028

(a) In 2021 qualified pension cost included settlement costs of \$205.9 million.

Actual asset returns have an effect on Entergy's qualified pension and other postretirement costs. In 2021, Entergy's actual annual return on qualified pension assets was approximately 11% and for other postretirement assets was approximately 8%, as compared with the 2021 expected long-term rates of return discussed above.

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

Actuarial Assumption	Change in Assumption	Impact on 2022	Impact on 2021
		Qualified Pension Cost	Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$13	\$236
Rate of return on plan assets	(0.25%)	\$15	\$—
Rate of increase in compensation	0.25%	\$9	\$41

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

Actuarial Assumption	Change in Assumption	Impact on 2022	Impact on 2021
		Postretirement Benefit Cost	Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$2	\$37
Health care cost trend	0.25%	\$2	\$25

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

Accounting Mechanisms

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

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

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

Employer Contributions

Entergy contributed \$356 million to its qualified pension plans in 2021. Entergy estimates pension contributions will be approximately \$200 million in 2022; although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Minimum required funding calculations as determined under Pension Protection Act guidance, as amended by the American Rescue Plan Act of 2021, are performed annually as of January 1 of each year and are based on measurements of the assets and funding liabilities as measured at that date. Any excess of the funding liability over the calculated fair market value of assets results in a funding shortfall that must be funded over a fifteen-year rolling period. The Pension Protection Act also imposes certain plan limitations if the funded percentage, which is based on calculated fair market values of assets divided by funding liabilities, does not meet certain thresholds. For funding purposes, asset gains and losses are smoothed in to the calculated fair market value of assets. The funding liability is based upon a weighted average 24-month corporate bond rate published by the U.S. Treasury which is generally subject to a corridor of the 25-year average of prior segment rates. Periodic changes in asset returns and interest rates can affect funding shortfalls and future cash contributions.

Entergy contributed \$32.8 million to its postretirement plans in 2021 and plans to contribute \$42.8 million in 2022.

Other Contingencies

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

Environmental

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

- Changes to existing federal, state, or local regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.
- The identification of additional impacts, sites, issues, or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.
- The resolution or progression of existing matters through the court system or resolution by the EPA or relevant state or local authority.

Litigation

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

New Accounting Pronouncements

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

ENTERGY CORPORATION AND SUBSIDIARIES

REPORT OF MANAGEMENT

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

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

Entergy Corporation's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Entergy Corporation's internal control over financial reporting as of December 31, 2021.

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

Based on management's assessment of internal controls using the 2013 COSO criteria, management believes that Entergy and each of the Registrant Subsidiaries maintained effective internal control over financial reporting as of December 31, 2021. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's and each of the Registrant Subsidiaries' financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

LEO P. DENAULT
Chairman of the Board and Chief Executive Officer of Entergy Corporation

ANDREW S. MARSH
Executive Vice President and Chief Financial Officer of Entergy Corporation, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc.

LAURA R. LANDREAUX
Chair of the Board, President, and Chief Executive Officer of Entergy Arkansas, LLC

PHILLIP R. MAY, JR.
Chairman of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC

HALEY R. FISACKERLY
Chairman of the Board, President, and Chief Executive Officer of Entergy Mississippi, LLC

DEANNA D. RODRIGUEZ
Chair of the Board, President, and Chief Executive Officer of Entergy New Orleans, LLC

ELIECER VIAMONTES
Chairman of the Board, President, and Chief Executive Officer of Entergy Texas, Inc.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2021, and the related notes (collectively, referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2022, expressed an unqualified opinion on the Corporation’s internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Rate and Regulatory Matters —Entergy Corporation and Subsidiaries—Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Corporation is subject to rate regulation by the Arkansas Public Service Commission, Louisiana Public Service Commission, Mississippi Public Service Commission, City Council of New Orleans, Louisiana, and Public Utility Commission of Texas (the “Commissions”), which have jurisdiction with respect to the rates of electric companies in Arkansas, Louisiana, Mississippi, Texas, and the City of New Orleans, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying

the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Corporation's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the Commissions and the FERC set the rates, the Corporation is allowed to charge customers based on allowable costs, including a reasonable return on equity, and the Corporation applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Corporation assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Corporation has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions and the FERC will not approve: (1) full recovery of the costs of providing utility service or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the (1) likelihood of recovery in future rates of incurred costs, including major storm restoration costs, (2) likelihood of refunds to customers, and (3) ongoing complaints filed with the FERC against System Energy Resources, Inc. ("SERI"). Auditing management's judgments regarding the outcome of future decisions by the Commissions and the FERC involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate-setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets; and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Corporation's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions and the FERC for the Corporation and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Corporation's filings with the Commissions and the FERC, including the annual formula rate plan filings, base rate case filings, major storm restoration cost filings and open complaints filed with the FERC against SERI, including the Return on Equity, Capital Structure, Grand Gulf Sale-Leaseback Renewal, Unit Power Sales Agreement and Prudence complaints, and considered the filings with the Commissions and the FERC by intervenors that may impact the Corporation's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from the Corporation's internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including major storm restoration

costs incurred and the complaints filed with the FERC against SERI, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

Uncertain Tax Positions—Entergy Wholesale Commodities—Refer to Note 3 to the financial statements

Critical Audit Matter Description

The Corporation accounts for uncertain income tax positions under a two-step approach with a more likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement. The Corporation has uncertain tax positions which require management to make significant judgments and assumptions to determine whether available information supports the assertion that the recognition threshold is met, particularly related to the technical merits and facts and circumstances of each position, as well as the probability of different potential outcomes. These uncertain tax positions could be significantly affected by events such as additional transactions contemplated or consummated by the Corporation as well as audits by taxing authorities of the tax positions. The net unrecognized tax benefit of \$712 million at December 31, 2021, includes uncertain tax positions related to Entergy Wholesale Commodities.

Given the subjectivity of estimating these uncertain tax positions, auditing the uncertain tax positions involved especially subjective judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertain tax positions included the following, among others:

- We tested the effectiveness of controls related to uncertain tax positions, including those over the recognition and measurement of the income tax benefits.
- We evaluated the Corporation's disclosures, and the balances recorded, related to uncertain tax positions.
- We evaluated the methods and assumptions used by management to estimate the uncertain tax positions by testing the underlying data that served as the basis for the uncertain tax position.
- With the assistance of our income tax specialists, we tested the technical merits of the uncertain tax positions and management's key estimates and judgments made by:
 - Assessing the technical merits of the uncertain tax positions by comparing to similar cases filed with the Internal Revenue Service.
 - Evaluating the reasonableness and consistency of the probabilities applied to the uncertain tax position by comparing to probabilities used on similar uncertain tax positions.
 - Considering the impact of changes or settlements in the tax environment on management's methods and assumptions used to estimate the uncertain tax positions.

Nuclear Decommissioning Costs—Entergy Wholesale Commodities—Refer to Note 9 to the financial statements

Critical Audit Matter Description

The Corporation owns nuclear generation facilities in the Entergy Wholesale Commodities operating segment where regulation requires the Corporation to decommission its nuclear power plants after each facility is taken out of service. The Corporation periodically conducts decommissioning cost studies, which requires management to make significant judgments and assumptions, specifically related to future dismantlement, site restoration, spent fuel management, and license termination costs. The liability for Entergy Wholesale Commodities nuclear decommissioning was \$682 million at December 31, 2021.

Auditing management's judgments regarding the nuclear decommissioning costs, including estimates for future dismantlement, site restoration, spent fuel management, and license termination costs, involved especially subjective judgment in evaluating the appropriateness of the estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the underlying costs for nuclear decommissioning included the following, among others:

- We tested the effectiveness of the control over nuclear decommissioning where management evaluates whether estimates and assumptions need to be updated for each of the nuclear power plants.
- We evaluated the Corporation's disclosures related to the estimated nuclear decommissioning costs, including the balances recorded.
- We evaluated management's ability to accurately estimate the costs for nuclear decommissioning by comparing the cost estimates to actual nuclear decommissioning costs of similar asset retirement obligations at the Corporation.
- With the assistance of our environmental specialists, we completed a search of environmental regulations to evaluate any regulatory changes that may affect the nuclear decommissioning cost estimates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

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

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Electric	\$10,873,995	\$9,046,643	\$9,429,978
Natural gas	170,610	124,008	153,954
Competitive businesses	698,291	942,985	1,294,741
TOTAL	11,742,896	10,113,636	10,878,673
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	2,458,096	1,564,371	2,029,638
Purchased power	1,271,677	904,268	1,192,860
Nuclear refueling outage expenses	172,636	184,157	204,927
Other operation and maintenance	2,968,621	3,002,626	3,272,381
Asset write-offs, impairments, and related charges	263,625	26,623	290,027
Decommissioning	306,411	381,861	400,802
Taxes other than income taxes	660,290	652,840	643,745
Depreciation and amortization	1,684,286	1,613,086	1,480,016
Other regulatory charges (credits) - net	111,628	14,609	(26,220)
TOTAL	9,897,270	8,344,441	9,488,176
OPERATING INCOME	1,845,626	1,769,195	1,390,497
OTHER INCOME			
Allowance for equity funds used during construction	70,473	119,430	144,974
Interest and investment income	430,466	392,818	547,912
Miscellaneous - net	(201,778)	(210,633)	(252,539)
TOTAL	299,161	301,615	440,347
INTEREST EXPENSE			
Interest expense	863,712	837,981	807,382
Allowance for borrowed funds used during construction	(29,018)	(52,318)	(64,957)
TOTAL	834,694	785,663	742,425
INCOME BEFORE INCOME TAXES	1,310,093	1,285,147	1,088,419
Income taxes	191,374	(121,506)	(169,825)
CONSOLIDATED NET INCOME	1,118,719	1,406,653	1,258,244
Preferred dividend requirements of subsidiaries and noncontrolling interest	227	18,319	17,018
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	\$1,118,492	\$1,388,334	\$1,241,226
Earnings per average common share:			
Basic	\$5.57	\$6.94	\$6.36
Diluted	\$5.54	\$6.90	\$6.30
Basic average number of common shares outstanding	200,941,511	200,106,945	195,195,858
Diluted average number of common shares outstanding	201,873,024	201,102,220	196,999,284

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
Net Income	\$1,118,719	\$1,406,653	\$1,258,244
Other comprehensive income (loss)			
Cash flow hedges net unrealized gain (loss)			
(net of tax expense (benefit) of (\$7,935), (\$14,776), and \$28,516)	(29,754)	(55,487)	115,026
Pension and other postretirement liabilities			
(net of tax expense (benefit) of \$55,161, \$5,600, and (\$6,539))	195,929	22,496	(25,150)
Net unrealized investment gain (loss)			
(net of tax expense (benefit) of (\$28,435), \$17,586, and \$14,023)	(49,496)	30,704	27,183
Other comprehensive income (loss)	116,679	(2,287)	117,059
Comprehensive Income	1,235,398	1,404,366	1,375,303
Preferred dividend requirements of subsidiaries and noncontrolling interest	227	18,319	17,018
Comprehensive Income Attributable to Entergy Corporation	<u>\$1,235,171</u>	<u>\$1,386,047</u>	<u>\$1,358,285</u>

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Consolidated net income	\$1,118,719	\$1,406,653	\$1,258,244
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	2,242,944	2,257,750	2,182,313
Deferred income taxes, investment tax credits, and non-current taxes accrued	248,719	(131,114)	193,950
Asset write-offs, impairments, and related charges	263,599	26,379	226,678
Changes in working capital:			
Receivables	(84,629)	(139,296)	(101,227)
Fuel inventory	18,359	(27,458)	(28,173)
Accounts payable	269,797	137,457	(71,898)
Taxes accrued	(21,183)	207,556	(20,784)
Interest accrued	(10,640)	7,662	937
Deferred fuel costs	(466,050)	(49,484)	172,146
Other working capital accounts	(53,883)	(143,451)	(3,108)
Changes in provisions for estimated losses	(85,713)	(291,193)	19,914
Changes in other regulatory assets	(536,707)	(784,494)	(545,559)
Changes in other regulatory liabilities	43,631	238,669	(14,781)
Changes in pension and other postretirement liabilities	(897,167)	50,379	187,124
Other	250,917	(76,149)	(639,149)
Net cash flow provided by operating activities	2,300,713	2,689,866	2,816,627
INVESTING ACTIVITIES			
Construction/capital expenditures	(6,087,296)	(4,694,076)	(4,197,667)
Allowance for equity funds used during construction	70,473	119,430	144,862
Nuclear fuel purchases	(166,512)	(215,664)	(128,366)
Payment for purchase of plant or assets	(168,304)	(247,121)	(305,472)
Net proceeds from sale of assets	17,421	—	28,932
Insurance proceeds received for property damages	—	—	7,040
Changes in securitization account	13,669	5,099	3,298
Payments to storm reserve escrow account	(25)	(2,273)	(8,038)
Receipts from storm reserve escrow account	83,105	297,588	—
Decrease (increase) in other investments	2,343	(12,755)	30,319
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	49,236	72,711	2,369
Proceeds from nuclear decommissioning trust fund sales	5,553,629	3,107,812	4,121,351
Investment in nuclear decommissioning trust funds	(5,547,015)	(3,203,057)	(4,208,870)
Net cash flow used in investing activities	(6,179,276)	(4,772,306)	(4,510,242)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	\$8,308,427	\$12,619,201	\$9,304,396
Preferred stock of subsidiary	—	—	33,188
Treasury stock	5,977	42,600	93,862
Common stock	200,776	—	607,650
Retirement of long-term debt	(4,827,827)	(8,152,378)	(7,619,380)
Repurchase / redemptions of preferred stock	—	—	(50,000)
Changes in credit borrowings and commercial paper - net	(426,312)	(319,238)	4,389
Capital contributions from noncontrolling interest	51,202	—	—
Other	43,221	(7,524)	(7,732)
Dividends paid:			
Common stock	(775,122)	(748,342)	(711,573)
Preferred stock	(18,319)	(18,502)	(16,438)
Net cash flow provided by financing activities	<u>2,562,023</u>	<u>3,415,817</u>	<u>1,638,362</u>
Net increase (decrease) in cash and cash equivalents	(1,316,540)	1,333,377	(55,253)
Cash and cash equivalents at beginning of period	<u>1,759,099</u>	<u>425,722</u>	<u>480,975</u>
Cash and cash equivalents at end of period	<u><u>\$442,559</u></u>	<u><u>\$1,759,099</u></u>	<u><u>\$425,722</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$843,228	\$803,923	\$778,209
Income taxes	\$98,377	(\$31,228)	(\$40,435)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$44,944	\$128,851
Temporary cash investments	397,615	1,630,248
Total cash and cash equivalents	442,559	1,759,099
Accounts receivable:		
Customer	786,866	833,478
Allowance for doubtful accounts	(68,608)	(117,794)
Other	231,843	135,208
Accrued unbilled revenues	420,255	434,835
Total accounts receivable	1,370,356	1,285,727
Deferred fuel costs	324,394	4,380
Fuel inventory - at average cost	154,575	172,934
Materials and supplies - at average cost	1,041,515	962,185
Deferred nuclear refueling outage costs	133,422	179,150
Prepayments and other	156,774	196,424
TOTAL	3,623,595	4,559,899
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	5,514,016	7,253,215
Non-utility property - at cost (less accumulated depreciation)	357,576	343,328
Other	159,455	214,222
TOTAL	6,031,047	7,810,765
PROPERTY, PLANT, AND EQUIPMENT		
Electric	64,263,250	59,696,443
Natural gas	658,989	610,768
Construction work in progress	1,511,966	2,012,030
Nuclear fuel	577,006	601,281
TOTAL PROPERTY, PLANT, AND EQUIPMENT	67,011,211	62,920,522
Less - accumulated depreciation and amortization	24,767,051	24,067,745
PROPERTY, PLANT, AND EQUIPMENT - NET	42,244,160	38,852,777
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$49,579 as of December 31, 2021 and \$119,238 as of December 31, 2020)	6,613,256	6,076,549
Deferred fuel costs	240,953	240,422
Goodwill	377,172	377,172
Accumulated deferred income taxes	54,186	76,289
Other	269,873	245,339
TOTAL	7,555,440	7,015,771
TOTAL ASSETS	\$59,454,242	\$58,239,212

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$1,039,329	\$1,164,015
Notes payable and commercial paper	1,201,177	1,627,489
Accounts payable	2,610,132	2,739,437
Customer deposits	395,184	401,512
Taxes accrued	419,828	441,011
Interest accrued	191,151	201,791
Deferred fuel costs	7,607	153,113
Pension and other postretirement liabilities	68,336	61,815
Current portion of unprotected excess accumulated deferred income taxes	53,385	63,683
Other	204,613	206,640
TOTAL	6,190,742	7,060,506
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	4,706,797	4,361,772
Accumulated deferred investment tax credits	211,975	212,494
Regulatory liability for income taxes-net	1,255,692	1,521,757
Other regulatory liabilities	2,643,845	2,323,851
Decommissioning and asset retirement cost liabilities	4,757,084	6,469,452
Accumulated provisions	157,122	242,835
Pension and other postretirement liabilities	1,949,325	2,853,013
Long-term debt (includes securitization bonds of \$83,639 as of December 31, 2021 and \$174,635 as of December 31, 2020)	24,841,572	21,205,761
Other	815,284	807,219
TOTAL	41,338,696	39,998,154
Commitments and Contingencies		
Subsidiaries’ preferred stock without sinking fund	219,410	219,410
EQUITY		
Preferred stock, no par value, authorized 1,000,000 shares in 2021 and 0 shares in 2020; issued shares in 2021 and 2020 - none	—	—
Common stock, \$0.01 par value, authorized 499,000,000 shares in 2021 and 500,000,000 shares in 2020; issued 271,965,510 shares in 2021 and 270,035,180 shares in 2020	2,720	2,700
Paid-in capital	6,766,239	6,549,923
Retained earnings	10,240,552	9,897,182
Accumulated other comprehensive loss	(332,528)	(449,207)
Less - treasury stock, at cost (69,312,326 shares in 2021 and 69,790,346 shares in 2020)	5,039,699	5,074,456
Total common shareholders' equity	11,637,284	10,926,142
Subsidiaries’ preferred stock without sinking fund and noncontrolling interest	68,110	35,000
TOTAL	11,705,394	10,961,142
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
	\$ 59,454,242	\$ 58,239,212

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Subsidiaries' Preferred Stock and Noncontrolling Interest	Common Shareholders' Equity					Total
		Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
(In Thousands)							
Balance at December 31, 2018	\$—	\$2,616	(\$5,273,719)	\$5,951,431	\$8,721,150	(\$557,173)	\$8,844,305
Implementation of accounting standards					6,806	(6,806)	—
Balance at January 1, 2019	\$—	\$2,616	(\$5,273,719)	\$5,951,431	\$8,727,956	(\$563,979)	\$8,844,305
Consolidated net income (a)	17,018	—	—	—	1,241,226	—	1,258,244
Other comprehensive income	—	—	—	—	—	117,059	117,059
Settlement of equity forwards through common stock issuance	—	84	—	607,566	—	—	607,650
Common stock issuance costs	—	—	—	(7)	—	—	(7)
Common stock issuances related to stock plans	—	—	119,569	5,446	—	—	125,015
Common stock dividends declared	—	—	—	—	(711,573)	—	(711,573)
Subsidiaries' capital stock redemptions	35,000	—	—	—	—	—	35,000
Preferred dividend requirements of subsidiaries (a)	(17,018)	—	—	—	—	—	(17,018)
Balance at December 31, 2019	\$35,000	\$2,700	(\$5,154,150)	\$6,564,436	\$9,257,609	(\$446,920)	\$10,258,675
Implementation of accounting standards	—	—	—	—	(419)	—	(419)
Balance at January 1, 2020	\$35,000	\$2,700	(\$5,154,150)	\$6,564,436	\$9,257,190	(\$446,920)	\$10,258,256
Consolidated net income (a)	18,319	—	—	—	1,388,334	—	1,406,653
Other comprehensive loss	—	—	—	—	—	(2,287)	(2,287)
Common stock issuances related to stock plans	—	—	79,694	(14,513)	—	—	65,181
Common stock dividends declared	—	—	—	—	(748,342)	—	(748,342)
Preferred dividend requirements of subsidiaries (a)	(18,319)	—	—	—	—	—	(18,319)
Balance at December 31, 2020	\$35,000	\$2,700	(\$5,074,456)	\$6,549,923	\$9,897,182	(\$449,207)	\$10,961,142
Consolidated net income (a)	227	—	—	—	1,118,492	—	1,118,719
Other comprehensive income	—	—	—	—	—	116,679	116,679
Common stock issuances and sales under the at the market equity distribution program	—	20	—	204,194	—	—	204,214
Common stock issuance costs	—	—	—	(3,438)	—	—	(3,438)
Common stock issuances related to stock plans	—	—	34,757	15,560	—	—	50,317
Common stock dividends declared	—	—	—	—	(775,122)	—	(775,122)
Capital contributions from noncontrolling interest	51,202	—	—	—	—	—	51,202
Preferred dividend requirements of subsidiaries (a)	(18,319)	—	—	—	—	—	(18,319)
Balance at December 31, 2021	\$68,110	\$2,720	(\$5,039,699)	\$6,766,239	\$10,240,552	(\$332,528)	\$11,705,394

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries include \$16 million for 2021, 2020, and 2019 of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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

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

Use of Estimates in the Preparation of Financial Statements

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

Revenues and Fuel Costs

See Note 19 to the financial statements for a discussion of Entergy's and the Registrant Subsidiaries' revenues and fuel costs.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less regulatory disallowances and impairments. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives of the various classes of property. For the Registrant Subsidiaries, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Certain combined-cycle gas turbine generating units are maintained under long-term service agreements with third-party service providers. The costs under these agreements are split between operating expenses and capital additions based upon the nature of the work performed. Substantially all of the Registrant Subsidiaries' plant is subject to mortgage liens.

Electric plant includes the portion of Grand Gulf that was sold and leased back in a prior period. For financial reporting purposes, this sale and leaseback arrangement is reported as a financing transaction.

Net property, plant, and equipment for Entergy (including property under lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2021 and 2020, is shown below:

2021	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
(In Millions)				
Production				
Nuclear	\$7,632	\$7,624	\$8	\$—
Other	7,158	7,105	53	—
Transmission	9,578	9,577	1	—
Distribution	12,877	12,877	—	—
Other	2,910	2,905	—	5
Construction work in progress	1,512	1,511	1	—
Nuclear fuel	577	563	14	—
Property, plant, and equipment - net	<u>\$42,244</u>	<u>\$42,162</u>	<u>\$77</u>	<u>\$5</u>

2020	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
(In Millions)				
Production				
Nuclear	\$7,526	\$7,493	\$33	\$—
Other	6,346	6,270	76	—
Transmission	8,758	8,758	—	—
Distribution	10,805	10,805	—	—
Other	2,804	2,792	5	7
Construction work in progress	2,012	2,008	4	—
Nuclear fuel	601	548	53	—
Property, plant, and equipment - net	<u>\$38,853</u>	<u>\$38,674</u>	<u>\$171</u>	<u>\$7</u>

Depreciation rates on average depreciable property for Entergy approximated 2.7% in 2021, 2.8% in 2020, and 2.8% in 2019. Included in these rates are the depreciation rates on average depreciable Utility property of 2.7% in 2021, 2.7% in 2020, and 2.6% in 2019, and the depreciation rates on average depreciable Entergy Wholesale Commodities property of 7.5% in 2021, 12.7% in 2020, and 18.3% in 2019. The depreciation rates for Entergy Wholesale Commodities reflect the significantly reduced remaining estimated operating lives associated with management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. The decreases in the depreciation rates in 2021 and 2020 for Entergy Wholesale Commodities are due to the shutdown of Indian Point 3 in April 2021 and the shutdown of Indian Point 2 in April 2020.

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

Non-utility property - at cost (less accumulated depreciation) for Entergy is reported net of accumulated depreciation of \$200 million as of December 31, 2021 and \$191 million as of December 31, 2020.

Construction expenditures included in accounts payable is \$723 million as of December 31, 2021 and \$745 million as of December 31, 2020.

Net property, plant, and equipment for the Registrant Subsidiaries (including property under lease and associated accumulated amortization) by company and functional category, as of December 31, 2021 and 2020, is shown below:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Millions)						
Production						
Nuclear	\$1,775	\$3,941	\$—	\$—	\$—	\$1,908
Other	931	3,631	882	411	1,250	—
Transmission	2,065	4,237	1,383	114	1,743	35
Distribution	2,801	5,629	1,879	702	1,866	—
Other	534	1,042	342	349	273	24
Construction work in progress	241	848	95	22	184	98
Nuclear fuel	182	209	—	—	—	171
Property, plant, and equipment - net	<u>\$8,529</u>	<u>\$19,537</u>	<u>\$4,581</u>	<u>\$1,598</u>	<u>\$5,316</u>	<u>\$2,236</u>

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Millions)						
Production						
Nuclear	\$1,622	\$3,980	\$—	\$—	\$—	\$1,891
Other	803	3,660	868	416	523	—
Transmission	2,053	3,756	1,235	111	1,566	37
Distribution	2,666	4,130	1,651	576	1,782	—
Other	506	984	325	326	273	26
Construction work in progress	234	667	135	12	880	60
Nuclear fuel	163	210	—	—	—	175
Property, plant, and equipment - net	<u>\$8,047</u>	<u>\$17,388</u>	<u>\$4,214</u>	<u>\$1,441</u>	<u>\$5,023</u>	<u>\$2,189</u>

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

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
2021	2.7%	2.4%	3.6%	3.2%	3.2%	1.9%
2020	2.6%	2.4%	3.5%	3.1%	3.1%	2.1%
2019	2.5%	2.4%	3.2%	3.2%	3.0%	2.1%

Non-utility property - at cost (less accumulated depreciation) for Entergy Louisiana is reported net of accumulated depreciation of \$188.5 million as of December 31, 2021 and \$179.8 million as of December 31, 2020. Non-utility property - at cost (less accumulated depreciation) for Entergy Mississippi is reported net of accumulated depreciation of \$0.5 million as of December 31, 2021 and \$0.5 million as of December 31, 2020.

As of December 31, 2021, construction expenditures included in accounts payable are \$35.6 million for Entergy Arkansas, \$507.9 million for Entergy Louisiana, \$26.5 million for Entergy Mississippi, \$73.1 million for Entergy Texas, and \$23.4 million for System Energy. As of December 31, 2020, construction expenditures included in accounts payable are \$59.7 million for Entergy Arkansas, \$460.5 million for Entergy Louisiana, \$31.4 million for Entergy Mississippi, \$9.2 million for Entergy New Orleans, \$116.8 million for Entergy Texas, and \$17.7 million for System Energy.

Jointly-Owned Generating Stations

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. All parties are required to provide their own financing. The investments, fuel expenses, and other operation and maintenance expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2021, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel Type	Total Megawatt Capability (a)	Ownership	Investment	Accumulated Depreciation
(In Millions)						
Utility business:						
Entergy Arkansas -						
Independence	Unit 1	Coal	822	31.50 %	\$143	\$106
Independence	Common Facilities	Coal		15.75 %	\$43	\$31
White Bluff	Units 1 and 2	Coal	1,639	57.00 %	\$587	\$390
Ouachita (b)	Common Facilities	Gas		66.67 %	\$173	\$156
Union (c)	Common Facilities	Gas		25.00 %	\$29	\$9
Entergy Louisiana -						
Roy S. Nelson	Unit 6	Coal	521	40.25 %	\$294	\$212
Roy S. Nelson	Unit 6 Common Facilities	Coal		19.57 %	\$21	\$10
Big Cajun 2	Unit 3	Coal	540	24.15 %	\$151	\$131
Big Cajun 2	Unit 3 Common Facilities	Coal		8.05 %	\$5	\$3
Ouachita (b)	Common Facilities	Gas		33.33 %	\$91	\$78
Acadia	Common Facilities	Gas		50.00 %	\$21	\$2
Union (c)	Common Facilities	Gas		50.00 %	\$59	\$10
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,246	25.00 %	\$286	\$179
Entergy New Orleans -						
Union (c)	Common Facilities	Gas		25.00 %	\$29	\$8
Entergy Texas -						
Roy S. Nelson	Unit 6	Coal	521	29.75 %	\$208	\$120
Roy S. Nelson	Unit 6 Common Facilities	Coal		14.47 %	\$7	\$3
Big Cajun 2	Unit 3	Coal	540	17.85 %	\$113	\$84
Big Cajun 2	Unit 3 Common Facilities	Coal		5.95 %	\$4	\$1
Montgomery County	Unit 1	Gas	909	92.44 %	\$728	\$18
System Energy -						
Grand Gulf (d)	Unit 1	Nuclear	1,404	90.00 %	\$5,363	\$3,317
Entergy Wholesale Commodities:						
Independence	Unit 2	Coal	424	14.37 %	\$76	\$55
Independence	Common Facilities	Coal		7.18 %	\$20	\$14
Roy S. Nelson	Unit 6	Coal	521	10.90 %	\$118	\$69
Roy S. Nelson	Unit 6 Common Facilities	Coal		5.30 %	\$3	\$1

- (a) “Total Megawatt Capability” is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.

- (b) Ouachita Units 1 and 2 are owned 100% by Entergy Arkansas and Ouachita Unit 3 is owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the common facilities and not for the generating units.
- (c) Union Unit 1 is owned 100% by Entergy New Orleans, Union Unit 2 is owned 100% by Entergy Arkansas, Union Units 3 and 4 are owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the specified common facilities and not for the generating units.
- (d) Includes a leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 5 to the financial statements.

Nuclear Refueling Outage Costs

Nuclear refueling outage costs are deferred during the outage and amortized over the estimated period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Because the values of their long-lived assets were impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, charged nuclear refueling outage costs directly to expense when incurred because their undiscounted cash flows were insufficient to recover the carrying amount of these costs.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction by the Registrant Subsidiaries. AFUDC increases both the plant balance and earnings and is realized in cash through depreciation provisions included in the rates charged to customers.

Income Taxes

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. In September 2019, Entergy Utility Holding Company, LLC and its regulated wholly-owned subsidiaries including Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy New Orleans, LLC became eligible to join and joined the Entergy Corporation consolidated federal income tax group. These changes do not affect the accrual or allocation of income taxes for the Registrant Subsidiaries. Each tax-paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the tax filing entities in accordance with Entergy's intercompany income tax allocation agreements. Deferred income taxes are recorded for temporary differences between the book and tax basis of assets and liabilities, and for certain losses and credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted. See the "**Other Tax Matters - Tax Cuts and Jobs Act**" section in Note 3 to the financial statements for discussion of the effects of the enactment of the Tax Cuts and Jobs Act in December 2017.

The benefits of investment tax credits are deferred and amortized over the average useful life of the related property, as a reduction of income tax expense, for such credits associated with rate-regulated operations in accordance with ratemaking treatment.

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share calculation included on the consolidated statements of operations:

	For the Years Ended December 31,					
	2021		2020		2019	
	(In Millions, Except Per Share Data)					
	\$/share		\$/share		\$/share	
Net income attributable to Entergy Corporation	\$1,118.5		\$1,388.3		\$1,241.2	
Basic shares and earnings per average common share	200.9	\$5.57	200.1	\$6.94	195.2	\$6.36
Average dilutive effect of:						
Stock options	0.4	(0.01)	0.5	(0.02)	0.6	(0.02)
Other equity plans	0.6	(0.02)	0.5	(0.02)	0.8	(0.03)
Equity forwards	—	—	—	—	0.4	(0.01)
Diluted shares and earnings per average common shares	201.9	\$5.54	201.1	\$6.90	197.0	\$6.30

The calculation of diluted earnings per share excluded 1,013,320 options outstanding at December 31, 2021, 523,999 options outstanding at December 31, 2020, and 173,290 options outstanding at December 31, 2019 because they were antidilutive. In addition, as discussed further in Note 7 to the financial statements, at December 31, 2021, 1,158,917 shares under then outstanding forward sale agreements were not included in the calculation of diluted earnings per share because their effect would have been antidilutive.

Stock-based Compensation Plans

Entergy grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees of the Entergy subsidiaries under its Equity Ownership Plans, which are shareholder-approved stock-based compensation plans. These plans are described more fully in Note 12 to the financial statements. The cost of the stock-based compensation is charged to income over the vesting period. Awards under Entergy's plans generally vest over three years. Entergy accounts for forfeitures of stock-based compensation when they occur. Entergy recognizes all income tax effects related to share-based payments through the income statement.

Accounting for the Effects of Regulation

Entergy's Utility operating companies and System Energy are rate-regulated enterprises whose rates meet three criteria specified in accounting standards. The Utility operating companies and System Energy have rates that (i) are approved by a body (its regulator) empowered to set rates that bind customers; (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility's business, such as the generation or transmission functions, or to specific classes of customers. Because the Utility operating companies and System Energy meet these criteria, each of them capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity's balance sheet.

An enterprise that ceases to meet the three criteria for all or part of its operations should report that event in its financial statements. In general, the enterprise no longer meeting the criteria should eliminate from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a

regulated enterprise is no longer recovering all of its costs, it is possible that an impairment may exist that could require further write-offs of plant assets.

Entergy Louisiana does not apply regulatory accounting standards to the Louisiana retail deregulated portion of River Bend, the 30% interest in River Bend formerly owned by Cajun, or its steam business, unless specific cost recovery is provided for in tariff rates. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 15%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Louisiana to sell the electricity from the deregulated assets to Louisiana retail customers at 4.6 cents per kWh or off-system at higher prices, with certain provisions for sharing incremental revenue above 4.6 cents per kWh between customers and shareholders.

Regulatory Asset or Liability for Income Taxes

Accounting standards for income taxes provide that a regulatory asset or liability be recorded if it is probable that the currently determinable future increase or decrease in regulatory income tax expense will be recovered from or returned to customers through future rates. There are two main sources of Entergy's regulatory asset or liability for income taxes. There is a regulatory asset related to the ratemaking treatment of the tax effects of book depreciation for the equity component of AFUDC that has been capitalized to property, plant, and equipment but for which there is no corresponding tax basis. Equity-AFUDC is a component of property, plant, and equipment that is included in rate base when the plant is placed in service. There is a regulatory liability related to the adjustment of Entergy's net deferred income taxes that was required by the enactment in December 2017 of a change in the federal corporate income tax rate, which is discussed in Note 2 and 3 to the financial statements.

Cash and Cash Equivalents

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

Securitization Recovery Trust Accounts

The funds that Entergy New Orleans and Entergy Texas hold in their securitization recovery trust accounts are not classified as cash and cash equivalents or restricted cash and cash equivalents because of their nature, uses, and restrictions. These funds are classified as part of other current assets and other investments, depending on the timeframe within which the Registrant Subsidiary expects to use the funds.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects Entergy's best estimate of losses on the accounts receivable balances. The allowance is calculated as the historical rate of customer write-offs multiplied by the current accounts receivable balance, taking into account the length of time the receivable balances have been outstanding. Although the rate of customer write-offs has historically experienced minimal variation, management monitors the current condition of individual customer accounts to manage collections and ensure bad debt expense is recorded in a timely manner. Utility operating company customer accounts receivable are written off consistent with approved regulatory requirements. See Note 19 to the financial statements for further details on the allowance for doubtful accounts.

Investments

Entergy records decommissioning trust funds on the balance sheet at their fair value. Unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds are recorded in earnings as they occur rather than in other comprehensive income. 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 unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants 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. A portion of Entergy's decommissioning trust funds were held in a wholly-owned registered investment company, and unrealized gains and losses on both the equity and debt securities held in the registered investment company were recognized in earnings. In December 2020, Entergy liquidated its interest in the registered investment company. The assessment of whether an investment in an available-for-sale 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). Effective January 1, 2020, with the adoption of ASU 2016-13, Entergy estimates the expected credit losses for its available for sale securities based on the current credit rating and remaining life of the securities. To the extent an expected credit loss is realized, the individual security comprising the loss is written off against this allowance. 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. See Note 16 to the financial statements for details on the decommissioning trust funds.

Equity Method Investments

Entergy owns investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of the investee's comprehensive earnings and losses in income and as an increase or decrease to the investment account. Any cash distributions are charged against the investment account. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount for an investee plus any advances made or commitments to provide additional financial support.

Partnership with Disproportionate Allocation of Earnings and Losses in Relation to an Investor's Ownership Interest

Entergy Arkansas, as managing member, controls a tax equity partnership with a third party tax equity investor and consolidates the partnership for financial reporting purposes. The limited liability company agreement with the tax equity investor stipulates a disproportionate allocation of tax attributes, earnings, and cash flows between Entergy Arkansas and the tax equity investor with the tax equity investor being allocated a significant portion of the tax attributes, earnings, and cash flows until it receives its target return, at which point the earnings and cash flows will primarily be allocated to Entergy Arkansas. Entergy Arkansas has the option to purchase, at a future date specified in the partnership agreement, the tax equity investor's interests at the then-current fair market value, plus an amount that results in the tax equity investor reaching its target return, if needed.

Because of this disproportionate allocation, Entergy Arkansas accounts for its earnings in the partnership using the HLBV method of accounting. Under the HLBV method, the amounts of income and loss attributable to both Entergy Arkansas and the tax equity investor reflect changes in the amount each would hypothetically receive at the balance sheet date under the respective liquidation provisions of the limited liability company agreement, assuming the net assets of the partnership were liquidated at book value, after consideration of contributions and

distributions, between Entergy Arkansas and the tax equity investor. Once the tax equity investor reaches its target return in the hypothetical liquidation, the remaining proceeds are primarily allocated to Entergy Arkansas. This allocation may result in fluctuations of income on a periodic basis that differ significantly from what would otherwise be recognized if the earnings were allocated under the relative ownership percentages between Entergy Arkansas and the tax equity investor. Entergy Arkansas has determined these differences are primarily due to timing, and the APSC has approved that, for purposes of ratemaking, Entergy Arkansas reflect its interest in the partnership using its relative ownership percentage and disregard the effects of the HLBV method of accounting. Because of this, Entergy Arkansas recorded a regulatory liability of \$18.1 million in 2021 for the difference between the earnings allocated to it under the HLBV method of accounting and the earnings that would have been allocated to it under its respective ownership percentage in the partnership.

Derivative Financial Instruments and Commodity Derivatives

The accounting standards for derivative instruments and hedging activities require that all derivatives be recognized at fair value on the balance sheet, either as assets or liabilities, unless they meet various exceptions including the normal purchase/normal sale criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. Due to regulatory treatment, an offsetting regulatory asset or liability is recorded for changes in fair value of recognized derivatives for the Registrant Subsidiaries.

Contracts for commodities that will be physically delivered in quantities expected to be used or sold in the ordinary course of business, including certain purchases and sales of power and fuel, meet the normal purchase, normal sales criteria and are not recognized on the balance sheet. Revenues and expenses from these contracts are reported on a gross basis in the appropriate revenue and expense categories as the commodities are received or delivered.

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified to earnings in the periods when the underlying transactions actually occur. Changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded in current-period earnings on a mark-to-market basis.

Entergy has determined that contracts to purchase uranium do not meet the definition of a derivative under the accounting standards for derivative instruments because they do not provide for net settlement and the uranium markets are not sufficiently liquid to conclude that forward contracts are readily convertible to cash. If the uranium markets do become sufficiently liquid in the future and Entergy begins to account for uranium purchase contracts as derivative instruments, the fair value of these contracts would be accounted for consistent with Entergy's other derivative instruments. See Note 15 to the financial statements for further details on Entergy's derivative instruments and hedging activities.

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. See Note 15 to the financial statements for further discussion of fair value.

Impairment of Long-lived Assets

Entergy periodically reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such operations and assets. Projected net cash flows depend on the expected operating life of the assets, the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy and capacity over the remaining life of the assets. Because the values of the long-lived assets were impaired, and the remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, were charging additional expenditures for capital assets directly to expense when incurred. See Note 14 to the financial statements for further discussions of the impairments of the Entergy Wholesale Commodities nuclear plants.

River Bend AFUDC

The River Bend AFUDC gross-up is a regulatory asset that represents the incremental difference imputed by the LPSC between the AFUDC actually recorded by Entergy Louisiana on a net-of-tax basis during the construction of River Bend and what the AFUDC would have been on a pre-tax basis. The imputed amount was only calculated on that portion of River Bend that the LPSC allowed in rate base and is being amortized through August 2025.

Reacquired Debt

The premiums and costs associated with reacquired debt of Entergy's Utility operating companies and System Energy (except that portion allocable to the deregulated operations of Entergy Louisiana) are included in regulatory assets and are being amortized over the life of the related new issuances, or over the life of the original debt issuance if the debt is not refinanced, in accordance with ratemaking treatment.

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, unless required to report them differently by a regulatory authority.

New Accounting Pronouncements

The accounting standard-setting process is ongoing and the FASB is currently working on several projects that have not yet resulted in final pronouncements. Final pronouncements that result from these projects could have a material effect on Entergy's future net income, financial positions, or cash flows.

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

Regulatory assets represent probable future revenues associated with costs that Entergy expects to recover from customers through the regulatory ratemaking process under which the Utility business operates. Regulatory liabilities represent probable future reductions in revenues associated with amounts that Entergy expects to benefit customers through the regulatory ratemaking process under which the Utility business operates. In addition to the regulatory assets and liabilities that are specifically disclosed on the face of the balance sheets, the tables below provide detail of “Other regulatory assets” and “Other regulatory liabilities” that are included on Entergy’s and the Registrant Subsidiaries’ balance sheets as of December 31, 2021 and 2020:

Other Regulatory Assets

Entergy

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - <u>Qualified Pension Plans</u>, <u>Other Postretirement Benefits</u>, and <u>Non-Qualified Pension Plans</u>) (a)	\$2,327.7	\$3,027.5
Removal costs (Note 9)	1,488.8	893.8
Storm damage costs, including hurricane costs - recovered through securitization and retail rates (Note 2 - <u>Hurricane Ida</u> and <u>Storm Cost Recovery Filings with Retail Regulators</u> and Note 5 - <u>Securitization Bonds</u>)	993.6	379.2
Asset retirement obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	935.5	1,018.9
Retired electric and gas meters - recovered through retail rates as determined by retail regulators	179.4	192.1
Deferred COVID-19 costs - recovery period to be determined (Note 2 - <u>Retail Rate Proceedings</u>) (b)	133.1	105.7
Opportunity Sales - recovery will be determined after final order in proceeding (Note 2 - <u>Entergy Arkansas Opportunity Sales Proceeding</u>) (b)	131.8	131.8
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - <u>Qualified Pension Settlement Cost</u>)	113.2	16.9
Unamortized loss on reacquired debt - recovered over term of debt	74.7	79.2
Retail rate deferrals - recovered through formula rates or rate riders as rates are redetermined by retail regulators	66.1	66.0
Attorney General litigation costs - recovered over a six-year period through March 2026 (b)	20.5	25.3
Formula rate plan historical year rate adjustment (Note 2 - <u>Retail Rate Proceedings</u>)	19.0	—
New nuclear generation development costs - recovery through formula rate plan December 2014 through November 2022 (b)	6.8	14.2
Other	123.1	125.9
Entergy Total	<u>\$6,613.3</u>	<u>\$6,076.5</u>

Entergy Arkansas

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - Qualified Pension Plans, Other Postretirement Benefits , and Non-Qualified Pension Plans) (a)	\$640.0	\$831.5
Asset retirement obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	489.2	479.3
Removal costs (Note 9)	224.3	212.6
Opportunity sales - recovery will be determined after final order in proceeding (Note 2 - Entergy Arkansas Opportunity Sales Proceeding) (b)	131.8	131.8
Retired electric meters - recovered over 15-year period through March 2034	43.4	46.9
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - Qualified Pension Settlement Cost)	39.8	9.5
Storm damage costs - recovered either through securitization or retail rates (Note 5 - Entergy Arkansas Securitization Bonds)	39.3	42.7
Deferred COVID-19 costs - recovery period to be determined (Note 2 - Retail Rate Proceedings) (b)	32.6	10.5
Unamortized loss on reacquired debt - recovered over term of debt	23.1	24.7
ANO Fukushima and Flood Barrier costs - recovered through retail rates through February 2026 (Note 2 - Retail Rate Proceedings) (b)	7.3	9.1
Retail rate deferrals - recovered through rate riders as rates are redetermined annually (b)	1.0	12.6
Other	17.9	21.2
Entergy Arkansas Total	<u>\$1,689.7</u>	<u>\$1,832.4</u>

Entergy Louisiana

	2021	2020
	(In Millions)	
Removal costs (Note 9)	\$848.2	\$302.5
Storm damage costs, including hurricane costs - recovery expected through retail rates and securitization (Note 2 - Hurricane Ida and Storm Cost Recovery Filings with Retail Regulators)	773.6	94.0
Pension & postretirement costs (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (a)	592.7	799.4
Asset Retirement Obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	286.6	299.0
Retired electric meters - recovered over a 22-year period through July 2041	91.7	96.4
Deferred COVID-19 costs - recovery period to be determined (Note 2 - Retail Rate Proceedings) (b)	56.3	48.8
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - Qualified Pension Settlement Cost)	55.0	5.4
Unamortized loss on reacquired debt - recovered over term of debt	26.9	26.6
New nuclear generation development costs - recovery through formula rate plan December 2014 through November 2022 (b)	6.7	14.0
Other	39.0	40.0
Entergy Louisiana Total	\$2,776.7	\$1,726.1

Entergy Mississippi

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - Qualified Pension Plans , Other Postretirement Benefits , and Non-Qualified Pension Plans) (a)	\$175.4	\$242.7
Removal costs (Note 9)	136.8	107.3
Retail rate deferrals - returned through formula rates or rate riders as rates are redetermined annually	48.1	44.3
Attorney General litigation costs - recovered over a six-year period through March 2026 (b)	20.5	25.3
Formula rate plan historical year rate adjustment (Note 2 - Retail Rate Proceedings)	19.0	—
Deferred COVID-19 costs - recovery period to be determined (Note 2 - Retail Rate Proceedings) (b)	15.0	19.2
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - Qualified Pension Settlement Cost)	13.8	2.0
Unamortized loss on reacquired debt - recovered over term of debt	12.2	13.5
Asset retirement obligation - recovery dependent upon timing of dismantlement of non-nuclear power plants (Note 9) (a)	8.4	7.9
Other	13.2	5.1
Entergy Mississippi Total	\$462.4	\$467.3

Entergy New Orleans

	2021	2020
	(In Millions)	
Removal costs (Note 9)	\$91.7	\$63.2
Pension & postretirement costs (Note 11 - Qualified Pension Plans, Other Postretirement Benefits , and Non-Qualified Pension Plans) (a)	44.9	75.7
Storm damage costs, including hurricane costs - recovered through securitization or retail rates (Note 2 - Storm Cost Recovery Filings with Retail Regulators and Note 5 - Entergy New Orleans Securitization Bonds - Hurricane Isaac)	31.2	55.2
Retired meters - recovered over a 12-year period through July 2031 (b)	19.6	21.7
Deferred COVID-19 costs - recovery period to be determined (Note 2 - Retail Rate Proceedings) (b)	17.4	14.3
Asset retirement obligation - recovery dependent upon timing of dismantlement of non-nuclear power plants (Note 9) (a)	5.4	5.2
Unamortized loss on reacquired debt - recovered over term of debt	1.6	1.9
Other	36.8	29.6
Entergy New Orleans Total	\$248.6	\$266.8

Entergy Texas

	2021	2020
	(In Millions)	
Storm damage costs, including hurricane costs - recovered through securitization and retail rates (Note 2 - Storm Cost Recovery Filings with Retail Regulators and Note 5 - Entergy Texas Securitization Bonds - Hurricane Rita and Entergy Texas Securitization Bonds - Hurricane Ike and Hurricane Gustav)	\$143.1	\$187.3
Removal costs (Note 9)	98.1	115.3
Pension & postretirement costs (Note 11 - Qualified Pension Plans, Other Postretirement Benefits , and Non-Qualified Pension Plans) (a)	96.0	140.1
Retired electric meters - recovered over 13-year period through February 2032	23.7	26.0
Neches and Sabine costs - recovered over a 10-year period through September 2028 (Note 2 - Retail Rate Proceedings)	16.4	18.8
Pension & postretirement benefits expense deferral - recovery period to be determined (Note 11 - Entergy Texas Reserve)	14.6	3.8
Deferred COVID-19 costs - recovery period to be determined (Note 2 - Retail Rate Proceedings) (b)	11.7	12.9
Unamortized loss on reacquired debt - recovered over term of debt	9.8	10.5
Other	7.9	10.0
Entergy Texas Total	\$421.3	\$524.7

System Energy.

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - Qualified Pension Plans and Other Postretirement Benefits) (a)	\$160.3	\$217.8
Asset retirement obligation - recovery dependent upon timing of decommissioning (Note 9) (a)	144.4	226.3
Removal costs - recovered through depreciation rates (Note 9)	89.7	92.9
Unamortized loss on reacquired debt - recovered over term of debt	1.1	2.0
System Energy Total	\$395.5	\$539.0

- (a) Does not earn a return on investment, but is offset by related liabilities.
 (b) Does not earn a return on investment.

Hurricane Ida

In August 2021, Hurricane Ida caused extensive damage to the Entergy distribution and, to a lesser extent, transmission systems across Louisiana resulting in widespread power outages. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida for Entergy Louisiana and Entergy New Orleans are currently estimated to be approximately \$2.7 billion. Also, Utility revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

Entergy has recorded accounts payable for the estimated costs incurred that were necessary to return customers to service. Entergy recorded corresponding regulatory assets of approximately \$1.1 billion, including \$1 billion at Entergy Louisiana and \$80 million at Entergy New Orleans, and construction work in progress of approximately \$1.6 billion, including \$1.5 billion at Entergy Louisiana and \$120 million at Entergy New Orleans. Entergy recorded the regulatory assets in accordance with its accounting policies and based on the historic treatment of such costs in its service area because management believes that recovery through some form of regulatory mechanism is probable. There are well-established mechanisms and precedent for addressing these catastrophic events and providing for recovery of prudently incurred storm costs in accordance with applicable regulatory and legal principles. Because Entergy has not gone through the regulatory process regarding these storm costs, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs that it may ultimately recover, or the timing of such recovery.

Entergy is considering all available avenues to recover storm-related costs from Hurricane Ida, including federal government assistance and securitization financing. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately \$1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, as discussed below in “**Storm Cost Filings with Retail Regulators - Entergy Louisiana - Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida,**” Entergy Louisiana sought approval for the creation and funding of a \$1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review. In September 2021, Entergy New Orleans withdrew \$39 million from its funded storm reserves. Storm cost recovery or financing will be subject to review by applicable regulatory authorities. In February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans’s storm reserve and increase the storm reserve funding level to \$150 million, to be funded through securitization.

Other Regulatory Liabilities
Entergy

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	\$1,993.3	\$1,694.1
Louisiana Act 55 financing savings obligation (Note 3) (b)	127.4	144.3
Retail rate over-recovery - refunded through formula rate or rate riders as rates are redetermined annually	126.5	75.1
Vidalia purchased power agreement (Note 8) (b)	106.2	115.7
Grand Gulf sale-leaseback - (Note 5 - Grand Gulf Sale-Leaseback Transactions)	55.6	55.6
Asset retirement obligation - return to customers dependent upon timing of decommissioning (Note 9) (a)	45.5	29.7
Entergy Arkansas's accumulated accelerated Grand Gulf amortization - will be returned to customers when approved by the APSC and the FERC	44.4	44.4
Internal restructuring guaranteed tax credits	19.8	26.4
Deferred tax equity partnership earnings (Note 1)	18.1	—
Business combination guaranteed customer benefits - returned to customers through retail rates and fuel rates December 2015 through November 2024	16.0	21.5
Advanced metering system (AMS) surcharge - return to customers dependent upon AMS spend	7.3	20.1
Formula rate plan historical year rate adjustment (Note 2 - Retail Rate Proceedings)	—	43.5
Other	83.7	53.5
Entergy Total	\$2,643.8	\$2,323.9

Entergy Arkansas

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	\$685.4	\$597.4
Internal restructuring guaranteed customer credits	19.8	26.4
Retail rate rider over-recovery - refunded through rate riders as rates are redetermined annually	18.9	19.6
Deferred tax equity partnership earnings (Note 1)	18.1	—
Formula rate plan historical year rate adjustment (Note 2 - Retail Rate Proceedings)	—	43.5
Other	1.1	—
Entergy Arkansas Total	\$743.3	\$686.9

Entergy Louisiana

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	\$692.2	\$567.7
Louisiana Act 55 financing savings obligation (Note 3)	127.4	144.3
Vidalia purchased power agreement (Note 8) (b)	106.2	115.7
Asset retirement obligation - return to customers dependent upon timing of decommissioning (Note 9) (a)	45.5	29.7
Retail rate rider over-recovery - refunded through rate riders as rates are determined annually	30.7	36.0
Business combination guaranteed customer benefits - returned to customers through retail rates and fuel rates December 2015 through November 2024	16.0	21.5
Derivative Instruments & Hedging Activities (Note 15)	11.4	—
Other	13.2	3.4
Entergy Louisiana Total	<u>\$1,042.6</u>	<u>\$918.3</u>

Entergy Mississippi

	2021	2020
	(In Millions)	
Retail rate rider over-recovery - refunded through rate riders as rates are redetermined annually	\$34.2	\$14.2
Grand Gulf over-recovery - returned to customers through rate riders as rates are redetermined annually	15.1	1.0
Other	—	0.6
Entergy Mississippi Total	<u>\$49.3</u>	<u>\$15.8</u>

Entergy Texas

	2021	2020
	(In Millions)	
Retail refunds - return to customers to be determined	\$22.8	\$—
Advanced metering system (AMS) surcharge - returned to customers dependent upon AMS spend	7.3	20.1
Income tax rate change - refunded through a rate rider (Note 2 - Retail Rate Proceedings)	2.7	6.5
Transition to competition costs - returned to customers through rate riders when rates are redetermined periodically	—	3.2
Other	4.3	2.5
Entergy Texas Total	<u>\$37.1</u>	<u>\$32.3</u>

System Energy.

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	\$615.7	\$529.0
Grand Gulf sale-leaseback - (Note 5 - Grand Gulf Sale-Leaseback Transactions)	55.6	55.6
Entergy Arkansas's accumulated accelerated Grand Gulf amortization - will be returned to customers when approved by the APSC and the FERC	44.4	44.4
Grand Gulf sale-leaseback accumulated deferred income taxes (a)	25.6	25.7
Entergy Mississippi's accumulated accelerated Grand Gulf amortization - amortized and credited through the Unit Power Sales Agreement	3.6	10.7
System Energy Total	<u>\$744.9</u>	<u>\$665.4</u>

(a) Offset by related asset.

(b) As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21% effective January 2018, the Vidalia purchased power agreement regulatory liability was reduced by \$30.5 million and the Louisiana Act 55 financing savings obligation regulatory liabilities were reduced by \$25 million, with corresponding increases to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

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 for discussion of the effects of the December 2017 enactment of the Tax Cuts and Jobs Act (Tax Act), including its effects on Entergy's and the Registrant Subsidiaries' regulatory asset/liability for income taxes.

Entergy Arkansas

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 proceeding in February 2018 proposing to establish a tax adjustment rider to provide retail customers with certain tax benefits of \$467 million associated with the Tax Act. For the residential customer class, unprotected excess accumulated deferred income taxes were returned to customers over a 21-month period from April 2018 through December 2019. For all other customer classes, unprotected excess accumulated deferred income taxes were returned to customers over a nine-month period from April 2018 through December 2018. A true-up provision also was included in the rider, with any over- or under-returned unprotected excess accumulated deferred income taxes 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.

As discussed below, in July 2018, Entergy Arkansas made its formula rate plan filing to set its formula rate for the 2019 calendar year. A hearing was held in May 2018 regarding the APSC's inquiries into the effects of the Tax Act, including Entergy Arkansas's proposal to utilize its formula rate plan rider for its customers to realize the remaining benefits of the Tax Act. Entergy Arkansas's formula rate plan rider included a netting adjustment that compared actual annual results to the allowed rate of return on common equity. In July 2018 the APSC issued an order agreeing with Entergy Arkansas's proposal to have the effects of the Tax Act on current income tax expense flow through Entergy Arkansas's formula rate plan rider and with Entergy Arkansas's treatment of protected and unprotected excess accumulated deferred income taxes. The APSC also directed Entergy Arkansas to submit in the tax adjustment rider proceeding, discussed above, the adjustments to all other riders affected by the Tax Act and to include an amendment for a true up mechanism where a rider affected by the Tax Act does not already contain a

true-up mechanism. Pursuant to a 2018 settlement agreement in Entergy Arkansas's formula rate plan proceeding, Entergy Arkansas also removed the net operating loss accumulated deferred income tax asset caused by the Tax Act from Entergy Arkansas's tax adjustment rider. Entergy Arkansas's compliance tariff filings were accepted by the APSC in October 2018. In February 2021, pursuant to its 2020 formula rate plan evaluation report settlement, Entergy Arkansas flowed \$5.6 million in credits to customers through the tax adjustment rider based on the outcome of certain federal tax positions and a decrease in the state tax rate.

Entergy Louisiana

In an electric formula rate plan settlement approved by the LPSC in April 2018 the parties agreed that Entergy Louisiana would return to customers one-half of its eligible 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 settlement provided that in order to flow back to customers certain other tax benefits created by the Tax Act, Entergy Louisiana established a regulatory liability effective January 1, 2018 in the amount of \$9.1 million per month to reflect these tax benefits already included in retail rates until new base rates under the formula rate plan were established in September 2018, and this regulatory liability was returned to customers over the September 2018 through August 2019 formula rate plan rate-effective period. 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 the analysis thereof as part of the formula rate plan review proceeding for the 2017 test year filing which, as discussed below, Entergy Louisiana filed in June 2018.

Entergy New Orleans

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. 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 submitted filings of this type to the FERC.

In March 2018, Entergy New Orleans filed its response to the resolution stating that the Tax Act reduced income tax expense from what was then 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. Entergy New Orleans submitted supplemental information in April 2018 and May 2018. Shortly thereafter, Entergy New Orleans and the City Council's advisors reached an agreement in principle that provides for benefits that will be realized by Entergy New Orleans customers through bill credits that started in July 2018 and offsets to future investments in energy efficiency programs, grid modernization, and Smart City projects, as well as additional benefits related to the filings made at the FERC. The agreement in principle was approved by the City Council in June 2018.

Entergy Texas

After enactment of the Tax Act the PUCT issued an order requiring most utilities, including Entergy Texas, beginning January 25, 2018, to record a regulatory liability for the difference between revenues collected under existing rates and revenues that would have been collected had existing rates been set using the new federal income tax rates and also for the balance of excess accumulated deferred income taxes. Entergy Texas had previously provided information to the PUCT staff and stated that it expected the PUCT to address the lower tax expense as part of Entergy Texas's rate case expected to be filed in May 2018.

In May 2018, Entergy Texas filed its 2018 base rate case with the PUCT. Entergy Texas's proposed rates and revenues reflected the inclusion of the federal income tax reductions due to the Tax Act. The PUCT issued an order in December 2018 establishing that 1) \$25 million be credited to customers through a rider to reflect the lower federal income tax rate applicable to Entergy Texas from January 2018 through the date new rates were implemented, 2) \$242.5 million of protected excess accumulated deferred income taxes be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and 3) \$185.2 million of unprotected excess accumulated deferred income taxes be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider includes carrying charges and is in effect over a period of 12 months for larger customers and over a period of four years for other customers.

System Energy.

In a filing made with the FERC in March 2018, System Energy proposed revisions to the Unit Power Sales Agreement to reflect the effects of the Tax Act. In the filing System Energy proposed to return identified quantities of unprotected excess accumulated deferred income taxes to its customers by the end of 2018. In May 2018 the FERC accepted System Energy's proposed tax revisions with an effective date of June 1, 2018, subject to refund and the outcome of settlement and hearing procedures. Settlement discussions were terminated in April 2019, and a hearing was held in March 2020. The retail regulators of the Utility operating companies that are parties to the Unit Power Sales Agreement challenged the treatment and amount of excess accumulated deferred income tax liabilities associated with uncertain tax positions related to nuclear decommissioning. In July 2020 the presiding ALJ in the proceeding issued an initial decision finding that there is an additional \$147 million in unprotected excess accumulated deferred income taxes related to System Energy's uncertain decommissioning tax deduction. The initial decision determined that System Energy should have included the \$147 million in its March 2018 filing. System Energy had not included credits related to the effect of the Tax Act on the uncertain decommissioning tax position because it was uncertain whether the IRS would allow the deduction. The initial decision rejected both System Energy's alternative argument that any crediting should occur over a ten-year period and the retail regulators' argument that any crediting should occur over a two-year period. Instead, the initial decision concluded that System Energy should credit the additional unprotected excess accumulated deferred income taxes in a single lump sum revenue requirement reduction following a FERC order addressing the initial decision.

The ALJ initial decision is an interim step in the FERC litigation process. In September 2020, System Energy filed a brief on exceptions with the FERC, re-urging its positions and requesting the reversal of the ALJ's initial decision. In December 2020, the LPSC, APSC, MPSC, City Council, and FERC trial staff filed briefs opposing exceptions. The FERC will review the case and issue an order in the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in whole or in part. Credits, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

As discussed below in "**Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue,**" in September 2020 the IRS issued a Notice of Proposed Adjustment (NOPA) and Entergy executed it. In September 2020, System Energy filed a motion to lodge the NOPA into the record in the FERC proceeding. In October 2020 the LPSC, APSC, MPSC, City Council, and FERC trial staff filed oppositions to System Energy's motion. As a result of the NOPA, System Energy filed, in October 2020, a new Federal Power Act section 205 filing at the FERC to credit the excess accumulated deferred income taxes resulting from the decommissioning uncertain tax position. System Energy proposes to credit the entire amount of the excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position by issuing a one-time credit of \$17.8 million. In November 2020, the LPSC, APSC, MPSC, and City Council filed a protest to the filing, and System Energy responded.

In November 2020 the IRS issued the Revenue Agent's Report (RAR) for the 2014-2015 tax years and in December 2020 Entergy executed it. In December 2020, System Energy filed a motion to lodge the RAR into the record in the FERC proceeding addressing the Tax Cuts and Jobs Act. In January 2021 the LPSC, APSC, MPSC,

and City Council filed a joint answer opposing System Energy’s motion, and the FERC trial staff also filed an answer opposing System Energy’s motion.

As a result of the RAR, in December 2020, System Energy also filed an amendment to its Federal Power Act section 205 filing to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. The amendment proposed the inclusion of the RAR as support for the filing. In December 2020, the LPSC, APSC, and City Council filed a protest in response to the amendment, reiterating objections to the filing to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. In February 2021 the FERC issued an order accepting System Energy’s Federal Power Act section 205 filing subject to refund, setting it for hearing, and holding the hearing in abeyance.

In November 2020, System Energy filed a motion to vacate the ALJ’s decision, arguing that it had been overtaken by changed circumstances because of the IRS’s determination resulting from the NOPA and RAR. In January 2021 the LPSC, APSC, MPSC, and City Council filed a joint answer opposing System Energy’s motion, and the FERC trial staff also filed an answer opposing System Energy’s motion. Additional responsive pleadings were filed in February and March 2021. There is no formal deadline for FERC to rule on the motion.

Fuel and purchased power cost recovery

The Utility operating companies are allowed to recover fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is generally recorded as “Deferred fuel costs” on the Utility operating companies’ financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2021 and 2020 that Entergy expects to recover (or return to customers) through fuel mechanisms, subject to subsequent regulatory review.

	2021	2020
	(In Millions)	
Entergy Arkansas (a)	\$177.6	\$15.2
Entergy Louisiana (b)	\$213.5	\$170.4
Entergy Mississippi	\$121.9	(\$14.7)
Entergy New Orleans (b)	(\$3.5)	\$6.2
Entergy Texas	\$48.3	(\$85.4)

- (a) Includes \$68.8 million in 2021 and \$68.2 million in 2020 of fuel and purchased power costs whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.
- (b) Includes \$168.1 million in both years for Entergy Louisiana and \$4.1 million in both years for Entergy New Orleans of fuel, purchased power, and capacity costs, which do not currently earn a return on investment and whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.

Entergy Arkansas

Energy Cost Recovery Rider

Entergy Arkansas’s retail rates include an energy cost recovery rider to recover fuel and purchased energy costs in monthly customer bills. The rider utilizes the prior calendar-year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over- or under-recovery, including carrying

charges, of the energy costs for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs.

In January 2014, Entergy Arkansas filed a motion with the APSC relating to its upcoming energy cost rate redetermination filing that was made in March 2014. In that motion, Entergy Arkansas requested that the APSC authorize Entergy Arkansas to exclude from the redetermination of its 2014 energy cost rate \$65.9 million of incremental fuel and replacement energy costs incurred in 2013 as a result of the ANO stator incident. Entergy Arkansas requested that the APSC authorize Entergy Arkansas to retain that amount in its deferred fuel balance, with recovery to be reviewed in a later period after more information was available regarding various claims associated with the ANO stator incident. In February 2014 the APSC approved Entergy Arkansas's request to retain that amount in its deferred fuel balance. In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the \$65.9 million of deferred fuel and purchased energy costs previously noted, subject to certain timelines and conditions set forth in the settlement agreement. In October 2021 the APSC approved Entergy Arkansas's second request to extend the deadline for initiating a regulatory proceeding for the purpose of recovering funds related to the stator incident for twelve additional months, or until December 1, 2022. See the "**ANO Damage, Outage, and NRC Reviews**" section in Note 8 to the financial statements for further discussion of the ANO stator incident.

In March 2017, 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 \$0.01164 per kWh to \$0.01547 per kWh. The APSC staff filed testimony in March 2017 recommending that the redetermined rate be implemented with the first billing cycle of April 2017 under the normal operation of the tariff. Accordingly, the redetermined rate went into effect on March 31, 2017 pursuant to the tariff. In July 2017 the Arkansas Attorney General requested additional information to support certain of the costs included in Entergy Arkansas's 2017 energy cost rate redetermination.

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 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 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 Jobs Act are appropriately considered in the APSC's separate proceeding regarding potential implications of the tax law. The APSC general staff filed a reply to the Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. The redetermined rate became effective with the first billing cycle of April 2018. Subsequently 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 at that time of the issues suggested by the Attorney General in the proceeding. Following a period of discovery, the Attorney General filed a supplemental response in October 2018 raising new issues with Entergy Arkansas's March 2018 rate redetermination and asserting that \$45.7 million of the increase should be collected subject to refund pending further investigation. Entergy Arkansas filed to dismiss the Attorney General's supplemental response, the APSC general staff filed a motion to strike the Attorney General's filing, and the Attorney General filed a supplemental response disputing Entergy Arkansas and the APSC staff's filing. Applicable APSC rules and processes authorize its general staff to initiate periodic audits of Entergy Arkansas's energy cost recovery rider. In late-2018 the APSC general staff notified Entergy Arkansas it has initiated an audit of the 2017 fuel costs. The time in which the audit will be complete is uncertain at this time.

In March 2019, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01882 per kWh to \$0.01462 per kWh and became effective with the first billing cycle in April 2019. In March 2019 the Arkansas Attorney General filed a response to Entergy Arkansas's annual adjustment and included with its filing a motion for investigation of alleged overcharges to customers in connection with the FERC's October 2018 order in the opportunity sales proceeding. Entergy Arkansas filed its response to the Attorney General's motion in April 2019 in which Entergy Arkansas stated its intent to initiate a proceeding to address recovery issues related to the October 2018 FERC order. In May 2019, Entergy Arkansas initiated the opportunity sales recovery proceeding, discussed below, and requested that the APSC establish that proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC October 2018 order and related FERC orders in the opportunity sales proceeding. In June 2019 the APSC granted Entergy Arkansas's request and also denied the Attorney General's motion in the energy cost recovery proceeding seeking an investigation into Entergy Arkansas's annual energy cost recovery rider adjustment and referred the evaluation of such matters to the opportunity sales recovery proceeding.

In March 2020, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01462 per kWh to \$0.01052 per kWh. The redetermined rate became effective with the first billing cycle in April 2020 through the normal operation of the tariff.

In March 2021, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01052 per kWh to \$0.00959 per kWh. The redetermined rate calculation also included an adjustment to account for a portion of the increased fuel costs resulting from the February 2021 winter storms. The redetermined rate became effective with the first billing cycle in April 2021 through the normal operation of the tariff.

Entergy Louisiana

Entergy Louisiana recovers electric fuel and purchased power costs for the billing month based upon the level of such costs incurred two months prior to the billing month. Entergy Louisiana's purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

In July 2014 the LPSC authorized its staff to initiate an audit of the fuel adjustment clause filings by Entergy Gulf States Louisiana, whose business was combined with Entergy Louisiana in 2015. The audit includes a review of the reasonableness of charges flowed through Entergy Gulf States Louisiana's fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately \$900,000, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require no refund to customers.

In July 2014 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed by Entergy Louisiana through its fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff issued its audit report recommending that Entergy Louisiana refund approximately \$7.3 million, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation

would require a refund to customers of approximately \$4.3 million, plus interest, as compared to the LPSC staff's recommendation of \$7.3 million, plus interest. Responsive testimony was filed by the LPSC staff and intervenors in September 2019; all parties either agreed with or did not oppose Entergy Louisiana's alternative calculation of replacement power costs.

In November 2019 the pending LPSC proceedings for the 2010-2013 Entergy Louisiana and Entergy Gulf States Louisiana audits were consolidated to facilitate a settlement of both fuel audits. In December 2019 an unopposed settlement was reached that requires a refund to legacy Entergy Louisiana customers of approximately \$2.3 million, including interest, and no refund to legacy Entergy Gulf States Louisiana customers. The LPSC approved the settlement in January 2020. A one-time refund was made in February 2020.

In March 2020 the LPSC staff provided notice of an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's fuel adjustment clause for the period from 2016 through 2019. In September 2021 the LPSC submitted its audit report and found that all costs recovered through the fuel adjustment clause were reasonable and eligible for recovery through the fuel adjustment clause. Intervenors are conducting discovery regarding the LPSC staff's report.

In February 2021, Entergy Louisiana incurred extraordinary fuel costs associated with the February 2021 winter storms. To mitigate the effect of these costs on customer bills, in March 2021 Entergy Louisiana requested and the LPSC approved the deferral and recovery of \$166 million in incremental fuel costs over five months beginning in April 2021. The incremental fuel costs remain subject to review for reasonableness and eligibility for recovery through the fuel adjustment clause mechanism. The final amount of incremental fuel costs is subject to change through the resettlement process. At its April 2021 meeting, the LPSC authorized its staff to review the prudence of the February 2021 fuel costs incurred by all LPSC-jurisdictional utilities. At its June 2021 meeting, the LPSC approved the hiring of consultants to assist its staff in this review. Discovery is ongoing.

In March 2021 the LPSC staff provided notice of an audit of Entergy Louisiana's purchased gas adjustment clause filings covering the period January 2018 through December 2020. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's purchased gas adjustment clause for that period. Discovery is ongoing, and no audit report has been filed.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider that is adjusted annually to reflect accumulated over- or under-recoveries. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

In November 2018, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an under-recovery of approximately \$57 million as of September 30, 2018. In January 2019 the MPSC approved the proposed energy cost factor effective for February 2019 bills.

In November 2019, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation included \$39.6 million of prior over-recovery flowing back to customers beginning February 2020. Entergy Mississippi's balance in its deferred fuel account did not decrease as expected after implementation of the new factor. In an effort to assist customers during the COVID-19 pandemic, in May 2020, Entergy Mississippi requested an interim adjustment to the energy cost recovery rider to credit approximately \$50 million from the over-recovered balance in the deferred fuel account to customers over four consecutive billing months. The MPSC approved this interim adjustment in May 2020 effective for June through September 2020 bills.

In November 2020, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an over-recovery of approximately \$24.4 million as of September 30, 2020. In January 2021 the MPSC approved the proposed energy cost factor effective for February 2021 bills.

In November 2021, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an under-recovery of approximately \$80.6 million as of September 30, 2021. In December 2021, at the request of the MPSC, Entergy Mississippi submitted a proposal to mitigate the impact of rising fuel costs on customer bills during 2022. Entergy Mississippi proposed that the deferred fuel balance as of December 31, 2021, which was \$121.9 million, be amortized over three years, and that the MPSC authorize Entergy Mississippi to apply its weighted-average cost of capital as the carrying cost for the unamortized fuel balance. In January 2022 the MPSC approved the amortization of \$100 million of the deferred fuel balance over two years and authorized Entergy Mississippi to apply its weighted-average cost of capital as the carrying cost for the unamortized fuel balance. The MPSC approved the proposed energy cost factor effective for February 2022 bills.

Entergy New Orleans

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

Entergy Texas

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, not recovered in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT. A fuel reconciliation is required to be filed at least once every three years and outside of a base rate case filing.

In September 2019, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period from April 2016 through March 2019. During the reconciliation period, Entergy Texas incurred approximately \$1.6 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an under-recovery balance of approximately \$25.8 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2019. In March 2020 an intervenor filed testimony proposing that the PUCT disallow: (1) \$2 million in replacement power costs associated with generation outages during the reconciliation period; and (2) \$24.4 million associated with the operation of the Spindletop natural gas storage facility during the reconciliation period. In April 2020, Entergy Texas filed rebuttal testimony refuting all points raised by the intervenor. In June 2020 the parties filed a stipulation and settlement agreement, which included a \$1.2 million disallowance not associated with any particular issue raised by any party. The PUCT approved the settlement in August 2020.

In July 2020, Entergy Texas filed an application with the PUCT to implement an interim fuel refund of \$25.5 million, including interest. Entergy Texas proposed that the interim fuel refund be implemented beginning with the first August 2020 billing cycle over a three-month period for smaller customers and in a lump sum amount

in the billing month of August 2020 for transmission-level customers. The interim fuel refund was approved in July 2020, and Entergy Texas began refunds in August 2020.

In February 2021, Entergy Texas filed an application to implement a fuel refund for a cumulative over-recovery of approximately \$75 million that is primarily attributable to settlements received by Entergy Texas from MISO related to Hurricane Laura. Entergy Texas planned to issue the refund over the period of March through August 2021. On February 22, 2021, Entergy Texas filed a motion to abate its fuel refund proceeding to assess how the February 2021 winter storm impacted Entergy Texas's fuel over-recovery position. In March 2021, Entergy Texas withdrew its application to implement the fuel refund. Entergy Texas is continuing to evaluate its fuel balance and will file a subsequent refund or surcharge application consistent with the requirements of the PUCT's rules.

Retail Rate Proceedings

Filings with the APSC (Entergy Arkansas)

Retail Rates

2019 Formula Rate Plan Filing

In July 2019, Entergy Arkansas filed with the APSC its 2019 formula rate plan filing to set its formula rate for the 2020 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2020 and a netting adjustment for the historical year 2018. The total proposed formula rate plan rider revenue change designed to produce a target rate of return on common equity of 9.75% is \$15.3 million, which is based upon a deficiency of approximately \$61.9 million for the 2020 projected year, netted with a credit of approximately \$46.6 million in the 2018 historical year netting adjustment. During 2018 Entergy Arkansas experienced higher-than expected sales volume, and actual costs were lower than forecasted. These changes, coupled with a reduced income tax rate resulting from the Tax Cuts and Jobs Act, resulted in the credit for the historical year netting adjustment. In the fourth quarter 2018, Entergy Arkansas recorded a provision of \$35.1 million that reflected the estimate of the historical year netting adjustment that was expected to be included in the 2019 filing. In 2019, Entergy Arkansas recorded additional provisions totaling \$11.5 million to reflect the updated estimate of the historical year netting adjustment included in the 2019 filing. In October 2019 other parties in the proceeding filed their errors and objections requesting certain adjustments to Entergy Arkansas's filing that would reduce or eliminate Entergy Arkansas's proposed revenue change. Entergy Arkansas filed its response addressing the requested adjustments in October 2019. In its response, Entergy Arkansas accepted certain of the adjustments recommended by the General Staff of the APSC that would reduce the proposed formula rate plan rider revenue change to \$14 million. Entergy Arkansas disputed the remaining adjustments proposed by the parties. In October 2019, Entergy Arkansas filed a unanimous settlement agreement with the other parties in the proceeding seeking APSC approval of a revised total formula rate plan rider revenue change of \$10.1 million. In its July 2019 formula rate plan filing, Entergy Arkansas proposed to recover an \$11.2 million regulatory asset, amortized over five years, associated with specific costs related to the potential construction of scrubbers at the White Bluff plant. Although Entergy Arkansas does not concede that the regulatory asset lacks merit, for purposes of reaching a settlement on the total formula rate plan rider amount, Entergy Arkansas agreed not to include the White Bluff scrubber regulatory asset cost in the 2019 formula rate plan filing or future filings. Entergy Arkansas recorded a write-off in 2019 of the \$11.2 million White Bluff scrubber regulatory asset. In December 2019 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2020.

2020 Formula Rate Plan Filing

In July 2020, Entergy Arkansas filed with the APSC its 2020 formula rate plan filing to set its formula rate for the 2021 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year

2021, as amended through subsequent filings in the proceeding, and a netting adjustment for the historical year 2019. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2021 projected year is 8.22% resulting in a revenue deficiency of \$64.3 million. The earned rate of return on common equity for the 2019 historical year was 9.07% resulting in a \$23.9 million netting adjustment. The total proposed revenue change for the 2021 projected year and 2019 historical year netting adjustment was \$88.2 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase was limited to \$74.3 million. As part of the formula rate plan tariff the calculation for the revenue constraint was updated based on actual revenues which had the effect of reducing the initially-proposed \$74.3 million revenue requirement increase to \$72.6 million. In October 2020, Entergy Arkansas filed with the APSC a unanimous settlement agreement reached with the other parties that resolved all but one issue. As a result of the settlement agreement, Entergy Arkansas's requested revenue increase was \$68.4 million, including a \$44.5 million increase for the projected 2021 year and a \$23.9 million netting adjustment. The remaining issue litigated concerned the methodology used to calculate the netting adjustment within the formula rate plan. In December 2020 the APSC issued an order rejecting the netting adjustment method used by Entergy Arkansas. Applying the approach ordered by the APSC changed the netting adjustment for the 2019 historical year from a \$23.9 million deficiency to \$43.5 million excess. Overall, the decision reduced Entergy Arkansas's revenue adjustment for 2021 to \$1 million. In December 2020, Entergy Arkansas filed a petition for rehearing of the APSC's decision in the 2020 formula rate plan proceeding regarding the 2019 netting adjustment, and in January 2021 the APSC granted further consideration of Entergy Arkansas's petition. Based on the progress of the proceeding at that point, in December 2020, Entergy Arkansas recorded a regulatory liability of \$43.5 million to reflect the netting adjustment for 2019, as included in the APSC's December 2020 order, which would be returned to customers in 2021. Entergy Arkansas also requested an extension of the formula rate plan rider for a second five-year term. In March 2021 the Arkansas Governor signed HB1662 into law (Act 404). Act 404 clarified aspects of the original formula rate plan legislation enacted in 2015, including with respect to the extension of a formula rate plan, the methodology for the netting adjustment, and debt and equity levels; it also reaffirmed the customer protections of the original formula rate plan legislation, including the cap on annual formula rate plan rate changes. Pursuant to Act 404, Entergy Arkansas's formula rate plan rider was extended for a second five-year term. Entergy Arkansas filed a compliance tariff in its formula rate plan docket in April 2021 to effectuate the netting provisions of Act 404, which reflected a net change in required formula rate plan rider revenue of \$39.8 million, effective with the first billing cycle of May 2021. In April 2021 the APSC issued an order approving the compliance tariff and recognizing the formula rate plan extension. Also in April 2021, Entergy Arkansas filed for approval of modifications to the formula rate plan tariff incorporating the provisions in Act 404, and the APSC approved the tariff modifications in April 2021. Given the APSC general staff's support for the expedited approval of these filings by the APSC, Entergy Arkansas supported an amendment to Act 404 to achieve a reduced return on equity from 9.75% to 9.65% to apply for years applicable to the extension term; that amendment was signed by the Arkansas Governor in April 2021 and is now Act 894. Based on the APSC's order issued in April 2021, in the first quarter 2021, Entergy Arkansas reversed the remaining regulatory liability for the netting adjustment for 2019. In June 2021, Entergy Arkansas filed another compliance tariff in its formula rate plan proceeding to effectuate the additional provisions of Act 894, and the APSC approved the second compliance tariff filing in July 2021.

2021 Formula Rate Plan Filing

In July 2021, Entergy Arkansas filed with the APSC its 2021 formula rate plan filing to set its formula rate for the 2022 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2022 and a netting adjustment for the historical year 2020. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2022 projected year is 7.65% resulting in a revenue deficiency of \$89.2 million. The earned rate of return on common equity for the 2020 historical year was 7.92% resulting in a \$19.4 million netting adjustment. The total proposed revenue change for the 2022 projected year and 2020 historical year netting adjustment is \$108.7 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase is limited to \$72.4 million. In October

2021, Entergy Arkansas filed with the APSC a settlement agreement reached with other parties resolving all issues in the proceeding. As a result of the settlement agreement, the total proposed revenue change is \$82.2 million, including a \$62.8 million increase for the projected 2022 year and a \$19.4 million netting adjustment. Because Entergy Arkansas's revenue requirement exceeded the constraint, the resulting increase is limited to \$72.1 million. In December 2021 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2022.

COVID-19 Orders

In April 2020, in light of the COVID-19 pandemic, the APSC issued an order requiring utilities, to the extent they had not already done so, to suspend service disconnections during the remaining pendency of the Arkansas Governor's emergency declaration or until the APSC rescinds the directive. The order also authorized utilities to establish a regulatory asset to record costs resulting from the suspension of service disconnections, directed that in future proceedings the APSC will consider whether the request for recovery of these regulatory assets is reasonable and necessary, and required utilities to track and report the costs and any savings directly attributable to suspension of disconnects. In May 2020 the APSC approved Entergy Arkansas expanding deferred payment agreements to assist customers during the COVID-19 pandemic. Quarterly reporting began in August 2020 and the APSC ordered additional reporting in October 2020 regarding utilities' transitional plans for ending the moratorium on service disconnects. In March 2021 the APSC issued an order confirming the lifting of the moratorium on service disconnects effective in May 2021. In August 2021 the APSC general staff filed a report recommending that utilities with a formula rate plan discontinue capturing any additional direct costs and savings as a regulatory asset and seek cost recovery through the formula rate plan. The APSC general staff further recommended that uncollectible amounts should be determined as of the end of its write-off period, approximately December 2021, and recovered in the next formula rate plan filing over one year. In November 2021 the APSC found the APSC general staff's recommendation to be premature and asked utilities to report on the continued need for a regulatory asset. Entergy Arkansas reported a continued need for a regulatory asset due to a variety of factors including the unusually long terms of the customer delayed payment agreements. As of December 31, 2021, Entergy Arkansas had a regulatory asset of \$32.6 million for costs associated with the COVID-19 pandemic.

Filings with the LPSC (Entergy Louisiana)

Retail Rates - Electric

2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. The 2017 test year evaluation report produced an earned return on equity of 8.16%, due in large part to revenue-neutral realignments to other recovery mechanisms. Without these realignments, the evaluation report produces an earned return on equity of 9.88% and a resulting base rider formula rate plan revenue increase of \$4.8 million. Excluding the Tax Cuts and Jobs Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues were further increased by a total of \$98 million as a result of the evaluation report due to adjustments to the additional capacity and MISO cost recovery mechanisms of the formula rate plan, and implementation of the transmission recovery mechanism. In August 2018, Entergy Louisiana filed a supplemental formula rate plan evaluation report to reflect changes from the 2016 test year formula rate plan proceedings, a decrease to the transmission recovery mechanism to reflect lower actual capital additions, and a decrease to evaluation period expenses to reflect the terms of a new power sales agreement. Based on the August 2018 update, Entergy Louisiana recognized a total decrease in formula rate plan revenue of approximately \$17.6 million. Results of the updated 2017 evaluation report filing were implemented with the September 2018 billing month subject to refund and review by the LPSC staff and intervenors. In accordance with the terms of the formula rate plan, in September 2018 the LPSC staff and intervenors submitted their responses to Entergy Louisiana's original formula rate plan evaluation report and supplemental compliance updates. The LPSC staff asserted objections/reservations regarding (1) Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated

deferred income taxes pursuant to the Tax Cuts and Jobs Act and the treatment of accumulated deferred income taxes related to reductions of rate base; (2) Entergy Louisiana's reservation regarding treatment of a regulatory asset related to certain special orders by the LPSC; and (3) test year expenses billed from Entergy Services to Entergy Louisiana. Intervenors also objected to Entergy Louisiana's treatment of the regulatory asset related to certain special orders by the LPSC. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2017 test year formula rate plan evaluation report. In its letter, the LPSC staff reiterated its original objections/reservations pertaining to Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Cuts and Jobs Act and the treatment of accumulated deferred income taxes related to reductions of rate base, specifically how the accumulated deferred income taxes associated with uncertain tax positions have been accounted for, and test year expenses billed from Entergy Services to Entergy Louisiana. The LPSC staff further reserved its rights for future proceedings and to dispute future proposed adjustments to the 2017 test year formula rate plan evaluation report. The LPSC staff withdrew all other objections/reservations. A procedural schedule has not yet been established to resolve these issues.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes.

Commercial operation at J. Wayne Leonard Power Station (formerly St. Charles Power Station) commenced in May 2019. In May 2019, Entergy Louisiana filed an update to its 2017 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$109.5 million associated with the J. Wayne Leonard Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of June 2019. In June 2020, Entergy Louisiana submitted information to the LPSC to review the prudence of Entergy Louisiana's management of the project. In August 2020 discovery commenced and a procedural schedule was established with a hearing in July 2021. In February 2021 the LPSC staff filed testimony that substantially all the costs to construct J. Wayne Leonard Power Station were prudently incurred and eligible for recovery from customers. The LPSC staff further recommended that the LPSC consider monitoring the remaining \$3.1 million that was estimated to be incurred for completion of the project in the event the final costs exceed the estimated amounts. In July 2021 the LPSC approved a settlement between the LPSC staff and Entergy Louisiana finding that substantially all the costs to construct J. Wayne Leonard Power Station were prudently incurred and eligible for recovery from customers.

2018 Formula Rate Plan Filing

In May 2019, Entergy Louisiana filed its formula rate plan evaluation report for its 2018 calendar year operations. The 2018 test year evaluation report produced an earned return on common equity of 10.61% leading to a base rider formula rate plan revenue decrease of \$8.9 million. While base rider formula rate plan revenue will decrease as a result of this filing, overall formula rate plan revenues will increase by approximately \$118.7 million. This outcome is primarily driven by a reduction to the credits previously flowed through the tax reform adjustment mechanism and an increase in the transmission recovery mechanism, partially offset by reductions in the additional capacity mechanism revenue requirements and extraordinary cost items. The filing is subject to review by the LPSC. Resulting rates were implemented in September 2019, subject to refund.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes. Entergy Louisiana contemplates that any combination of residential rates resulting from this request would be implemented with the results of the 2019 test year formula rate plan filing.

Several parties intervened in the proceeding and the LPSC staff filed its report of objections/reservations in accordance with the applicable provisions of the formula rate plan. In its report the LPSC staff re-urged reservations with respect to the outstanding issues from the 2017 test year formula rate plan filing and disputed the

inclusion of certain affiliate costs for test years 2017 and 2018. The LPSC staff objected to Entergy Louisiana's proposal to combine residential rates but proposed the setting of a status conference to establish a procedural schedule to more fully address the issue. The LPSC staff also reserved its right to object to the treatment of the sale of Willow Glen reflected in the evaluation report and to the August 2019 compliance update, which was made primarily to update the capital additions reflected in the formula rate plan's transmission recovery mechanism, based on limited time to review it. Additionally, since the completion of certain transmission projects, the LPSC staff issued supplemental data requests addressing the prudence of Entergy Louisiana's expenditures in connection with those projects. Entergy Louisiana responded to all such requests. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2018 test year formula rate plan evaluation report. In its letter, the LPSC staff reiterated its original objection/reservation pertaining to test year expenses billed from Entergy Services to Entergy Louisiana and outstanding issues from the 2017 test year formula rate plan evaluation report. The LPSC staff withdrew all other objections/reservations.

Commercial operation at Lake Charles Power Station commenced in March 2020. In March 2020, Entergy Louisiana filed an update to its 2018 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$108 million associated with the Lake Charles Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of April 2020.

In an effort to narrow the remaining issues in formula rate plan test years 2017 and 2018, Entergy Louisiana provided notice to the parties in October 2020 that it was withdrawing its request to combine residential rates. Entergy Louisiana noted that the withdrawal is without prejudice to Entergy Louisiana's right to seek to combine residential rates in a future proceeding.

2019 Formula Rate Plan Filing

In May 2020, Entergy Louisiana filed with the LPSC its formula rate plan evaluation report for its 2019 calendar year operations. The 2019 test year evaluation report produced an earned return on common equity of 9.66%. As such, no change to base rider formula rate plan revenue is required. Although base rider formula rate plan revenue did not change as a result of this filing, overall formula rate plan revenues increased by approximately \$103 million. This outcome is driven by the removal of prior year credits associated with the sale of the Willow Glen Power Station and an increase in the transmission recovery mechanism. Also contributing to the overall change was an increase in legacy formula rate plan revenue requirements driven by legacy Entergy Louisiana capacity cost true-ups and higher annualized legacy Entergy Gulf States Louisiana revenues due to higher billing determinants, offset by reductions in MISO cost recovery mechanism and tax reform adjustment mechanism revenue requirements. In August 2020 the LPSC staff submitted a list of items for which it needs additional information to confirm the accuracy and compliance of the 2019 test year evaluation report. The LPSC staff objected to a proposed revenue neutral adjustment regarding a certain rider as being beyond the scope of permitted formula rate plan adjustments. Rates reflected in the May 2020 filing, with the exception of a revenue neutral rider adjustment, and as updated in an August 2020 filing, were implemented in September 2020, subject to refund. Entergy Louisiana is in the process of providing additional information and details on the May 2020 filing as requested by the LPSC staff. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2019 test year formula rate plan filing. In its letter, the LPSC staff disputes Entergy Louisiana's exclusion of approximately \$251 thousand of interest income allocated from Entergy Operations and Entergy Services to Entergy Louisiana to the extent that there are other adjustments that would move Entergy Louisiana out of the formula rate plan deadband. The LPSC staff reserved the right to further contest the issue in future proceedings. The LPSC staff further reserved outstanding issues from the 2017 and 2018 formula rate plan evaluation reports and withdrew all other remaining objections/reservations.

In November 2020, Entergy Louisiana accepted ownership of the Washington Parish Energy Center and filed an update to its 2019 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$35 million associated with the Washington Parish Energy Center. The resulting interim adjustment to rates became effective with the first billing cycle of December 2020. In January 2021, Entergy Louisiana filed an update to its 2019 formula rate plan evaluation report to include the implementation of a scheduled step-up in its nuclear decommissioning revenue requirement and a true-up for under-collections of nuclear decommissioning expenses. The total rate adjustment would increase formula rate plan revenues by approximately \$1.2 million. The resulting interim adjustment to rates became effective with the first billing cycle of February 2021.

Request for Extension and Modification of Formula Rate Plan

In May 2020, Entergy Louisiana filed with the LPSC its application for authority to extend its formula rate plan. In its application, Entergy Louisiana sought to maintain a 9.8% return on equity, with a bandwidth of 60 basis points above and below the midpoint, with a first-year midpoint reset. The parties reached a settlement in April 2021 regarding Entergy Louisiana's proposed FRP extension. In May 2021 the LPSC approved the uncontested settlement. Key terms of the settlement include: a three year term (test years 2020, 2021, and 2022) covering a rate-effective period of September 2021 through August 2024; a 9.50% return on equity, with a smaller, 50 basis point deadband above and below (9.0%-10.0%); elimination of sharing if earnings are outside the deadband; a \$63 million rate increase for test year 2020 (exclusive of riders); continuation of existing riders (transmission, additional capacity, etc.); addition of a distribution recovery mechanism permitting \$225 million per year of distribution investment above a baseline level to be recovered dollar for dollar; modification of the tax mechanism to allow timely rate changes in the event the federal corporate income tax rate is changed from 21%; a cumulative rate increase limit of \$70 million (exclusive of riders) for test years 2021 and 2022; and deferral of up to \$7 million per year in 2021 and 2022 of expenditures on vegetation management for outside of right of way hazard trees.

2020 Formula Rate Plan Filing

In June 2021, Entergy Louisiana filed its formula rate plan evaluation report for its 2020 calendar year operations. The 2020 test year evaluation report produced an earned return on common equity of 8.45%, with a base formula rate plan revenue increase of \$63 million. Certain reductions in formula rate plan revenue driven by lower sales volumes, reductions in capacity cost and net MISO cost, and higher credits resulting from the Tax Cuts and Jobs Act offset the base formula rate plan revenue increase, leading to a net increase in formula rate plan revenue of \$50.7 million. The report also included multiple new adjustments to account for, among other things, the calculation of distribution recovery mechanism revenues. The effects of the changes to total formula rate plan revenue are different for each legacy company, primarily due to differences in the legacy companies' capacity cost changes, including the effect of true-ups. Legacy Entergy Louisiana formula rate plan revenues will increase by \$27 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by \$23.7 million. Subject to refund and LPSC review, the resulting changes became effective for bills rendered during the first billing cycle of September 2021. Discovery commenced in the proceeding. In August 2021, Entergy Louisiana submitted an update to its evaluation report to account for various changes. Relative to the June 2021 filing, the total formula rate plan revenue increased by \$14.2 million to an updated total of \$64.9 million. Legacy Entergy Louisiana formula rate plan revenues will increase by \$32.8 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by \$32.1 million. The results of the 2020 test year evaluation report bandwidth calculation were unchanged as there was no change in the earned return on common equity of 8.45%. In September 2021 the LPSC staff filed a letter with a general statement of objections/reservations because it had not completed its review, and indicated it would update the letter once its review was complete. Should the parties be unable to resolve any objections, those issues will be set for hearing, with recovery of the associated costs subject to refund.

Investigation of Costs Billed by Entergy Services

In November 2018 the LPSC issued a notice of proceeding initiating an investigation into costs incurred by Entergy Services that are included in the retail rates of Entergy Louisiana. As stated in the notice of proceeding, the LPSC observed an increase in capital construction-related costs incurred by Entergy Services. Discovery was issued and included efforts to seek highly detailed information on a broad range of matters unrelated to the scope of the audit. There has been no further activity in the investigation since May 2019.

COVID-19 Orders

In April 2020 the LPSC issued an order authorizing utilities to record as a regulatory asset expenses incurred from the suspension of disconnections and collection of late fees imposed by LPSC orders associated with the COVID-19 pandemic. In addition, utilities may seek future recovery, subject to LPSC review and approval, of losses and expenses incurred due to compliance with the LPSC's COVID-19 orders. The suspension of late fees and disconnects for non-pay was extended until the first billing cycle after July 16, 2020. In January 2021, Entergy Louisiana resumed disconnections for customers in all customer classes with past-due balances that had not made payment arrangements. Utilities seeking to recover the regulatory asset must formally petition the LPSC to do so, identifying the direct and indirect costs for which recovery is sought. Any such request is subject to LPSC review and approval. As of December 31, 2021, Entergy Louisiana had a regulatory asset of \$56.3 million for costs associated with the COVID-19 pandemic.

Filings with the MPSC (Entergy Mississippi)

Retail Rates

Formula Rate Plan Revisions

In October 2018, Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism in the formula rate plan, the interim capacity rate adjustment mechanism, to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the non-fuel annual ownership costs of the Choctaw Generating Station, as well as to allow similar cost recovery treatment for other future capacity acquisitions, such as the Sunflower Solar Facility, that are approved by the MPSC. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism to recover the \$59 million first-year annual revenue requirement associated with the non-fuel ownership costs of the Choctaw Generating Station, which Entergy Mississippi began billing in January 2020. The MPSC must approve recovery through the interim capacity rate adjustment for each new resource. In addition, the MPSC approved revisions to the formula rate plan which allows Entergy Mississippi to begin billing rate adjustments effective April 1 of the filing year on a temporary basis subject to refund or credit to customers, subject to final MPSC order. The MPSC also authorized Entergy Mississippi to remove vegetation management costs from the formula rate plan and recover these costs through the establishment of a vegetation management rider. Effective with the April 2020 billing cycle, Entergy Mississippi implemented a rider to recover \$22 million in vegetation management costs.

2019 Formula Rate Plan Filing

In March 2019, Entergy Mississippi submitted its formula rate plan 2019 test year filing and 2018 look-back filing showing Entergy Mississippi's earned return for the historical 2018 calendar year to be above the formula rate plan bandwidth and projected earned return for the 2019 calendar year to be below the formula rate plan bandwidth. The 2019 test year filing shows a \$36.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.94% return on rate base, within the formula rate plan bandwidth. The 2018 look-back filing compares actual 2018 results to the approved benchmark return on rate base and shows a \$10.1 million interim decrease in formula rate plan revenues is

necessary. In the fourth quarter 2018, Entergy Mississippi recorded a provision of \$9.3 million that reflected the estimate of the difference between the 2018 expected earned rate of return on rate base and an established performance-adjusted benchmark rate of return under the formula rate plan performance-adjusted bandwidth mechanism. In the first quarter 2019, Entergy Mississippi recorded a \$0.8 million increase in the provision to reflect the amount shown in the look-back filing. In June 2019, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2019 test year filing showed that a \$32.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.93% return on rate base, within the formula rate plan bandwidth. Additionally, pursuant to the joint stipulation, Entergy Mississippi's 2018 look-back filing reflected an earned return on rate base of 7.81% in calendar year 2018 which is above the look-back benchmark return on rate base of 7.13%, resulting in an \$11 million decrease in formula rate plan revenues on an interim basis through May 2020. In the second quarter 2019, Entergy Mississippi recorded an additional \$0.9 million increase in the provision to reflect the \$11 million shown in the look-back filing. In June 2019 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2019.

2020 Formula Rate Plan Filing

In March 2020, Entergy Mississippi submitted its formula rate plan 2020 test year filing and 2019 look-back filing showing Entergy Mississippi's earned return for the historical 2019 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2020 calendar year to be below the formula rate plan bandwidth. The 2020 test year filing shows a \$24.6 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.51% return on rate base, within the formula rate plan bandwidth. The 2019 look-back filing compares actual 2019 results to the approved benchmark return on rate base and reflects the need for a \$7.3 million interim increase in formula rate plan revenues. In accordance with the MPSC-approved revisions to the formula rate plan, Entergy Mississippi implemented a \$24.3 million interim rate increase, reflecting a cap equal to 2% of 2019 retail revenues, effective with the April 2020 billing cycle, subject to refund. In June 2020, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2020 test year filing showed that a \$23.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.51% return on rate base, within the formula rate plan bandwidth. Pursuant to the joint stipulation, Entergy Mississippi's 2019 look-back filing reflected an earned return on rate base of 6.75% in calendar year 2019, which is within the look-back bandwidth. As a result, there is no change in formula rate plan revenues in the 2019 look-back filing. In June 2020 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2020. In the June 2020 order the MPSC directed Entergy Mississippi to submit revisions to its formula rate plan to realign recovery of costs from its energy efficiency cost recovery rider to its formula rate plan. In November 2020 the MPSC approved Entergy Mississippi's revisions to its formula rate plan providing for the realignment of energy efficiency costs to its formula rate plan, the deferral of energy efficiency expenditures into a regulatory asset, and the elimination of its energy efficiency cost recovery rider effective with the January 2022 billing cycle.

2021 Formula Rate Plan Filing

In March 2021, Entergy Mississippi submitted its formula rate plan 2021 test year filing and 2020 look-back filing showing Entergy Mississippi's earned return for the historical 2020 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2021 calendar year to be below the formula rate plan bandwidth. The 2021 test year filing shows a \$95.4 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.69% return on rate base, within the formula rate plan bandwidth. The change in formula rate plan revenues, however, is capped at 4% of retail revenues, which equates to a revenue change of \$44.3 million. The 2021 evaluation report also includes \$3.9 million in demand side management costs for which the MPSC approved realignment of recovery from the energy efficiency rider to the formula rate plan. These costs are not subject to the 4% cap and result in a total change in formula rate plan revenues of \$48.2 million. The 2020 look-back filing compares actual 2020 results to the approved benchmark return on rate base and reflects the need for a \$16.8 million interim increase in formula rate

plan revenues. In addition, the 2020 look-back filing includes an interim capacity adjustment true-up for the Choctaw Generating Station, which increases the look-back interim rate adjustment by \$1.7 million. These interim rate adjustments total \$18.5 million. In accordance with the provisions of the formula rate plan, Entergy Mississippi implemented a \$22.1 million interim rate increase, reflecting a cap equal to 2% of 2020 retail revenues, effective with the April 2021 billing cycle, subject to refund, pending a final MPSC order. The \$3.9 million of demand side management costs and the Choctaw Generating Station true-up of \$1.7 million, which are not subject to the 2% cap of 2020 retail revenues, were included in the April 2021 rate adjustments.

In June 2021, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed the 2021 test year filing that resulted in a total rate increase of \$48.2 million. Pursuant to the joint stipulation, Entergy Mississippi's 2020 look-back filing reflected an earned return on rate base of 6.12% in calendar year 2020, which is below the look-back bandwidth, resulting in a \$17.5 million increase in formula rate plan revenues on an interim basis through June 2022. This includes \$1.7 million related to the Choctaw Generating Station and \$3.7 million of COVID-19 non-bad debt expenses. See "[COVID-19 Orders](#)" below for additional discussion of provisions of the joint stipulation related to COVID-19 expenses. In June 2021 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2021. In June 2021, Entergy Mississippi recorded regulatory credits of \$19.9 million to reflect the effects of the joint stipulation.

2022 Formula Rate Plan Filing

Entergy Mississippi's formula rate plan includes a look-back evaluation report filing in March 2022 that will compare actual 2021 results to the performance-adjusted allowed return on rate base. In fourth quarter 2021, Entergy Mississippi recorded a regulatory asset of \$19 million in connection with the look-back feature of the formula rate plan to reflect that the 2021 earned return was below the formula bandwidth.

[COVID-19 Orders](#)

In March 2020 the MPSC issued an order suspending disconnections for a period of sixty days. The MPSC extended the order on disconnections through May 26, 2020. In April 2020 the MPSC issued an order authorizing utilities to defer incremental costs and expenses associated with COVID-19 compliance and to seek future recovery through rates of the prudently incurred incremental costs and expenses. In December 2020, Entergy Mississippi resumed disconnections for commercial, industrial, and governmental customers with past-due balances that have not made payment arrangements. In January 2021, Entergy Mississippi resumed disconnecting service for residential customers with past-due balances that had not made payment arrangements. Pursuant to the June 2021 MPSC order approving Entergy Mississippi's 2021 formula rate plan filing, Entergy Mississippi stopped deferring COVID-19 non-bad debt expenses effective December 31, 2020 and included those expenses in the look-back filing for the 2021 formula rate plan test year. In the order, the MPSC also adopted Entergy Mississippi's quantification and methodology for calculating COVID-19 incremental bad debt expenses and authorized Entergy Mississippi to continue deferring these bad debt expenses through December 2021. As of December 31, 2021, Entergy Mississippi had a regulatory asset of \$15 million for costs associated with the COVID-19 pandemic.

Filings with the City Council (Entergy New Orleans)

[Retail Rates](#)

2018 Base Rate Case

In September 2018, Entergy New Orleans filed an electric and gas base rate case with the City Council. The filing requested a 10.5% return on equity for electric operations with opportunity to earn a 10.75% return on equity through a performance adder provision of the electric formula rate plan in subsequent years under a formula rate plan and requested a 10.75% return on equity for gas operations. The filing's major provisions included: (1) a new electric rate structure, which realigns the revenue requirement associated with capacity and long-term service

agreement expense from certain existing riders to base revenue, provides for the recovery of the cost of advanced metering infrastructure, and partially blends rates for Entergy New Orleans's customers residing in Algiers with customers residing in the remainder of Orleans Parish through a three-year phase-in; (2) contemporaneous cost recovery riders for investments in energy efficiency/demand response, incremental changes in capacity/long-term service agreement costs, grid modernization investment, and gas infrastructure replacement investment; and (3) formula rate plans for both electric and gas operations.

In October 2019 the City Council's Utility Committee approved a resolution for a change in electric and gas rates for consideration by the full City Council that included a 9.35% return on common equity, an equity ratio of the lesser of 50% or Entergy New Orleans's actual equity ratio, and a total reduction in revenues that Entergy New Orleans initially estimated to be approximately \$39 million (\$36 million electric; \$3 million gas). At its November 7, 2019 meeting, the full City Council approved the resolution that had previously been approved by the City Council's Utility Committee. Based on the approved resolution, in the fourth quarter 2019 Entergy New Orleans recorded an accrual of \$10 million that reflects the estimate of the revenue billed in 2019 to be refunded to customers in 2020 based on an August 2019 effective date for the rate decrease. Entergy New Orleans also recorded a total of \$12 million in regulatory assets for rate case costs and information technology costs associated with integrating Algiers customers with Entergy New Orleans's legacy system and records. Entergy New Orleans will also be allowed to recover \$10 million of retired general plant costs over a 20-year period.

The resolution directed Entergy New Orleans to submit a compliance filing within 30 days of the date of the resolution to facilitate the eventual implementation of rates, including all necessary calculations and conforming rate schedules and riders. The electric formula rate plan rider includes, among other things, (1) a provision for forward-looking adjustments to include known and measurable changes realized up to 12 months after the evaluation period; (2) a decoupling mechanism; and (3) recognition that Entergy New Orleans is authorized to make an in-service adjustment to the formula rate plan to include the non-fuel cost of the New Orleans Power Station in rates, unless the two pending appeals in the New Orleans Power Station proceeding have not concluded. Under this circumstance, Entergy New Orleans shall be permitted to defer the New Orleans Power Station non-fuel costs, including the cost of capital, until Entergy New Orleans commences non-fuel cost recovery. After taking into account the requirements for submission of the compliance filing, the total annual revenue requirement reduction required by the resolution was refined to approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; \$3 million gas). In January 2020 the City Council's advisors found that the rates calculated by Entergy New Orleans and reflected in the December 2019 compliance filing should be implemented, except with respect to the City Council-approved energy efficiency cost recovery rider, which rider calculation should take into account events to be determined by the City Council in the future. On February 17, 2020, Entergy New Orleans filed with the City Council an agreement in principle between Entergy New Orleans and the City Council's advisors. On February 20, 2020, the City Council voted to approve the proposed agreement in principle and issued a resolution modifying the required treatment of certain accumulated deferred income taxes. As a result of the agreement in principle, the total annual revenue requirement reduction will be approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; and \$3 million gas). Entergy New Orleans fully implemented the new rates in April 2020.

Commercial operation of the New Orleans Power Station commenced in May 2020. In accordance with the City Council resolution issued in the 2018 base rate case proceeding, Entergy New Orleans had been deferring the New Orleans Power Station non-fuel costs pending the conclusion of the appellate proceedings. In October 2020 the Louisiana Supreme Court denied all writ applications relating to the New Orleans Power Station. With those denials, Entergy New Orleans began recovering New Orleans Power Station costs in rates in November 2020. Entergy New Orleans is recovering the costs over a five-year period that began in November 2020. In December 2020 the Alliance for Affordable Energy and Sierra Club filed a joint motion with the City Council to institute a prudence review to investigate the costs of the New Orleans Power Station. On January 28, 2021, the City Council passed a resolution giving parties 30 days to respond to the motion. In March 2021, Entergy New Orleans filed a response to that motion stating that a prudence review is unnecessary given the New Orleans Power Station was

constructed on budget and ahead of schedule. As of December 31, 2021 the regulatory asset for the deferral of New Orleans Power Station non-fuel costs was \$4 million.

2020 Formula Rate Plan Filing

Entergy New Orleans's first annual filing under the three-year formula rate plan approved by the City Council in November 2019 was originally due to be filed in April 2020. The authorized return on equity under the approved three-year formula rate plan is 9.35% for both electric and gas operations. The City Council approved several extensions of the deadline to allow additional time to assess the effects of the COVID-19 pandemic on the New Orleans community, Entergy New Orleans customers, and Entergy New Orleans itself. In October 2020 the City Council approved an agreement in principle filed by Entergy New Orleans that results in Entergy New Orleans foregoing its 2020 formula rate plan filing and shifting the three-year formula rate plan to filings in 2021, 2022, and 2023. Key provisions of the agreement in principle include: changing the lower of actual equity ratio or 50% equity ratio approved in the rate case to a hypothetical capital structure of 51% equity and 49% debt for the duration of the three-year formula rate plan; changing the 2% depreciation rate for the New Orleans Power Station approved in the rate case to 3%; retention of over-recovery of \$2.2 million in rider revenues; recovery of \$1.4 million of certain rate case expenses outside of the earnings band; recovery of the New Orleans Solar Station costs upon commercial operation; and Entergy New Orleans's dismissal of its 2018 rate case appeal.

2021 Formula Rate Plan Filing

In July 2021, Entergy New Orleans submitted to the City Council its formula rate plan 2020 test year filing. The 2020 test year evaluation report produced an earned return on equity of 6.26% compared to the authorized return on equity of 9.35%. Entergy New Orleans sought approval of a \$64 million rate increase based on the formula set by the City Council in the 2018 rate case. The formula resulted in an increase in authorized electric revenues of \$40 million and an increase in authorized gas revenues of \$18.8 million. Entergy New Orleans also sought to commence collecting \$5.2 million in electric revenues and \$0.3 million in gas revenues that were previously approved by the City Council for collection through the formula rate plan. The filing was subject to review by the City Council and other parties over a 75-day review period, followed by a 25-day period to resolve any disputes among the parties. In October 2021 the City Council's advisors filed a 75-day report recommending a reduction of \$10 million for electric revenues and a reduction of \$4.5 million for gas revenues, along with one-time credits funded by certain electric regulatory liabilities currently held by Entergy New Orleans for customers. On October 26, 2021, Entergy New Orleans provided notice to the City Council that it intends to implement rates effective with the first billing cycle of November 2021, with such rates reflecting an amount agreed-upon by Entergy New Orleans including adjustments filed in the City Council's 75-day report, per the approved process for formula rate plan implementation. The total formula rate plan increase implemented was \$49.5 million, with an increase of \$34.9 million in electric revenues and \$14.6 million in gas revenues. Also, credits of \$17.4 million funded by certain regulatory liabilities currently held by Entergy New Orleans for customers will be issued over a five-month period from November 2021 through March 2022. Resulting rates went into effect with the first billing cycle of November 2021 pursuant to the formula rate plan tariff.

COVID-19 Orders

In March 2020, Entergy New Orleans voluntarily suspended customer disconnections for non-payment of utility bills through May 2020. Subsequently, the City Council ordered that the moratorium be extended to August 1, 2020. In May 2020 the City Council issued an accounting order authorizing Entergy New Orleans to establish a regulatory asset for incremental COVID-19-related expenses. In January 2021, Entergy New Orleans resumed disconnecting service to commercial and small business customers with past-due balances that had not made payment arrangements. In February 2021 the City Council adopted a resolution suspending residential customer disconnections for non-payment of utility bills and suspending the assessment and accumulation of late fees on residential customers with past-due balances through May 15, 2021, which was not extended by the City Council. As of December 31, 2021, Entergy New Orleans had a regulatory asset of \$17.4 million for costs associated with the COVID-19 pandemic.

In June 2020 the City Council established the City Council Cares Program and directed Entergy New Orleans to use the approximately \$7 million refund received from the Entergy Arkansas opportunity sales FERC proceeding and approximately \$15 million of non-securitized storm reserves to fund this program, which was intended to provide temporary bill relief to customers who become unemployed during the COVID-19 pandemic. The program was effective July 1, 2020, and offered qualifying residential customers bill credits of \$100 per month for up to four months, for a maximum of \$400 in residential customer bill credits. Credits of \$4.3 million were applied to customer bills under the City Council Cares Program.

Filings with the PUCT and Texas Cities (Entergy Texas)

Retail Rates

2018 Base Rate Case

In May 2018, Entergy Texas filed a base rate case with the PUCT seeking an increase in base rates and rider rates of approximately \$166 million, of which \$48 million was associated with moving costs then being collected through riders into base rates such that the total incremental revenue requirement increase was approximately \$118 million. The base rate case was based on a 12-month test year ending December 31, 2017. In addition, Entergy Texas included capital additions placed into service for the period of April 1, 2013 through December 31, 2017, as well as a post-test year adjustment to include capital additions placed in service by June 30, 2018.

In October 2018 the parties filed an unopposed settlement resolving all issues in the proceeding and a motion for interim rates effective for usage on and after October 17, 2018. The unopposed settlement reflected the following terms: a base rate increase of \$53.2 million (net of costs realigned from riders and including updated depreciation rates), a \$25 million refund to reflect the lower federal income tax rate applicable to Entergy Texas from January 25, 2018 through the date new rates were implemented, \$6 million of capitalized skylining tree hazard costs will not be recovered from customers, \$242.5 million of protected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and \$185.2 million of unprotected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider will include carrying charges and will be in effect over a period of 12 months for large customers and over a period of four years for other customers. The settlement also provided for the deferral of \$24.5 million of costs associated with the remaining book value of the Neches and Sabine 2 plants, previously taken out of service, to be recovered over a ten-year period and the deferral of \$20.5 million of costs associated with Hurricane Harvey to be recovered over a 12-year period, each beginning in October 2018. The settlement provided final resolution of all issues in the matter, including those related to the Tax Cuts and Jobs Act. In October 2018 the ALJ granted the unopposed motion for interim rates to be effective for service rendered on or after October 17, 2018. In December 2018 the PUCT issued an order approving the unopposed settlement.

Distribution Cost Recovery Factor (DCRF) Rider

In March 2019, Entergy Texas filed with the PUCT a request to set a new DCRF rider. The new DCRF rider was designed to collect approximately \$3.2 million annually from Entergy Texas's retail customers based on its capital invested in distribution between January 1, 2018 and December 31, 2018. In September 2019 the PUCT issued an order approving rates, which had been effective on an interim basis since June 2019, at the level proposed in Entergy Texas's application.

In March 2020, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$23.6 million annually, or \$20.4 million in incremental annual DCRF revenue beyond Entergy Texas's then-effective DCRF rider, based on its capital invested in distribution between January 1, 2019 and December 31, 2019. In May and June 2020 intervenors filed testimony recommending reductions in Entergy Texas's annual revenue requirement of approximately \$0.3 million and \$4.1 million. The parties briefed the contested issues in this matter and a proposal for decision was issued in September 2020 recommending a \$4.1 million revenue reduction related to non-advanced metering system meters included in the DCRF calculation. The parties filed exceptions to the proposal for decision and replies to those exceptions in September 2020. In October 2020 the PUCT issued a final order approving a \$16.3 million incremental annual DCRF revenue increase.

In October 2020, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$26.3 million annually, or \$6.8 million in incremental annual revenues beyond Entergy Texas's then-effective DCRF rider based on its capital invested in distribution between January 1, 2020 and August 31, 2020. In February 2021 the ALJ with the State Office of Administrative Hearings approved Entergy Texas's agreed motion for interim rates, which went into effect in March 2021. In March 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding. In May 2021 the PUCT issued an order approving the settlement.

In August 2021, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The proposed rider is designed to collect from Entergy Texas's retail customers approximately \$40.2 million annually, or \$13.9 million in incremental annual revenues beyond Entergy Texas's currently effective DCRF rider based on its capital invested in distribution between September 1, 2020 and June 30, 2021. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in December 2021. In December 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding, including a motion for interim rates to take effect for usage on and after January 24, 2022. Also, in December 2021, the ALJ with the State Office of Administrative Hearings issued an order granting the motion for interim rates, which went into effect in January 2022, admitting evidence, and remanding the proceeding to the PUCT to consider the settlement.

Transmission Cost Recovery Factor (TCRF) Rider

In December 2018, Entergy Texas filed with the PUCT a request to set a new TCRF rider. The new TCRF rider was designed to collect approximately \$2.7 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and September 30, 2018. In April 2019 parties filed testimony proposing a load growth adjustment, which would fully offset Entergy Texas's proposed TCRF revenue requirement. In July 2019 the PUCT granted Entergy Texas's application as filed to begin recovery of the requested \$2.7 million annual revenue requirement, rejecting opposing parties' proposed adjustment; however, the PUCT found that the question of prudence of the actual investment costs should be determined in Entergy Texas's next rate case similar to the procedure used for the costs recovered through the DCRF rider. In October 2019 the PUCT issued an order on a motion for rehearing, clarifying and affirming its prior order granting Entergy Texas's

application as filed. Also in October 2019 a second motion for rehearing was filed, and Entergy Texas filed a response in opposition to the motion. The second motion for rehearing was overruled by operation of law. In December 2019, Texas Industrial Energy Consumers filed an appeal to the PUCT order in district court alleging that the PUCT erred in declining to apply a load growth adjustment.

In August 2019, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended TCRF rider was designed to collect approximately \$19.4 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and June 30, 2019, which is \$16.7 million in incremental annual revenue above the \$2.7 million approved in the prior pending TCRF proceeding. In January 2020 the PUCT issued an order approving an unopposed settlement providing for recovery of the requested revenue requirement. Entergy Texas implemented the amended rider beginning with bills covering usage on and after January 23, 2020.

In October 2020, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$51 million annually, or \$31.6 million in incremental annual revenues beyond Entergy Texas's then-effective TCRF rider based on its capital invested in transmission between July 1, 2019 and August 31, 2020. In March 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2021 and resolving all issues in the proceeding. In March 2021 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting. In June 2021 the PUCT issued an order approving the settlement.

In October 2021, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed rider is designed to collect from Entergy Texas's retail customers approximately \$66.1 million annually, or \$15.1 million in incremental annual revenues beyond Entergy Texas's currently effective TCRF rider based on its capital invested in transmission between September 1, 2020 and July 31, 2021 and changes in approved transmission charges. In January 2022 the PUCT referred the proceeding to the State Office of Administrative Hearings. In February 2022 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2022. In February 2022 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting.

Generation Cost Recovery Rider

In October 2020, Entergy Texas filed an application to establish a generation cost recovery rider with an initial annual revenue requirement of approximately \$91 million to begin recovering a return of and on its generation capital investment in the Montgomery County Power Station through August 31, 2020. In December 2020, Entergy Texas filed an unopposed settlement supporting a generation cost recovery rider with an annual revenue requirement of approximately \$86 million. The settlement revenue requirement was based on a depreciation rate intended to fully depreciate Montgomery County Power Station over 38 years and the removal of certain costs from Entergy Texas's request. Under the settlement, Entergy Texas retained the right to propose a different depreciation rate and seek recovery of a majority of the costs removed from its request in its next base rate proceeding. On January 14, 2021, the PUCT approved the generation cost recovery rider settlement rates on an interim basis and abated the proceeding. In March 2021, Entergy Texas filed to update its generation cost recovery rider to include investment in Montgomery County Power Station after August 31, 2020. In April 2021 the ALJ issued an order unabating the proceeding and in May 2021 the ALJ issued an order finding Entergy Texas's application and notice of the application to be sufficient. In May 2021, Entergy Texas filed an amendment to the application to reflect the PUCT's approval of the sale of a 7.56% partial interest in the Montgomery County Power Station to East Texas Electric Cooperative, Inc., which closed in June 2021. In June 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. In July 2021 the ALJ with the State Office of Administrative Hearings adopted a procedural schedule setting a hearing on the merits for September 2021. In July 2021 the parties filed a motion to abate the procedural schedule noting they had reached an agreement in principle

and to allow the parties time to finalize a settlement agreement, which motion was granted by the ALJ. In October 2021, Entergy Texas filed on behalf of the parties an unopposed settlement agreement that would adjust its generation cost recovery rider to recover an annual revenue requirement of approximately \$88.3 million related to Entergy Texas's investment in the Montgomery County Power Station through January 1, 2021, with Entergy Texas able to seek recovery of the remainder of its investment in its next base rate case. Also in October 2021 the ALJ granted a motion to admit evidence and remand the proceeding to the PUCT. In January 2022 the PUCT issued an order approving the unopposed settlement.

In December 2020, Entergy Texas also filed an application to amend its generation cost recovery rider to reflect its acquisition of the Hardin County Peaking Facility, which closed in June 2021. Because Hardin was to be acquired in the future, the initial generation cost recovery rider rates proposed in the application represented no change from the generation cost recovery rider rates established in Entergy Texas' previous generation cost recovery rider proceeding. In July 2021 the PUCT issued an order approving the application. In August 2021, Entergy Texas filed an update application to recover its actual investment in the acquisition of the Hardin County Peaking Facility. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in April 2022. In January 2022, Entergy Texas filed an update to its application to align the requested revenue requirement with the terms of the generation cost recovery rider settlement approved by the PUCT in January 2022. See Note 14 to the financial statements for further discussion of the Hardin County Peaking Facility purchase.

COVID-19 Orders

In March 2020 the PUCT authorized electric utilities to record as a regulatory asset expenses resulting from the effects of the COVID-19 pandemic. In future proceedings the PUCT will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary, the appropriate period of recovery, and any amount of carrying costs thereon. In March 2020 the PUCT ordered a moratorium on disconnections for nonpayment for all customer classes, but, in April 2020, revised the disconnect moratorium to apply only to residential customers. The PUCT allowed the moratorium to expire on June 13, 2020, but on July 17, 2020, the PUCT re-established the disconnect moratorium for residential customers until August 31, 2020. In January 2021, Entergy Texas resumed disconnections for customers with past-due balances that have not made payment arrangements. As of December 31, 2021, Entergy Texas had a regulatory asset of \$11.7 million for costs associated with the COVID-19 pandemic.

Entergy Arkansas Opportunity Sales Proceeding

In June 2009 the LPSC filed a complaint requesting that the FERC determine that certain of Entergy Arkansas's sales of electric energy to third parties: (a) violated the provisions of the System Agreement that allocated the energy generated by Entergy System resources; (b) imprudently denied the Entergy System and its ultimate consumers the benefits of low-cost Entergy System generating capacity; and (c) violated the provision of the System Agreement that prohibited sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC's complaint challenged sales made beginning in 2002 and requested refunds. In July 2009 the Utility operating companies filed a response to the complaint arguing among other things that the System Agreement contemplates that the Utility operating companies may make sales to third parties for their own account, subject to the requirement that those sales be included in the load (or load shape) for the applicable Utility operating company. The FERC subsequently ordered a hearing in the proceeding.

After a hearing, the ALJ issued an initial decision in December 2010. The ALJ found that the System Agreement allowed for Entergy Arkansas to make the sales to third parties but concluded that the sales should be accounted for in the same manner as joint account sales. The ALJ concluded that "shareholders" should make refunds of the damages to the Utility operating companies, along with interest. Entergy disagreed with several aspects of the ALJ's initial decision and in January 2011 filed with the FERC exceptions to the decision.

The FERC issued a decision in June 2012 and held that, while the System Agreement is ambiguous, it does provide authority for individual Utility operating companies to make opportunity sales for their own account and Entergy Arkansas made and priced these sales in good faith. The FERC found, however, that the System Agreement does not provide authority for an individual Utility operating company to allocate the energy associated with such opportunity sales as part of its load but provides a different allocation authority. The FERC further found that the after-the-fact accounting methodology used to allocate the energy used to supply the sales was inconsistent with the System Agreement. The FERC in its decision established further hearing procedures to quantify the effect of repricing the opportunity sales in accordance with the FERC's June 2012 decision. The hearing was held in May 2013 and the ALJ issued an initial decision in August 2013. The LPSC, the APSC, the City Council, and FERC staff filed briefs on exceptions and/or briefs opposing exceptions. Entergy filed a brief on exceptions requesting that the FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

In April 2016 the FERC issued orders addressing requests for rehearing filed in July 2012 and the ALJ's August 2013 initial decision. The first order denied Entergy's request for rehearing and affirmed the FERC's earlier rulings that Entergy's original methodology for allocating energy costs to the opportunity sales was incorrect and, as a result, Entergy Arkansas must make payments to the other Utility operating companies to put them in the same position that they would have been in absent the incorrect allocation. The FERC clarified that interest should be included with the payments. The second order affirmed in part, and reversed in part, the rulings in the ALJ's August 2013 initial decision regarding the methodology that should be used to calculate the payments Entergy Arkansas is to make to the other Utility operating companies. The FERC affirmed the ALJ's ruling that a full re-run of intra-system bills should be performed but required that methodology be modified so that the sales have the same priority for purposes of energy allocation as joint account sales. The FERC reversed the ALJ's decision that any payments by Entergy Arkansas should be reduced by 20%. The FERC also reversed the ALJ's decision that adjustments to other System Agreement service schedules and excess bandwidth payments should not be taken into account when calculating the payments to be made by Entergy Arkansas. The FERC held that such adjustments and excess bandwidth payments should be taken into account but ordered further proceedings before an ALJ to address whether a cap on any reduction due to bandwidth payments was necessary and to implement the other adjustments to the calculation methodology.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order arguing that payments made by Entergy Arkansas should be reduced as a result of the timing of the LPSC's approval of certain contracts. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. In September 2017 the FERC issued an order denying the request for rehearing on the issue of whether any payments by Entergy Arkansas to the other Utility operating companies should be reduced due to the timing of the LPSC's approval of Entergy Arkansas's wholesale baseload contract with Entergy Louisiana. In November 2017 the FERC issued an order denying all of the remaining requests for rehearing of the April 2016 order. In November 2017, Entergy Services filed a petition for review in the D.C. Circuit of the FERC's orders in the first two phases of the opportunity sales case. In December 2017 the D.C. Circuit granted Entergy Services' request to hold the appeal in abeyance pending final resolution of the related proceeding before the FERC. In January 2018 the APSC and the LPSC filed separate petitions for review in the D.C. Circuit, and the D.C. Circuit consolidated the appeals with Entergy Services' appeal.

The hearing required by the FERC's April 2016 order was held in May 2017. In July 2017 the ALJ issued an initial decision addressing whether a cap on any reduction due to bandwidth payments was necessary and whether to implement the other adjustments to the calculation methodology. In August 2017 the Utility operating companies, the LPSC, the APSC, and FERC staff filed individual briefs on exceptions challenging various aspects of the initial decision. In September 2017 the Utility operating companies, the LPSC, the APSC, the MPSC, the City Council, and FERC staff filed separate briefs opposing exceptions taken by various parties.

Based on testimony previously submitted in the case and its assessment of the April 2016 FERC orders, in the first quarter 2016, Entergy Arkansas recorded a liability of \$87 million, which included interest, for its estimated increased costs and payment to the other Utility operating companies, and a deferred fuel regulatory asset of \$75 million. Following its assessment of the course of the proceedings, including the FERC's denial of rehearing in November 2017 described above, in the fourth quarter 2017, Entergy Arkansas recorded an additional liability of \$35 million and a regulatory asset of \$31 million.

In October 2018 the FERC issued an order addressing the ALJ's July 2017 initial decision. The FERC reversed the ALJ's decision to cap the reduction in Entergy Arkansas's payment to account for the increased bandwidth payments that Entergy Arkansas made to the other operating companies. The FERC also reversed the ALJ's decision that Grand Gulf sales from January through September 2000 should be included in the calculation of Entergy Arkansas's payment. The FERC affirmed on other grounds the ALJ's rejection of the LPSC's claim that certain joint account sales should be accounted for as part of the calculation of Entergy Arkansas's payment. In November 2018 the LPSC requested rehearing of the FERC's October 2018 decision. In December 2019 the FERC denied the LPSC's request for rehearing. In January 2020 the LPSC appealed the December 2019 decision to the D.C. Circuit.

In December 2018, Entergy made a compliance filing in response to the FERC's October 2018 order. The compliance filing provided a final calculation of Entergy Arkansas's payments to the other Utility operating companies, including interest. No protests were filed in response to the December 2018 compliance filing. The December 2018 compliance filing is pending FERC action. Refunds and interest in the following amounts were paid by Entergy Arkansas to the other operating companies in December 2018:

	Total refunds including interest Payment/(Receipt)		
	(In Millions)		
	Principal	Interest	Total
Entergy Arkansas	\$68	\$67	\$135
Entergy Louisiana	(\$30)	(\$29)	(\$59)
Entergy Mississippi	(\$18)	(\$18)	(\$36)
Entergy New Orleans	(\$3)	(\$4)	(\$7)
Entergy Texas	(\$17)	(\$16)	(\$33)

Entergy Arkansas previously recognized a regulatory asset with a balance of \$116 million as of December 31, 2018 for a portion of the payments due as a result of this proceeding.

As described above, the FERC's opportunity sales orders have been appealed to the D.C. Circuit. In February 2020 all of the appeals were consolidated and in April 2020 the D.C. Circuit established a briefing schedule. Briefing was completed in September 2020 and oral argument was heard in December 2020. In July 2021 the D.C. Circuit issued a decision denying all of the petitions for review filed in response to the FERC's opportunity sales orders.

In February 2019 the LPSC filed a new complaint relating to two issues that were raised in the opportunity sales proceeding, but that, in its October 2018 order, the FERC held were outside the scope of the proceeding. In March 2019, Entergy Services filed an answer and motion to dismiss the new complaint. In November 2019 the FERC issued an order denying the LPSC's complaint. The order concluded that the settlement agreement approved by the FERC in December 2015 terminating the System Agreement barred the LPSC's new complaint. In December 2019 the LPSC requested rehearing of the FERC's November 2019 order, and in July 2020 the FERC issued an order dismissing the LPSC's request for rehearing. In September 2020 the LPSC appealed to the D.C. Circuit the FERC's orders dismissing the new opportunity sales complaint. In November 2020 the D.C. Circuit

issued an order establishing that briefing will occur in January 2021 through April 2021. Oral argument was held in September 2021. In December 2021 the D.C. Circuit denied the LPSC's Petition for Review of the new opportunity sales complaint. The opportunity sales cases are complete at FERC and at the D.C. Circuit and no additional refund amounts are owed by Entergy Arkansas.

In May 2019, Entergy Arkansas filed an application and supporting testimony with the APSC requesting approval of a special rider tariff to recover the costs of these payments from its retail customers over a 24-month period. The application requested that the APSC approve the rider to take effect within 30 days or, if suspended by the APSC as allowed by commission rule, approve the rider to take effect in the first billing cycle of the first month occurring 30 days after issuance of the APSC's order approving the rider. In June 2019 the APSC suspended Entergy Arkansas's tariff and granted Entergy Arkansas's motion asking the APSC to establish the proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC's October 2018 order and related FERC orders in the opportunity sales proceeding. In January 2020 the APSC adopted a procedural schedule with a hearing in April 2020. In January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed a joint motion seeking to dismiss Entergy Arkansas's application alleging that the APSC, in a prior proceeding, ruled on the issues addressed in the application and determined that Entergy Arkansas's requested relief violates the filed rate doctrine and the prohibition against retroactive ratemaking. Entergy Arkansas responded to the joint motion in February 2020 rebutting these arguments, including demonstrating that the claims in this proceeding differ substantially from those the APSC addressed previously and that the payment resulting from a FERC tariff violation for which Entergy Arkansas seeks retail cost recovery in this proceeding differs materially from the refunds resulting from a FERC tariff amendment that the APSC previously rejected on filed rate doctrine and the retroactive ratemaking grounds. In addition, in January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed testimony opposing the recovery by Entergy Arkansas of the opportunity sales payment but also claiming that certain components of the payment should be segregated and refunded to customers. In March 2020, Entergy Arkansas filed rebuttal testimony.

In July 2020 the APSC issued a decision finding that Entergy Arkansas's application is not in the public interest. The order also directed Entergy Arkansas to refund to its retail customers within 30 days of the order the FERC-determined over-collection of \$13.7 million, plus interest, associated with a recalculated bandwidth remedy. In addition to these primary findings, the order also denied the Attorney General's request for Entergy Arkansas to prepare a compliance filing detailing all of the retail impacts from the opportunity sales and denied a request by the Arkansas Electric Energy Consumers to recalculate all costs using the revised responsibility ratio. Entergy Arkansas filed a motion for temporary stay of the 30-day requirement to allow Entergy Arkansas a reasonable opportunity to seek rehearing of the APSC order, but in July 2020 the APSC denied Entergy Arkansas's request for a stay and directed Entergy Arkansas to refund to its retail customers the component of the total FERC-determined opportunity sales payment that was associated with increased bandwidth remedy payments of \$13.7 million, plus interest. The refunds were issued in the August 2020 billing cycle. While the APSC denied Entergy Arkansas's stay request, Entergy Arkansas believes its actions were prudent and, therefore, the costs, including the \$13.7 million, plus interest, are recoverable. In July 2020, Entergy Arkansas requested rehearing of the APSC order, which rehearing was denied by the APSC in August 2020. In September 2020, Entergy Arkansas filed a complaint in the U.S. District Court for the Eastern District of Arkansas challenging the APSC's order denying Entergy Arkansas's request to recover the costs of these payments. In October 2020 the APSC filed a motion to dismiss Entergy Arkansas's complaint, to which Entergy Arkansas responded. Also in December 2020, Entergy Arkansas and the APSC held a pre-trial conference, and filed a report with the court in January 2021. The court held a hearing in February 2021 regarding issues addressed in the pre-trial conference report, and in June 2021 the court stayed all discovery until it rules on pending motions, after which the court will issue an amended schedule if necessary.

Complaints Against System Energy

System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% ownership/leasehold interest in Grand Gulf. System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. System Energy and the Unit Power Sales Agreement are currently the subject of several litigation proceedings at the FERC, including challenges with respect to System Energy's authorized return on equity and capital structure, renewal of its sale-leaseback arrangement, treatment of uncertain tax positions, a broader investigation of rates under the Unit Power Sales Agreement, and a prudence complaint challenging the extended power uprate completed at Grand Gulf in 2012 and the operation and management of Grand Gulf, particularly in the 2016-2020 time period. The claims in these proceedings include claims for refunds and claims for rate adjustments; the aggregate amount of refunds claimed in these proceedings substantially exceeds the net book value of System Energy. Following are discussions of the proceedings.

Return on Equity and Capital Structure Complaints

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%, which was established in a rate proceeding that became final in July 2001.

The APSC and MPSC complaint alleges that the return on equity is unjust and unreasonable because capital market and other considerations indicate that it is excessive. The complaint requests proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017 as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes that a return on equity of 8.37% to 8.67% is just and reasonable. The LPSC and the City Council intervened in the proceeding expressing support for the complaint. In September 2017 the FERC established a refund effective date of January 23, 2017 and directed the parties to engage in settlement proceedings before an ALJ. The parties were unable to settle the return on equity issue and a FERC hearing judge was assigned in July 2018. The 15-month refund period 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 15-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. The APSC, MPSC, and City Council intervened in the proceeding, filed an answer expressing support for the complaint, and asked the FERC to consolidate this proceeding with the proceeding initiated by the complaint of the APSC and MPSC in January 2017. System Energy answered the LPSC complaint in May 2018 and also filed a motion to dismiss the complaint. In August 2018 the FERC issued an order dismissing the LPSC's request to investigate System Energy's capital structure and setting for hearing the return on equity complaint, with a refund effective date of April 27, 2018. The 15-month refund period in connection with the LPSC return on equity complaint expired on July 26, 2019.

The portion of the LPSC's complaint dealing with return on equity was subsequently consolidated with the APSC and MPSC complaint for hearing. The parties addressed an order (issued in a separate FERC proceeding involving New England transmission owners) that proposed modifying the FERC's standard methodology for determining return on equity. In September 2018, System Energy filed a request for rehearing and the LPSC filed a request for rehearing or reconsideration of the FERC's August 2018 order. The LPSC's request referenced an

amended complaint that it filed on the same day raising the same capital structure claim the FERC had earlier dismissed. The FERC initiated a new proceeding for the amended capital structure complaint, and System Energy submitted a response in October 2018. In January 2019 the FERC set the amended complaint for settlement and hearing proceedings. Settlement proceedings in the capital structure proceeding commenced in February 2019. As noted below, in June 2019 settlement discussions were terminated and the amended capital structure complaint was consolidated with the ongoing return on equity proceeding. The 15-month refund period in connection with the capital structure complaint was from September 24, 2018 to December 23, 2019.

In January 2019 the LPSC and the APSC and MPSC filed direct testimony in the return on equity proceeding. For the refund period January 23, 2017 through April 23, 2018, the LPSC argues for an authorized return on equity for System Energy of 7.81% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.24%. For the refund period April 27, 2018 through July 27, 2019, and for application on a prospective basis, the LPSC argues for an authorized return on equity for System Energy of 7.97% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.41%. In March 2019, System Energy submitted answering testimony. For the first refund period, System Energy's testimony argues for a return on equity of 10.10% (median) or 10.70% (midpoint). For the second refund period, System Energy's testimony shows that the calculated returns on equity for the first period fall within the range of presumptively just and reasonable returns on equity, and thus the second complaint should be dismissed (and the first period return on equity used going forward). If the FERC nonetheless were to set a new return on equity for the second period (and going forward), System Energy argues the return on equity should be either 10.32% (median) or 10.69% (midpoint).

In May 2019 the FERC trial staff filed its direct and answering testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.89% based on the application of FERC's proposed methodology. The FERC trial staff's direct and answering testimony noted that an authorized return on equity of 9.89% for the first refund period was within the range of presumptively just and reasonable returns on equity for the second refund period, as calculated using a study period ending January 31, 2019 for the second refund period.

In June 2019, System Energy filed testimony responding to the testimony filed by the FERC trial staff. Among other things, System Energy's testimony rebutted arguments raised by the FERC trial staff and provided updated calculations for the second refund period based on the study period ending May 31, 2019. For that refund period, System Energy's testimony shows that strict application of the return on equity methodology proposed by the FERC staff indicates that the second complaint would not be dismissed, and the new return on equity would be set at 9.65% (median) or 9.74% (midpoint). System Energy's testimony argues that these results are insufficient in light of benchmarks such as state returns on equity and treasury bond yields, and instead proposes that the calculated returns on equity for the second period should be either 9.91% (median) or 10.3% (midpoint). System Energy's testimony also argues that, under application of its proposed modified methodology, the 10.10% return on equity calculated for the first refund period would fall within the range of presumptively just and reasonable returns on equity for the second refund period.

Also in June 2019, the FERC's Chief ALJ issued an order terminating settlement discussions in the amended complaint addressing System Energy's capital structure. The ALJ consolidated the amended capital structure complaint with the ongoing return on equity proceeding and set new procedural deadlines for the consolidated hearing.

In August 2019 the LPSC and the APSC and MPSC filed rebuttal testimony in the return on equity proceeding and direct and answering testimony relating to System Energy's capital structure. The LPSC re-argues for an authorized return on equity for System Energy of 7.81% for the first refund period and 7.97% for the second refund period. The APSC and MPSC argue for an authorized return on equity for System Energy of 8.26% for the first refund period and 8.32% for the second refund period. With respect to capital structure, the LPSC proposes that the FERC establish a hypothetical capital structure for System Energy for ratemaking purposes. Specifically, the LPSC proposes that System Energy's common equity ratio be set to Entergy Corporation's equity ratio of 37%

equity and 63% debt. In the alternative, the LPSC argues that the equity ratio should be no higher than 49%, the composite equity ratio of System Energy and the other Entergy operating companies who purchase under the Unit Power Sales Agreement. The APSC and MPSC recommend that 35.98% be set as the common equity ratio for System Energy. As an alternative, the APSC and MPSC propose that System Energy's common equity be set at 46.75% based on the median equity ratio of the proxy group for setting the return on equity.

In September 2019 the FERC trial staff filed its rebuttal testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.40% based on the application of the FERC's proposed methodology and an updated proxy group. For the second refund period, based on the study period ending May 31, 2019, the FERC trial staff rebuttal testimony argues for a return on equity of 9.63%. In September 2019 the FERC trial staff also filed direct and answering testimony relating to System Energy's capital structure. The FERC trial staff argues that the average capital structure of the proxy group used to develop System Energy's return on equity should be used to establish the capital structure. Using this approach, the FERC trial staff calculates the average capital structure for its proposed proxy group of 46.74% common equity, and 53.26% debt.

In October 2019, System Energy filed answering testimony disputing the FERC trial staff's, the LPSC's, and the APSC's and MPSC's arguments for the use of a hypothetical capital structure and arguing that the use of System Energy's actual capital structure is just and reasonable.

In November 2019, in a proceeding that did not involve System Energy, the FERC issued an order addressing the methodology for determining the return on equity applicable to transmission owners in MISO. Thereafter, the procedural schedule in the System Energy proceeding was amended to allow the participants to file supplemental testimony addressing the order in the MISO transmission owner proceeding (Opinion No. 569).

In February 2020 the LPSC, the MPSC and APSC, and the FERC trial staff filed supplemental testimony addressing Opinion No. 569 and how it would affect the return on equity evaluation for the two complaint periods concerning System Energy. For the first refund period, based on their respective interpretations and applications of the Opinion No. 569 methodology, the LPSC argues for an authorized return on equity for System Energy of 8.44%; the MPSC and APSC argue for an authorized return on equity of 8.41%; and the FERC trial staff argues for an authorized return on equity of 9.22%. For the second refund period and on a prospective basis, based on their respective interpretations and applications of the Opinion No. 569 methodology, the LPSC argues for an authorized return on equity for System Energy of 7.89%; the MPSC and APSC argue that an authorized return on equity of 8.01% may be appropriate; and the FERC trial staff argues for an authorized return on equity of 8.66%.

In April 2020, System Energy filed supplemental answering testimony addressing Opinion No. 569. System Energy argues that the Opinion No. 569 methodology is conceptually and analytically defective for purposes of establishing just and reasonable authorized return on equity determinations and proposes an alternative approach. As its primary recommendation, System Energy continues to support the return on equity determinations in its March 2019 testimony for the first refund period and its June 2019 testimony for the second refund period. Under the Opinion No. 569 methodology, System Energy calculates a "presumptively just and reasonable range" for the authorized return on equity for the first refund period of 8.57% to 9.52%, and for the second refund period of 8.28% to 9.11%. System Energy argues that these ranges are not just and reasonable results. Under its proposed alternative methodology, System Energy calculates an authorized return on equity of 10.26% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively.

In May 2020 the FERC issued an order on rehearing of Opinion No. 569 (Opinion No. 569-A). In June 2020 the procedural schedule in the System Energy proceeding was further revised in order to allow parties to address the Opinion No. 569-A methodology. Pursuant to the revised schedule, in June 2020, the LPSC, MPSC and APSC, and the FERC trial staff filed supplemental testimony addressing Opinion No. 569-A and how it would affect the return on equity evaluation for the two complaint periods concerning System Energy. For the first refund

period, based on their respective interpretations and applications of the Opinion No. 569-A methodology, the LPSC argues for an authorized return on equity for System Energy of 7.97%; the MPSC and APSC argue for an authorized return on equity of 9.24%; and the FERC trial staff argues for an authorized return on equity of 9.49%. For the second refund period and on a prospective basis, based on their respective interpretations and applications of the Opinion No. 569-A methodology, the LPSC argues for an authorized return on equity for System Energy of 7.78%; the MPSC and APSC argue that an authorized return on equity of 9.15% may be appropriate if the second complaint is not dismissed; and the FERC trial staff argues for an authorized return on equity of 9.09% if the second complaint is not dismissed.

Pursuant to the revised procedural schedule, in July 2020, System Energy filed supplemental testimony addressing Opinion No. 569-A. System Energy argues that strict application of the Opinion No. 569-A methodology produces results inconsistent with investor requirements and does not provide a sound basis on which to evaluate System Energy's authorized return on equity. As its primary recommendation, System Energy argues for the use of a methodology that incorporates four separate financial models, including the constant growth form of the discounted cash flow model and the empirical capital asset pricing model. Based on application of its recommended methodology, System Energy argues for an authorized return on equity of 10.12% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively. Under the Opinion No. 569-A methodology, System Energy calculates an authorized return on equity of 9.44% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively.

The parties and FERC trial staff filed final rounds of testimony in August 2020. The hearing before a FERC ALJ occurred in late-September through early-October 2020, post-hearing briefing took place in November and December 2020.

In March 2021 the FERC ALJ issued an initial decision. With regard to System Energy's authorized return on equity, the ALJ determined that the existing return on equity of 10.94% is no longer just and reasonable, and that the replacement authorized return on equity, based on application of the Opinion No. 569-A methodology, should be 9.32%. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (January 2017-April 2018) based on the difference between the current return on equity and the replacement authorized return on equity. The ALJ determined that the April 2018 complaint concerning the authorized return on equity should be dismissed, and that no refunds for a second fifteen-month refund period should be due. With regard to System Energy's capital structure, the ALJ determined that System Energy's actual equity ratio is excessive and that the just and reasonable equity ratio is 48.15% equity, based on the average equity ratio of the proxy group used to evaluate the return on equity for the second complaint. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (September 2018-December 2019) based on the difference between the actual equity ratio and the 48.15% equity ratio. If the ALJ's initial decision is upheld, the estimated refund for this proceeding is approximately \$60 million, which includes interest through December 31, 2021, and the estimated resulting annual rate reduction would be approximately \$45 million. The estimated refund will continue to accrue interest until a final FERC decision is issued. Based on the course of the proceeding to date, System Energy has recorded a provision of \$37 million, including interest, as of December 31, 2021.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. In April 2021, System Energy filed its brief on exceptions, in which it challenged the initial decision's findings on both the return on equity and capital structure issues. Also in April 2021 the LPSC, APSC, MPSC, City Council, and the FERC trial staff filed briefs on exceptions. Reply briefs opposing exceptions were filed in May 2021 by System Energy, the FERC trial staff, the LPSC, APSC, MPSC, and the City Council. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue

In May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. The complaint alleges that System Energy violated the filed rate and the FERC's ratemaking and accounting requirements when it included in Unit Power Sales Agreement billings the cost of capital additions associated with the sale-leaseback interest, and that System Energy is double-recovering costs by including both the lease payments and the capital additions in Unit Power Sales Agreement billings. The complaint also claims that System Energy was imprudent in entering into the sale-leaseback renewal because the Utility operating companies that purchase Grand Gulf's output from System Energy could have obtained cheaper capacity and energy in the MISO markets. The complaint further alleges that System Energy violated various other reporting and accounting requirements and should have sought prior FERC approval of the lease renewal. The complaint seeks various forms of relief from the FERC. The complaint seeks refunds for capital addition costs for all years in which they were recorded in allegedly non-formula accounts or, alternatively, the disallowance of the return on equity for the capital additions in those years plus interest. The complaint also asks that the FERC disallow and refund the lease costs of the sale-leaseback renewal on grounds of imprudence, investigate System Energy's treatment of a DOE litigation payment, and impose certain forward-looking procedural protections, including audit rights for retail regulators of the Unit Power Sales Agreement formula rates. The APSC, MPSC, and City Council intervened in the proceeding.

In June 2018, System Energy and Entergy Services filed a motion to dismiss and an answer to the LPSC complaint denying that System Energy's treatment of the sale-leaseback renewal and capital additions violated the terms of the filed rate or any other FERC ratemaking, accounting, or legal requirements or otherwise constituted double recovery. The response also argued that the complaint is inconsistent with a FERC-approved settlement to which the LPSC is a party and that explicitly authorizes System Energy to recover its lease payments. Finally, the response argued that both the capital additions and the sale-leaseback renewal were prudent investments and the LPSC complaint fails to justify any disallowance or refunds. The response also offered to submit formula rate protocols for the Unit Power Sales Agreement similar to the procedures used for reviewing transmission rates under the MISO tariff. In September 2018 the FERC issued an order setting the complaint for hearing and settlement proceedings. The FERC established a refund effective date of May 18, 2018.

In February 2019 the presiding ALJ ruled that the hearing ordered by the FERC includes the issue of whether specific subcategories of accumulated deferred income tax should be included in, or excluded from, System Energy's formula rate. In March 2019 the LPSC, MPSC, APSC and City Council filed direct testimony. The LPSC testimony sought refunds that include the renewal lease payments (approximately \$17.2 million per year since July 2015), rate base reductions for accumulated deferred income tax associated with uncertain tax positions, and the cost of capital additions associated with the sale-leaseback interest, as well as interest on those amounts.

In June 2019 System Energy filed answering testimony arguing that the FERC should reject all claims for refunds. Among other things, System Energy argued that claims for refunds of the costs of lease renewal payments and capital additions should be rejected because those costs were recovered consistent with the Unit Power Sales Agreement formula rate, System Energy was not over or double recovering any costs, and ratepayers will save costs over the initial and renewal terms of the leases. System Energy argued that claims for refunds associated with liabilities arising from uncertain tax positions should be rejected because the liabilities do not provide cost-free capital, the repayment timing of the liabilities is uncertain, and the outcome of the underlying tax positions is uncertain. System Energy's testimony also challenged the refund calculations supplied by the other parties.

In August 2019 the FERC trial staff filed direct and answering testimony seeking refunds for rate base reductions for liabilities associated with uncertain tax positions. The FERC trial staff also argued that System Energy recovered \$32 million more than it should have in depreciation expense for capital additions. In September 2019, System Energy filed cross-answering testimony disputing the FERC trial staff's arguments for refunds, stating that the FERC trial staff's position regarding depreciation rates for capital additions is not unreasonable, but

explaining that any change in depreciation expense is only one element of a Unit Power Sales Agreement re-billing calculation. Adjustments to depreciation expense in any re-billing under the Unit Power Sales Agreement formula rate will also involve changes to accumulated depreciation, accumulated deferred income taxes, and other formula elements as needed. In October 2019 the LPSC filed rebuttal testimony increasing the amount of refunds sought for liabilities associated with uncertain tax positions. The LPSC seeks approximately \$512 million plus interest, which is approximately \$216 million through December 31, 2021. The FERC trial staff also filed rebuttal testimony in which it seeks refunds of a similar amount as the LPSC for the liabilities associated with uncertain tax positions. The LPSC testimony also argued that adjustments to depreciation rates should affect rate base on a prospective basis only.

A hearing was held before a FERC ALJ in November 2019. In April 2020 the ALJ issued the initial decision. Among other things, the ALJ determined that refunds were due on three main issues. First, with regard to the lease renewal payments, the ALJ determined that System Energy is recovering an unjust acquisition premium through the lease renewal payments, and that System Energy's recovery from customers through rates should be limited to the cost of service based on the remaining net book value of the leased assets, which is approximately \$70 million. The ALJ found that the remedy for this issue should be the refund of lease payments (approximately \$17.2 million per year since July 2015) with interest determined at the FERC quarterly interest rate, which would be offset by the addition of the net book value of the leased assets in the cost of service. The ALJ did not calculate a value for the refund expected as a result of this remedy. In addition, System Energy would no longer recover the lease payments in rates prospectively. Second, with regard to the liabilities associated with uncertain tax positions, the ALJ determined that the liabilities are accumulated deferred income taxes and that System Energy's rate base should have been reduced for those liabilities. If the ALJ's initial decision is upheld, the estimated refund for this issue through December 31, 2021, is approximately \$422 million, plus interest, which is approximately \$128 million through December 31, 2021. The ALJ also found that System Energy should include liabilities associated with uncertain tax positions as a rate base reduction going forward. Third, with regard to the depreciation expense adjustments, the ALJ found that System Energy should correct for the error in re-billings retroactively and prospectively, but that System Energy should not be permitted to recover interest on any retroactive return on enhanced rate base resulting from such corrections. If the initial decision is affirmed on this issue, System Energy estimates refunds of approximately \$19 million, which includes interest through December 31, 2021.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. The ALJ in the initial decision acknowledges that these are issues of first impression before the FERC. In June 2020, System Energy, the LPSC, and the FERC trial staff filed briefs on exceptions, challenging several of the initial decision's findings. System Energy's brief on exceptions challenged the initial decision's limitations on recovery of the lease renewal payments, its proposed rate base refund for the liabilities associated with uncertain tax positions, and its proposal to asymmetrically treat interest on bill corrections for depreciation expense adjustments. The LPSC's and the FERC trial staff's briefs on exceptions each challenged the initial decision's allowance for recovery of the cost of service associated with the lease renewal based on the remaining net book value of the leased assets, its calculation of the remaining net book value of the leased assets, and the amount of the initial decision's proposed rate base refund for the liabilities associated with uncertain tax positions. The LPSC's brief on exceptions also challenged the initial decision's proposal that depreciation expense adjustments include retroactive adjustments to rate base and its finding that section 203 of the Federal Power Act did not apply to the lease renewal. The FERC trial staff's brief on exceptions also challenged the initial decision's finding that the FERC need not institute a formal investigation into System Energy's tariff. In October 2020, System Energy, the LPSC, the MPSC, the APSC, and the City Council filed briefs opposing exceptions. System Energy opposed the exceptions filed by the LPSC and the FERC trial staff. The LPSC, MPSC, APSC, City Council, and the FERC trial staff opposed the exceptions filed by System Energy. Also in October 2020 the MPSC, APSC, and the City Council filed briefs adopting the exceptions of the LPSC and the FERC trial staff. The case is pending before the FERC, which will review the case and issue an order on the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in whole or in part. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

In addition, in September 2020, the IRS issued a Notice of Proposed Adjustment (NOPA) and Entergy executed it. The NOPA memorializes the IRS's decision to adjust the 2015 consolidated federal income tax return of Entergy Corporation and certain of its subsidiaries, including System Energy, with regard to the uncertain decommissioning tax position. Pursuant to the audit resolution documented in the NOPA, the IRS allowed System Energy's inclusion of \$102 million of future nuclear decommissioning costs in System Energy's cost of goods sold for the 2015 tax year, roughly 10% of the requested deduction, but disallowed the balance of the position. In September 2020, System Energy filed a motion to lodge the NOPA into the record in the FERC proceeding. In October 2020 the LPSC, the APSC, the MPSC, the City Council, and the FERC trial staff filed oppositions to System Energy's motion. As a result of the NOPA issued by the IRS in September 2020, System Energy filed, in October 2020, a new Federal Power Act section 205 filing at FERC to establish an ongoing rate base credit for the accumulated deferred income taxes resulting from the decommissioning uncertain tax position. On a prospective basis beginning with the October 2020 bill, System Energy proposes to include the accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position as a credit to rate base under the Unit Power Sales Agreement. In November 2020 the LPSC, APSC, MPSC, and City Council filed a protest to the filing, and System Energy responded.

In November 2020 the IRS issued a Revenue Agent's Report (RAR) for the 2014/2015 tax year and in December 2020 Entergy executed it. The RAR contained the same adjustment to the uncertain nuclear decommissioning tax position as that which the IRS had announced in the NOPA. In December 2020, System Energy filed a motion to lodge the RAR into the record in the FERC proceeding addressing the uncertain tax position rate base issue. In January 2021 the LPSC, APSC, MPSC, and City Council filed a protest to the motion.

As a result of the RAR, in December 2020, System Energy filed amendments to its new Federal Power Act section 205 filings to establish an ongoing rate base credit for the accumulated deferred income taxes resulting from the decommissioning uncertain tax position and to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. The amendments both propose the inclusion of the RAR as support for the filings. In December 2020 the LPSC, APSC, and City Council filed a protest in response to the amendments, reiterating their prior objections to the filings. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filings subject to refund, setting them for hearing, and holding the hearing in abeyance.

In December 2020, System Energy filed a new Federal Power Act section 205 filing to provide a one-time, historical credit of \$25.2 million for the accumulated deferred income taxes that would have been created by the decommissioning uncertain tax position if the IRS's decision had been known in 2016. In January 2021 the LPSC, APSC, MPSC, and City Council filed a protest to the filing. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filing subject to refund, setting it for hearing, and holding the hearing in abeyance. The one-time credit was made during the first quarter 2021.

LPSC Authorization of Additional Complaints

In May 2020 the LPSC authorized its staff to file additional complaints at the FERC related to the rates charged by System Energy for Grand Gulf energy and capacity supplied to Entergy Louisiana under the Unit Power Sales Agreement. The LPSC directive notes that the initial decision issued by the presiding ALJ in the Grand Gulf sale-leaseback complaint proceeding did not address, for procedural reasons, certain rate issues raised by the LPSC and declined to order further investigation of rates charged by System Energy. The LPSC directive authorizes its staff to file complaints at the FERC "necessary to address these rate issues, to request a full investigation into the rates charged by System Energy for Grand Gulf power, and to seek rate refund, rate reduction, and such other remedies as may be necessary and appropriate to protect Louisiana ratepayers." The LPSC directive further stated that the LPSC has seen "information suggesting that the Grand Gulf plant has been significantly underperforming compared to other nuclear plants in the United States, has had several extended and unexplained outages, and has been plagued with serious safety concerns." The LPSC expressed concern that the costs paid by Entergy

Louisiana's retail customers may have been detrimentally impacted, and authorized “the filing of a FERC complaint to address these performance issues and to seek appropriate refund, rate reduction, and other remedies as may be appropriate.”

Unit Power Sales Agreement Complaint

The first of the additional complaints was filed by the LPSC, the APSC, the MPSC, and the City Council in September 2020. The complaint raises two sets of rate allegations: violations of the filed rate and a corresponding request for refunds for prior periods; and elements of the Unit Power Sales Agreement are unjust and unreasonable and a corresponding request for refunds for the 15-month refund period and changes to the Unit Power Sales Agreement prospectively. Several of the filed rate allegations overlap with the previous complaints. The filed rate allegations not previously raised are that System Energy: failed to provide a rate base credit to customers for the “time value” of sale-leaseback lease payments collected from customers in advance of the time those payments were due to the owner-lessors; improperly included certain lease refinancing costs in rate base as prepayments; improperly included nuclear decommissioning outage costs in rate base; failed to include categories of accumulated deferred income taxes as a reduction to rate base; charged customers based on a higher equity ratio than would be appropriate due to excessive retained earnings; and did not correctly reflect money pool investments and imprudently invested cash into the money pool. The elements of the Unit Power Sales Agreement that the complaint alleges are unjust and unreasonable include: incentive and executive compensation, lack of an equity re-opener, lobbying, and private airplane travel. The complaint also requests a rate investigation into the Unit Power Sales Agreement and System Energy’s billing practices pursuant to section 206 of the Federal Power Act, including any issue relevant to the Unit Power Sales Agreement and its inputs. System Energy filed its answer opposing the complaint in November 2020. In its answer, System Energy argued that all of the claims raised in the complaint should be dismissed and agreed that bill adjustment with respect to two discrete issues were justified. System Energy argued that dismissal is warranted because all claims fall into one or more of the following categories: the claims have been raised and are being litigated in another proceeding; the claims do not present a *prima facie* case and do not satisfy the threshold burden to establish a complaint proceeding; the claims are premised on a theory or request relief that is incompatible with federal law or FERC policy; the claims request relief that is inconsistent with the filed rate; the claims are barred or waived by the legal doctrine of laches; and/or the claims have been fully addressed and do not warrant further litigation. In December 2020, System Energy filed a bill adjustment report indicating that \$3.4 million had been credited to customers in connection with the two discrete issues concerning the inclusion of certain accumulated deferred income taxes balances in rates. In January 2021 the complainants filed a response to System Energy’s November 2020 answer, and in February 2021, System Energy filed a response to the complainant’s response.

In May 2021 the FERC issued an order addressing the complaint, establishing a refund effective date of September 21, 2020, establishing hearing procedures, and holding those procedures in abeyance pending FERC’s review of the initial decision in the Grand Gulf sale-leaseback renewal complaint discussed above. System Energy agreed that the hearing should be held in abeyance but sought rehearing of FERC’s decision as related to matters set for hearing that were beyond the scope of FERC’s jurisdiction or authority. The complainants sought rehearing of FERC’s decision to hold the hearing in abeyance and filed a motion to proceed, which motion System Energy subsequently opposed. In June 2021, System Energy’s request for rehearing was denied by operation of law, and System Energy filed an appeal of FERC’s orders in the Court of Appeals for the Fifth Circuit. The appeal was initially stayed for a period of 90 days, but the stay expired. In November 2021 the Fifth Circuit dismissed the appeal as premature.

In August 2021 the FERC issued an order addressing System Energy’s and the complainants’ rehearing requests. The FERC dismissed part of the complaint seeking an equity re-opener, maintained the abeyance for issues related to the proceeding addressing the sale-leaseback renewal and uncertain tax positions, lifted the abeyance for issues unrelated to that proceeding, and clarified the scope of the hearing. A procedural schedule was established, with the hearing scheduled for June 2022 and the ALJ’s initial decision scheduled for November 2022. Discovery is ongoing.

In November 2021 the LPSC, APSC, and City Council filed direct testimony and requested the FERC to order refunds for prior periods and prospective amendments to the Unit Power Sales Agreement. The LPSC's refund claims include, among other things, allegations that: (1) System Energy should not have included certain sale-leaseback transaction costs in prepayments; (2) System Energy should have credited rate base to reflect the time value of money associated with the advance collection of lease payments; (3) System Energy incorrectly included refueling outage costs that were recorded in account 174 in rate base; and (4) System Energy should have excluded several accumulated deferred income tax balances in account 190 from rate base. The LPSC is also seeking a retroactive adjustment to retained earnings and capital structure in conjunction with the implementation of its proposed refunds. In addition, the LPSC seeks amendments to the Unit Power Sales Agreement going forward to address below-the-line costs, incentive compensation, the working capital allowance, litigation expenses, and the 2019 termination of the capital funds agreement. The APSC argues that: (1) System Energy should have included borrowings from the Entergy System money pool in its determination of short-term debt in its cost of capital; and (2) System Energy should credit customers with System Energy's allocation of earnings on money pool investments. The City Council alleges that System Energy has maintained excess cash on hand in the money pool and that retention of excess cash was imprudent. Based on this allegation, the City Council's witness recommends a refund of approximately \$98.8 million for the period 2004-September 2021 or other alternative relief. The City Council further recommends that the FERC impose a hypothetical equity ratio such as 48.15% equity to capital on a prospective basis.

In January 2022, System Energy filed answering testimony arguing that the FERC should not order refunds for prior periods or any prospective amendments to the Unit Power Sales Agreement. In response to the LPSC's refund claims, System Energy argues, among other things, that (1) the inclusion of sale-leaseback transaction costs in prepayments was correct; (2) that the filed rate doctrine bars the request for a retroactive credit to rate base for the time value of money associated with the advance collection of lease payments; (3) that an accounting misclassification for deferred refueling outage costs has been corrected, caused no harm to customers, and requires no refunds; and (4) that its accounting and ratemaking treatment of specified accumulated deferred income tax balances in account 190 has been correct. System Energy further responds that no retroactive adjustment to retained earnings or capital structure should be ordered because there is no general policy requiring such a remedy and there was no showing that the retained earnings element of the capital structure was incorrectly implemented. Further, System Energy presented evidence that all of the costs that are being challenged were long known to the retail regulators and were approved by them for inclusion in retail rates, and the attempt to retroactively challenge these costs, some of which have been included in rates for decades, is unjust and unreasonable. In response to the LPSC's proposed going-forward adjustments, System Energy presents evidence to show that none of the proposed adjustments are needed. On the issue of below-the-line expenses, during discovery procedures System Energy identified a historical allocation error in certain months and agreed to provide a bill credit to customers to correct the error. In response to the APSC's claims, System Energy argues that the Unit Power Sales Agreement does not include System Energy's borrowings from the Entergy System money pool or earnings on deposits to the Entergy System money pool in the determination of the cost of capital; and accordingly, no refunds are appropriate on those issues. In response to the City Council's claims, System Energy argues that it has reasonably managed its cash and that the City Council's theory of cash management is defective because it fails to adequately consider the relevant cash needs of System Energy and it makes faulty presumptions about the operation of the Entergy System money pool. System Energy further points out that the issue of its capital structure is already subject to pending FERC litigation.

Grand Gulf Prudence Complaint

The second of the additional complaints was filed at the FERC in March 2021 by the LPSC, the APSC, and the City Council against System Energy, Entergy Services, Entergy Operations, and Entergy Corporation. The second complaint contains two primary allegations. First, it alleges that, based on the plant's capacity factor and alleged safety performance, System Energy and the other respondents imprudently operated Grand Gulf during the period 2016-2020, and it seeks refunds of at least \$360 million in alleged replacement energy costs, in addition to other costs, including those that can only be identified upon further investigation. Second, it alleges that the

performance and/or management of the 2012 extended power uprate of Grand Gulf was imprudent, and it seeks refunds of all costs of the 2012 uprate that are determined to result from imprudent planning or management of the project. In addition to the requested refunds, the complaint asks that the FERC modify the Unit Power Sales Agreement to provide for full cost recovery only if certain performance indicators are met and to require pre-authorization of capital improvement projects in excess of \$125 million before related costs may be passed through to customers in rates. In April 2021, System Energy and the other respondents filed their motion to dismiss and answer to the complaint. System Energy requested that the FERC dismiss the claims within the complaint. With respect to the claim concerning operations, System Energy argues that the complaint does not meet its legal burden because, among other reasons, it fails to allege any specific imprudent conduct. With respect to the claim concerning the uprate, System Energy argues that the complaint fails because, among other reasons, the complainants' own conduct prevents them from raising a serious doubt as to the prudence of the uprate. System Energy also requests that the FERC dismiss other elements of the complaint, including the proposed modifications to the Unit Power Sales Agreement, because they are not warranted. Additional responsive pleadings were filed by the complainants and System Energy during the period from March through July 2021. The pleadings are pending FERC action.

Storm Cost Recovery Filings with Retail Regulators

Entergy Louisiana

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida

In August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild.

In October 2020, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta. Subsequently, Entergy Louisiana and the LPSC staff filed a joint motion seeking approval to exclude from the derivation of Entergy Louisiana's capital structure and cost rate of debt for ratemaking purposes, including the allowance for funds used during construction, shorter-term debt up to \$1.1 billion issued by Entergy Louisiana to fund costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta costs on an interim basis. In November 2020 the LPSC issued an order approving the joint motion, and Entergy Louisiana issued \$1.1 billion of 0.62% Series mortgage bonds due November 2023. Also in November 2020, Entergy Louisiana withdrew \$257 million from its funded storm reserves.

In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages. As discussed above in **"Fuel and purchased power recovery,"** Entergy Louisiana recovered the incremental fuel costs associated with Winter Storm Uri over a five-month period from April 2021 through August 2021.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms are currently estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital

costs. Including carrying costs through January 2022, Entergy Louisiana is seeking an LPSC determination that \$2.11 billion was prudently incurred and, therefore, is eligible for recovery from customers. Additionally, Entergy Louisiana is requesting that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million is appropriate. In July 2021, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. As previously discussed, in August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana supplemented the application with a request to establish and securitize a \$1 billion restricted storm escrow account for Hurricane Ida related restoration costs, subject to a subsequent prudence review. In total, Entergy Louisiana requested authorization for the issuance of system restoration bonds in one or more series in an aggregate principal amount of \$3.18 billion, which includes the costs of re-establishing and funding a storm damage escrow account, carrying costs and unamortized debt costs on interim financing, and issuance costs. After filing of testimony by LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contains the following key terms: \$2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and are eligible for recovery; carrying costs of \$51 million are recoverable; a \$290 million cash storm reserve should be re-established; a \$1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana is authorized to finance \$3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC voted to approve the settlement at its February 2022 meeting.

Hurricane Isaac

In August 2012, Hurricane Isaac caused extensive damage to Entergy Louisiana's service area. In June 2014 the LPSC authorized Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs. Entergy Louisiana committed to pass on to customers a minimum of \$30.8 million of customer benefits through annual customer credits of approximately \$6.2 million for five years. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation (LURC) and the Louisiana State Bond Commission.

In August 2014 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued \$314.85 million in bonds under Louisiana Act 55. From the \$309 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited \$16 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$293 million directly to Entergy Louisiana. Entergy Louisiana used the \$293 million received from the LURC to acquire 2,935,152.69 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1.75 billion.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collects a system restoration charge on behalf of the LURC and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

In the first quarter 2020, Entergy and the IRS agreed upon and settled on the treatment of funds received by Entergy Louisiana in conjunction with the Act 55 financing of Hurricane Isaac storm costs, which resulted in a net reduction of income tax expense of approximately \$32 million. As a result of the settlement, the position was

partially sustained and Entergy Louisiana recorded a reduction of income tax expense of approximately \$58 million primarily due to the reversal of liabilities for uncertain tax positions in excess of the agreed-upon settlement. Entergy recorded an increase to income tax expense of \$26 million primarily resulting from the reduction of the deferred tax asset, associated with utilization of the net operating loss as a result of the settlement. This adjustment recorded by Entergy also accounted for the tax rate change of the Tax Cuts and Jobs Act. As a result of the IRS settlement, Entergy Louisiana recorded a \$29 million (\$21 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to customers pursuant to the LPSC Hurricane Isaac Act 55 financing order.

Hurricane Gustav and Hurricane Ike

In September 2008, Hurricane Gustav and Hurricane Ike caused catastrophic damage to Entergy Louisiana's service territory. In December 2009, Entergy Louisiana entered into a stipulation agreement with the LPSC staff regarding its storm costs. In March and April 2010, Entergy Louisiana and other parties to the proceeding filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal to utilize Act 55 financing, which included a commitment to pass on to customers a minimum of \$43.3 million of customer benefits through a prospective annual rate reduction of \$8.7 million for five years. In April 2010 the LPSC approved the settlement and subsequently issued financing orders and a ratemaking order intended to facilitate the implementation of the Act 55 financings. In June 2010 the Louisiana State Bond Commission approved the Act 55 financing. The settlement agreement allowed for an adjustment to the credits if there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Louisiana Act 55 financing savings obligation regulatory liability related to Hurricane Gustav and Hurricane Ike was reduced by \$2.7 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

In July 2010 the LCDA issued two series of bonds totaling \$713.0 million under Act 55. From the \$702.7 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited \$290 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$412.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana used \$412.7 million to acquire 4,126,940.15 Class B preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 9% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2010, and the membership interests have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA, and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collects a system restoration charge on behalf of the LURC and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to Entergy Louisiana's service territory. In March 2008, Entergy Louisiana and the LURC filed at the LPSC an application requesting that the LPSC grant a financing order authorizing the financing of Entergy Louisiana storm costs, storm reserves, and issuance costs pursuant to Louisiana Act 55. Entergy Louisiana also filed an application requesting LPSC approval for ancillary issues including the mechanism to flow charges and savings to customers via a storm cost offset rider. In April 2008 the Louisiana Public Facilities Authority (LPFA), which is the issuer of the bonds

pursuant to the Act 55 financing, approved requests for the Act 55 financing. Also in April 2008, Entergy Louisiana and the LPSC staff filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal under the Act 55 financing, which included a commitment to pass on to customers a minimum of \$40 million of customer benefits through a prospective annual rate reduction of \$8 million for five years. The LPSC subsequently approved the settlement and issued two financing orders and one ratemaking order intended to facilitate implementation of the Act 55 financing. In May 2008 the Louisiana State Bond Commission granted final approval of the Act 55 financing. The settlement agreement allowed for an adjustment to the credits if there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Louisiana Act 55 financing savings obligation regulatory liability related to Hurricanes Katrina and Rita was reduced by \$22.3 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

In July 2008 the LPFA issued \$687.7 million in bonds under the aforementioned Act 55. From the \$679 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited \$152 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$527 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested \$545 million, including \$17.8 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 5,449,861.85 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 10% annual distribution rate. In August 2008 the LPFA issued \$278.4 million in bonds under the aforementioned Act 55. From the \$274.7 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited \$87 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$187.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested \$189.4 million, including \$1.7 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 1,893,918.39 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 10% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2008 and have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

The bonds were repaid in 2018. Entergy and Entergy Louisiana did not report the bonds issued by the LPFA on their balance sheets because the bonds are the obligation of the LPFA, and there was no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collected a system restoration charge on behalf of the LURC and remitted the collections to the bond indenture trustee. Entergy and Entergy Louisiana did not report the collections as revenue because Entergy Louisiana was merely acting as the billing and collection agent for the state.

Entergy Mississippi

Entergy Mississippi has approval from the MPSC to collect a storm damage provision of \$1.75 million per month. If Entergy Mississippi's accumulated storm damage provision balance exceeds \$15 million, the collection of the storm damage provision ceases until such time that the accumulated storm damage provision becomes less than \$10 million. Entergy Mississippi's storm damage provision balance has been less than \$10 million since May 2019, and Entergy Mississippi has been billing the monthly storm damage provision since July 2019.

Entergy New Orleans

Hurricane Zeta

In October 2020, Hurricane Zeta caused significant damage to Entergy New Orleans's service area. The storm resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the power outages. In March 2021, Entergy New Orleans withdrew \$44 million from its funded storm reserves. In May 2021, Entergy New Orleans filed an application with the City Council requesting approval and certification that its system restoration costs associated with Hurricane Zeta of approximately \$36 million, including approximately \$28 million in capital costs and approximately \$8 million in non-capital costs, were reasonable and necessary to enable Entergy New Orleans to restore electric service to its customers and Entergy New Orleans's electric utility infrastructure.

Entergy Texas

Hurricane Laura, Hurricane Delta, and Winter Storm Uri

In August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to distribution and transmission infrastructure, and the loss of sales during the power outages. In April 2021, Entergy Texas filed an application with the PUCT requesting a determination that approximately \$250 million of system restoration costs associated with Hurricane Laura, Hurricane Delta, and Winter Storm Uri, including approximately \$200 million in capital costs and approximately \$50 million in non-capital costs, were reasonable and necessary to enable Entergy Texas to restore electric service to its customers and Entergy Texas's electric utility infrastructure. The filing also included the projected balance of approximately \$13 million of a regulatory asset containing previously approved system restoration costs related to Hurricane Harvey. In September 2021 the parties filed an unopposed settlement agreement, pursuant to which Entergy Texas removed from the amount to be securitized approximately \$4.3 million that will instead be charged to its storm reserve, \$5 million related to no particular issue, of which Entergy Texas would be permitted to seek recovery in a future proceeding, and approximately \$300 thousand related to attestation costs. In December 2021 the PUCT issued an order approving the unopposed settlement and determining system restoration costs of \$243 million related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri and the \$13 million projected remaining balance of the Hurricane Harvey system restoration costs were eligible for securitization. The order also determines that Entergy Texas can recover carrying costs on the system restoration costs related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri.

In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of the system restoration costs that are the subject of the April 2021 application. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement.

NOTE 3. INCOME TAXES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Income taxes for 2021, 2020, and 2019 for Entergy Corporation and Subsidiaries consist of the following:

	2021	2020	2019
	(In Thousands)		
Current:			
Federal	(\$5,003)	\$5,807	(\$14,416)
State	(8,995)	57,939	6,535
Total	(13,998)	63,746	(7,881)
Deferred and non-current - net	205,891	(190,635)	(155,956)
Investment tax credit adjustments - net	(519)	5,383	(5,988)
Income taxes	<u>\$191,374</u>	<u>(\$121,506)</u>	<u>(\$169,825)</u>

Income taxes for 2021, 2020, and 2019 for Entergy's Registrant Subsidiaries consist of the following:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Current:						
Federal	(\$20,285)	(\$24,053)	(\$5,868)	(\$6,724)	(\$189)	\$29,416
State	529	2,459	(11,506)	(413)	1,261	(10,258)
Total	(19,756)	(21,594)	(17,374)	(7,137)	1,072	19,158
Deferred and non-current - net	96,180	146,786	60,861	12,870	25,087	(25,229)
Investment tax credit adjustments - net	(1,229)	(4,783)	1,836	203	(633)	4,094
Income taxes	<u>\$75,195</u>	<u>\$120,409</u>	<u>\$45,323</u>	<u>\$5,936</u>	<u>\$25,526</u>	<u>(\$1,977)</u>

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Current:						
Federal	(\$44,627)	\$62,728	(\$14,580)	\$293	(\$5,603)	\$372,206
State	(2,563)	4,457	(1,316)	(303)	2,658	55,551
Total	(47,190)	67,185	(15,896)	(10)	(2,945)	427,757
Deferred and non-current - net	96,195	(444,647)	43,640	(18,153)	6,619	(405,928)
Investment tax credit adjustments - net	(1,228)	(4,862)	(554)	13,956	(632)	(1,286)
Income taxes	<u>\$47,777</u>	<u>(\$382,324)</u>	<u>\$27,190</u>	<u>(\$4,207)</u>	<u>\$3,042</u>	<u>\$20,543</u>

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Current:						
Federal	(\$14,549)	(\$20,173)	(\$8,939)	(\$5,822)	\$16,035	\$16,256
State	(714)	(735)	5,823	1,856	663	(2,831)
Total	(15,263)	(20,908)	(3,116)	(3,966)	16,698	13,425
Deferred and non-current - net	(30,278)	147,453	34,579	4,248	(69,963)	422
Investment tax credit adjustments - net	(1,228)	(4,922)	(597)	(96)	(631)	1,502
Income taxes	(\$46,769)	\$121,623	\$30,866	\$186	(\$53,896)	\$15,349

Total income taxes for Entergy Corporation and Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before income taxes. The reasons for the differences for the years 2021, 2020, and 2019 are:

	2021	2020	2019
(In Thousands)			
Net income attributable to Entergy Corporation	\$1,118,492	\$1,388,334	\$1,241,226
Preferred dividend requirements of subsidiaries	227	18,319	17,018
Consolidated net income	1,118,719	1,406,653	1,258,244
Income taxes	191,374	(121,506)	(169,825)
Income before income taxes	\$1,310,093	\$1,285,147	\$1,088,419
Computed at statutory rate (21%)	\$275,120	\$269,881	\$228,568
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	79,273	60,087	61,791
Regulatory differences - utility plant items	(57,556)	(53,229)	(45,336)
Equity component of AFUDC	(14,799)	(25,080)	(30,444)
Amortization of investment tax credits	(7,695)	(8,386)	(8,093)
Flow-through / permanent differences	(5,585)	11,099	(2,059)
Amortization of excess ADIT (a)	(66,478)	(59,629)	(205,614)
Arkansas and Louisiana Rate Changes (b)	(27,108)	—	—
IRS audit adjustment (d)	—	(301,041)	—
Entergy Wholesale Commodities restructuring (c)	—	(9,223)	(173,725)
Stock compensation (e)	—	(25,591)	—
Charitable contribution (c)	—	—	(19,101)
Net operating loss recognition	—	—	(41,427)
Provision for uncertain tax positions	16,533	15,208	7,332
Valuation allowance	(2,600)	—	59,345
Other - net	2,269	4,398	(1,062)
Total income taxes as reported	\$191,374	(\$121,506)	(\$169,825)
Effective Income Tax Rate	14.6 %	(9.5 %)	(15.6 %)

- (a) See “**Other Tax Matters - Tax Cuts and Jobs Act**” below for discussion of the amortization of excess accumulated deferred income taxes (ADIT) in 2019, 2020, and 2021 and the tax legislation enactment in 2017.
- (b) See “**Arkansas and Louisiana Corporate Income Tax Rate Changes**” below for details.

- (c) See **“Other Tax Matters - Entergy Wholesale Commodities Restructuring”** below for discussion of the Entergy Wholesale Commodities restructuring in 2019, the ownership of Palisades restructuring in 2020, and the charitable contribution in 2019.
- (d) See **“Income Tax Audits - 2014-2015 IRS Audit”** below for discussion of the resolution of the audit in 2020.
- (e) See **“Other Tax Matters - Stock Compensation”** below for discussion of excess tax deductions.

Total income taxes for the Registrant Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2021, 2020, and 2019 are:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net income	\$298,484	\$653,984	\$166,834	\$31,798	\$228,824	\$106,814
Income taxes	75,195	120,409	45,323	5,936	25,526	(1,977)
Pretax income	<u>\$373,679</u>	<u>\$774,393</u>	<u>\$212,157</u>	<u>\$37,734</u>	<u>\$254,350</u>	<u>\$104,837</u>
Computed at statutory rate (21%)	\$78,473	\$162,623	\$44,553	\$7,924	\$53,413	\$22,016
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	19,633	41,030	9,305	2,579	1,553	5,385
Regulatory differences - utility plant items	(16,078)	(14,123)	(8,133)	(4,332)	(2,115)	(12,776)
Equity component of AFUDC	(3,207)	(6,016)	(1,701)	(498)	(2,077)	(1,300)
Amortization of investment tax credits	(1,201)	(4,729)	64	(56)	(617)	(1,155)
Flow-through / permanent differences	(814)	(2,655)	124	1,559	(475)	(1,235)
Amortization of excess ADIT (a)	(5,845)	(24,323)	—	(1,028)	(21,929)	(13,354)
Arkansas and Louisiana Rate Changes (b)	398	(6,126)	395	(1,569)	216	115
Non-taxable dividend income	—	(26,801)	—	—	—	—
Provision for uncertain tax positions	353	300	465	1,200	(2,716)	200
Valuation Allowance	2,766	—	—	—	—	—
Other - net	717	1,229	251	157	273	127
Total income taxes as reported	<u>\$75,195</u>	<u>\$120,409</u>	<u>\$45,323</u>	<u>\$5,936</u>	<u>\$25,526</u>	<u>(\$1,977)</u>
Effective Income Tax Rate	20.1 %	15.5 %	21.4 %	15.7 %	10.0 %	(1.9 %)

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net income	\$245,232	\$1,082,352	\$140,583	\$49,338	\$215,073	\$99,131
Income taxes	47,777	(382,324)	27,190	(4,207)	3,042	20,543
Pretax income	\$293,009	\$700,028	\$167,773	\$45,131	\$218,115	\$119,674
Computed at statutory rate (21%)	\$61,532	\$147,006	\$35,232	\$9,478	\$45,804	\$25,132
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	16,256	38,182	6,917	2,606	1,460	5,524
Regulatory differences - utility plant items	(8,034)	(23,819)	(7,441)	(3,442)	(7,673)	(2,821)
Equity component of AFUDC	(3,154)	(8,012)	(1,412)	(1,331)	(9,255)	(1,916)
Amortization of investment tax credits	(1,201)	(4,811)	(540)	(61)	(617)	(1,155)
Flow-through / permanent differences	(2,219)	1,404	(102)	498	766	(421)
Amortization of excess ADIT (a)	(6,011)	(26,293)	18	(4,564)	(22,780)	—
Stock compensation (d)	(4,952)	(9,004)	(2,763)	(1,526)	(2,842)	(1,300)
IRS audit adjustment (c)	(6,351)	(471,702)	(3,768)	(6,819)	(2,091)	(2,925)
Non-taxable dividend income	—	(26,795)	—	—	—	—
Provision for uncertain tax positions	1,200	300	800	800	—	300
Other - net	711	1,220	249	154	270	125
Total income taxes as reported	\$47,777	(\$382,324)	\$27,190	(\$4,207)	\$3,042	\$20,543
Effective Income Tax Rate	16.3 %	(54.6 %)	16.2 %	(9.3 %)	1.4 %	17.2 %

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net income	\$262,964	\$691,537	\$119,925	\$52,629	\$159,397	\$99,120
Income taxes	(46,769)	121,623	30,866	186	(53,896)	15,349
Pretax income	\$216,195	\$813,160	\$150,791	\$52,815	\$105,501	\$114,469
Computed at statutory rate (21%)	\$45,401	\$170,764	\$31,666	\$11,091	\$22,155	\$24,039
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	15,954	42,854	5,563	3,443	360	5,134
Regulatory differences - utility plant items	(10,627)	(19,421)	(5,556)	(1,532)	(1,987)	(6,213)
Equity component of AFUDC	(3,255)	(15,545)	(1,755)	(2,088)	(5,973)	(1,829)
Amortization of investment tax credits	(1,201)	(4,871)	(160)	(88)	(617)	(1,155)
Flow-through / permanent differences	696	439	160	(741)	560	(500)
Amortization of excess ADIT (a)	(90,921)	(28,531)	203	(11,724)	(69,091)	(5,550)
Non-taxable dividend income	—	(26,795)	—	—	—	—
Provision for uncertain tax positions	(3,517)	1,519	500	1,672	430	1,300
Other - net	701	1,210	245	153	267	123
Total income taxes as reported	(\$46,769)	\$121,623	\$30,866	\$186	(\$53,896)	\$15,349
Effective Income Tax Rate	(21.6 %)	15.0 %	20.5 %	0.4 %	(51.1 %)	13.4 %

- (a) See “**Other Tax Matters - Tax Cuts and Jobs Act**” below for discussion of the amortization of excess accumulated deferred income taxes (ADIT) in 2019, 2020 and 2021 and the tax legislation enactment in 2017.
- (b) See “**Arkansas and Louisiana Corporate Income Tax Rate Changes**” below for details.
- (c) See “**Income Tax Audits - 2014-2015 IRS Audit**” below for discussion of the resolution of the audit in 2020.
- (d) See “**Other Tax Matters - Stock Compensation**” below for discussion of excess tax deductions.

Significant components of accumulated deferred income taxes and taxes accrued for Entergy Corporation and Subsidiaries as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Deferred tax liabilities:		
Plant basis differences - net	(\$6,136,563)	(\$4,795,422)
Regulatory assets	(930,244)	(429,996)
Nuclear decommissioning trusts/receivables	(656,185)	(1,188,235)
Pension, net regulatory asset	(322,788)	(327,445)
Combined unitary state taxes	(7,255)	(7,723)
Unbilled/deferred revenues	—	(9,152)
Accumulated storm damage provision	(207,243)	—
Deferred fuel	(85,310)	(7,667)
Other	(341,450)	(549,355)
Total	(8,687,038)	(7,314,995)
Deferred tax assets:		
Nuclear decommissioning liabilities	278,136	968,464
Regulatory liabilities	1,318,381	791,927
Pension and other post-employment benefits	208,128	278,486
Sale and leaseback	102,474	102,477
Compensation	79,798	89,279
Accumulated deferred investment tax credit	57,986	57,379
Provision for allowances and contingencies	82,286	71,598
Power purchase agreements	55,259	352,019
Unbilled/deferred revenues	26,683	—
Net operating loss carryforwards	2,868,424	1,580,109
Capital losses and miscellaneous tax credits	11,111	21,291
Valuation allowance	(325,239)	(328,581)
Other	200,032	230,291
Total	4,963,459	4,214,739
Non-current accrued taxes (including unrecognized tax benefits)	(929,032)	(1,185,227)
Accumulated deferred income taxes and taxes accrued	(\$4,652,611)	(\$4,285,483)

Entergy's estimated tax attributes carryovers and their expiration dates as of December 31, 2021 are as follows:

Carryover Description	Carryover Amount	Year(s) of expiration
Federal net operating losses before 1/1/2018	\$6.2 billion	2023-2027
Federal net operating losses - 1/1/2018 forward	\$21.1 billion	N/A
State net operating losses	\$7.4 billion	2022-2041
State net operating losses with no expiration	\$16.7 billion	N/A
Federal and state charitable contributions	\$460.8 million	2022-2026
Miscellaneous federal and state credits	\$73.1 million	2022-2041

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers, tax credit carryovers, and other tax attributes reflected on income tax returns. Entergy evaluates the available positive and negative evidence to estimate whether sufficient future taxable income of the appropriate character will be generated to realize the benefits of existing deferred tax assets. When the evaluation indicates that Entergy will not be able to realize the existing benefits, a valuation allowance is recorded to reduce deferred tax assets to the realizable amount.

Because it is more likely than not that the benefits from certain state net operating losses and other deferred tax assets will not be utilized, valuation allowances totaling \$325 million as of December 31, 2021 and \$329 million as of December 31, 2020 have been provided on the deferred tax assets related to federal and state jurisdictions in which Entergy does not currently expect to be able to utilize certain separate company tax return attributes, preventing realization of such deferred tax assets. As a result of incurring costs related to Hurricane Ida restoration, certain Utility operating companies are entitled to an accelerated tax deduction which generated a taxable loss in various taxing jurisdictions. This accelerated deduction has impaired the realizability of a limited term carryover tax attribute. Accordingly, the impairment contributed to the activity reflected for the valuation allowance disclosed above.

Significant components of accumulated deferred income taxes and taxes accrued for the Registrant Subsidiaries as of December 31, 2021 and 2020 are as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Deferred tax liabilities:						
Plant basis differences - net	(\$1,158,523)	(\$3,429,473)	(\$681,968)	(\$192,660)	(\$654,252)	(\$433,874)
Regulatory assets	(226,687)	(530,274)	(34,799)	(30,694)	(45,470)	(61,205)
Nuclear decommissioning trusts/receivables	(175,882)	(186,382)	—	—	—	(153,610)
Pension, net regulatory asset	(92,881)	(93,681)	(22,253)	(11,429)	(19,914)	(18,033)
Deferred fuel	(27,497)	(13,686)	(30,409)	(1,600)	(10,139)	(49)
Accumulated storm damage provision	—	(193,967)	—	—	(13,276)	—
Other	(77,820)	(138,299)	(29,108)	(33,071)	(2,526)	(5,622)
Total	(1,759,290)	(4,585,762)	(798,537)	(269,454)	(745,577)	(672,393)
Deferred tax assets:						
Regulatory liabilities	310,256	634,184	59,418	36,057	55,022	224,036
Nuclear decommissioning liabilities	123,568	(909)	1	(433)	94	9,432
Pension and other post-employment benefits	(26,577)	73,006	(7,793)	(16,090)	(18,793)	(1,925)
Sale and leaseback	—	—	—	—	—	102,474
Accumulated deferred investment tax credit	7,518	30,666	2,723	4,391	1,958	10,729
Provision for allowances and contingencies	24,829	21,768	10,236	5,559	7,730	—
Power purchase agreements	—	—	1,140	—	(1,202)	—
Unbilled/deferred revenues	3,331	9,919	2,306	971	10,196	—
Compensation	3,347	5,288	2,181	1,036	1,618	447
Net operating loss carryforwards	275,054	1,228,547	166,008	105,549	81	—
Capital losses and miscellaneous tax credits	—	5,141	1,258	10,977	883	1,958
Other	19,397	5,968	2,891	7,788	863	2
Total	740,723	2,013,578	240,369	155,805	58,450	347,153
Non-current accrued taxes (including unrecognized tax benefits)	(397,634)	138,330	(161,929)	(251,735)	(5,369)	(57,691)
Accumulated deferred income taxes and taxes accrued	(\$1,416,201)	(\$2,433,854)	(\$720,097)	(\$365,384)	(\$692,496)	(\$382,931)

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Deferred tax liabilities:						
Plant basis differences - net	(\$1,117,948)	(\$2,481,976)	(\$623,796)	(\$83,457)	(\$620,669)	(\$407,125)
Regulatory assets	(188,284)	(95,135)	(22,381)	(20,276)	(47,684)	(56,496)
Nuclear decommissioning trusts/receivables	(156,123)	(148,040)	—	—	—	(131,985)
Pension, net funding	(93,486)	(95,854)	(24,922)	(11,564)	(19,481)	(20,330)
Deferred fuel	—	(4,210)	(1,706)	(1,393)	—	(314)
Other	(54,753)	(76,735)	(27,565)	(26,334)	(141)	(12,521)
Total	(1,610,594)	(2,901,950)	(700,370)	(143,024)	(687,975)	(628,771)
Deferred tax assets:						
Regulatory liabilities	273,774	218,278	56,022	31,248	47,991	163,534
Nuclear decommissioning liabilities	123,319	7,767	—	(419)	121	29,916
Pension and other post-employment benefits	(24,747)	72,724	(6,763)	(13,997)	(17,132)	(1,344)
Sale and leaseback	—	—	—	—	—	102,477
Accumulated deferred investment tax credit	7,971	31,155	2,261	4,197	2,088	9,706
Provision for allowances and contingencies	22,179	7,071	16,799	24,529	(4,094)	—
Power purchase agreements	9,662	3,381	1,140	(5,324)	(30,932)	—
Unbilled/deferred revenues	4,242	(23,382)	2,989	877	5,909	—
Compensation	2,264	3,240	1,670	761	1,308	48
Net operating loss carryforwards	119,555	363,806	54,262	26,564	53,052	—
Capital losses and miscellaneous tax credits	—	9,309	—	12,317	—	7,014
Other	16,036	6,958	3,507	8,128	2,232	2
Total	554,255	700,307	131,887	88,881	60,543	311,353
Non-current accrued taxes (including unrecognized tax benefits)	(229,784)	63,121	(78,191)	(284,571)	(11,990)	(42,417)
Accumulated deferred income taxes and taxes accrued	(\$1,286,123)	(\$2,138,522)	(\$646,674)	(\$338,714)	(\$639,422)	(\$359,835)

The Registrant Subsidiaries' estimated tax attributes carryovers and their expiration dates as of December 31, 2021 are as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
Federal net operating losses before 1/1/2018	\$— billion	\$1.7 billion	\$— billion	\$0.9 billion	\$— billion	\$— billion
Year(s) of expiration	N/A	2035-2037	N/A	2037	N/A	N/A
Federal net operating losses - 1/1/2018 forward	\$4.5 billion	\$4.5 billion	\$2.1 billion	\$0.7 billion	\$2.6 billion	\$— billion
Year(s) of expiration	N/A	N/A	N/A	N/A	N/A	N/A
State net operating losses	\$4.8 billion	\$7.2 billion	\$2.3 billion	\$1.7 billion	\$— million	\$— million
Year(s) of expiration	2023-2026	N/A	2038-2041	N/A	N/A	N/A
Misc. federal credits	\$4.7 million	\$12.3 million	\$1.8 million	\$15.3 million	\$3.1 million	\$1.5 million
Year(s) of expiration	2038-2041	2035-2041	2038-2041	2037-2041	2036-2041	2036-2041
State credits	\$— million	\$— million	\$1.3 million	\$—million	\$2.9 million	\$9 million
Year(s) of expiration	N/A	N/A	2022-2025	N/A	2027	2022-2025

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers and tax credit carryovers.

Unrecognized tax benefits

Accounting standards establish a “more-likely-than-not” recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. A reconciliation of Entergy's beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
	(In Thousands)		
Gross balance at January 1	\$5,699,339	\$7,383,154	\$7,181,482
Additions based on tax positions related to the current year	101,623	669,207	731,276
Additions for tax positions of prior years	33,419	98,591	151,628
Reductions for tax positions of prior years	(74,413)	(935,735)	(681,232)
Settlements	—	(1,515,878)	—
Gross balance at December 31	5,759,968	5,699,339	7,383,154
Offsets to gross unrecognized tax benefits:			
Loss and tax credit carryovers	(4,987,799)	(4,710,214)	(5,831,587)
Cash paid to taxing authorities	(60,000)	(10,000)	(10,000)
Unrecognized tax benefits net of unused tax attributes, refund claims and payments (a)	<u>\$712,169</u>	<u>\$979,125</u>	<u>\$1,541,567</u>

(a) Potential tax liability above what is payable on tax returns

The balances of unrecognized tax benefits include \$2,256 million, \$2,208 million, and \$2,421 million as of December 31, 2021, 2020, and 2019, respectively, which, if recognized, would lower the effective income tax rates. Because of the effect of deferred tax accounting, the remaining balances of unrecognized tax benefits of \$3,504 million, \$3,491 million, and \$4,962 million as of December 31, 2021, 2020, and 2019, respectively, if disallowed, would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Entergy accrues interest expense, if any, related to unrecognized tax benefits in income tax expense. Entergy's December 31, 2021, 2020, and 2019 accrued balance for the possible payment of interest is approximately \$52 million, \$44 million, and \$48 million, respectively. Interest (net-of-tax) of \$8 million, (\$4) million, and \$4 million was recorded in 2021, 2020, and 2019, respectively.

A reconciliation of the Registrant Subsidiaries' beginning and ending amount of unrecognized tax benefits for 2021, 2020, and 2019 is as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Gross balance at January 1, 2021	\$1,364,635	\$640,295	\$549,717	\$639,546	\$521,932	\$21,652
Additions based on tax positions related to the current year	30,419	13,437	684	1,050	32,616	1,753
Additions for tax positions of prior years	15,013	9,304	1,504	6	2,315	1,897
Reductions for tax positions of prior years	(1,573)	(58,408)	(2,336)	(1,105)	(4,568)	(1,946)
Gross balance at December 31, 2021	1,408,494	604,628	549,569	639,497	552,295	23,356
Offsets to gross unrecognized tax benefits:						
Loss and tax credit carryovers	(992,643)	(604,628)	(388,728)	(484,899)	(540,694)	(8,576)
Unrecognized tax benefits net of unused tax attributes and payments	\$415,851	\$—	\$160,841	\$154,598	\$11,601	\$14,780

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Gross balance at January 1, 2020	\$1,341,242	\$2,381,653	\$566,287	\$716,773	\$21,406	\$473,331
Additions based on tax positions related to the current year (a)	9,403	35,681	5,619	2,430	504,362	4,013
Additions for tax positions of prior years	13,400	10,508	1,156	294	799	4,606
Reductions for tax positions of prior years	(11,346)	(679,601)	(24,173)	(80,267)	(5,559)	(41,466)
Settlements	11,936	(1,107,946)	828	316	924	(418,832)
Gross balance at December 31, 2020	1,364,635	640,295	549,717	639,546	521,932	21,652
Offsets to gross unrecognized tax benefits:						
Loss and tax credit carryovers	(1,112,628)	(640,295)	(465,679)	(451,922)	(507,720)	(7,413)
Unrecognized tax benefits net of unused tax attributes and payments	\$252,007	\$—	\$84,038	\$187,624	\$14,212	\$14,239

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Gross balance at January 1, 2019	\$1,298,662	\$2,400,171	\$508,765	\$686,687	\$17,802	\$467,487
Additions based on tax positions related to the current year	84,335	28,705	68,594	40,676	2,312	5,496
Additions for tax positions of prior years	20,399	25,090	1,651	489	1,299	2,186
Reductions for tax positions of prior years	(62,154)	(72,313)	(12,723)	(11,079)	(7)	(1,838)
Gross balance at December 31, 2019	1,341,242	2,381,653	566,287	716,773	21,406	473,331
Offsets to gross unrecognized tax benefits:						
Loss and tax credit carryovers	(1,134,187)	(1,573,257)	(506,976)	(445,430)	(3,944)	(8,392)
Unrecognized tax benefits net of unused tax attributes and payments	<u>\$207,055</u>	<u>\$808,396</u>	<u>\$59,311</u>	<u>\$271,343</u>	<u>\$17,462</u>	<u>\$464,939</u>

- (a) The primary additions for Entergy Texas in 2020 are related to the mark-to-market treatment discussed in “**Other Tax Matters - Tax Accounting Methods**” below.

The Registrant Subsidiaries’ balances of unrecognized tax benefits included amounts which, if recognized, would have reduced income tax expense as follows:

	December 31,		
	2021	2020	2019
(In Millions)			
Entergy Arkansas	\$262.1	\$259.3	\$203.3
Entergy Louisiana	\$66.3	\$63.8	\$556.3
Entergy Mississippi	\$51.7	\$50.7	\$1.9
Entergy New Orleans	\$228.6	\$203.5	\$242.7
Entergy Texas	\$2.6	\$6.1	\$5.7
System Energy	\$1.7	\$0.5	\$—

Accrued balances for the possible payment of interest related to unrecognized tax benefits are as follows:

	December 31,		
	2021	2020	2019
(In Millions)			
Entergy Arkansas	\$2.7	\$2.3	\$3.1
Entergy Louisiana	\$3.7	\$3.4	\$14.2
Entergy Mississippi	\$2.4	\$1.9	\$1.7
Entergy New Orleans	\$5.2	\$3.9	\$4.7
Entergy Texas	\$1.1	\$0.9	\$1.1
System Energy	\$12.1	\$11.9	\$14.5

The Registrant Subsidiaries record interest and penalties related to unrecognized tax benefits in income tax expense. No penalties were recorded in 2021, 2020, and 2019. Interest (net-of-tax) was recorded as follows:

	2021	2020	2019
	(In Millions)		
Entergy Arkansas	\$0.4	(\$0.8)	\$1.4
Entergy Louisiana	\$0.3	(\$10.8)	(\$3.7)
Entergy Mississippi	\$0.5	\$0.2	\$0.5
Entergy New Orleans	\$1.3	(\$0.8)	\$2.0
Entergy Texas	\$0.2	(\$0.2)	\$0.2
System Energy	\$0.2	(\$2.6)	\$1.3

Income Tax Audits

Entergy and its subsidiaries file U.S. federal and various state income tax returns. IRS examinations are complete for years before 2016. All state taxing authorities' examinations are complete for years before 2014. Entergy regularly defends its positions and works with the IRS to resolve audits. The resolution of audit issues could result in significant changes to the amounts of unrecognized tax benefits in the next twelve months.

2014-2015 IRS Audit

The IRS completed its examination of the 2014 and 2015 tax years and issued its 2014-2015 RAR in November 2020. Entergy agreed to all proposed adjustments contained in the RAR. Entergy and the Registrant Subsidiaries recorded the effects of the adjustments associated with the audit in 2020.

In October 2015 two of Entergy's Louisiana utilities, Entergy Gulf States Louisiana and Entergy Louisiana, combined their businesses into a legal entity which is identified as Entergy Louisiana herein. The structure of the business combination required Entergy to recognize a gain for income tax purposes which resulted in an increase in the tax basis of the assets for Entergy Louisiana. This resulted in recognition in 2015 of a \$334 million permanent difference and income tax benefit, net of the uncertain tax position recorded on the transaction.

Primarily related to resolution of the business combination issues, completion of the 2014-2015 IRS audit in 2020 resulted in a \$230 million reduction to deferred income tax expense for Entergy. This reduction to deferred income tax expense includes: Entergy Louisiana reversing its provision for uncertain tax position with respect to the business combination, which resulted in a reduction to deferred income tax expense of \$383 million; Entergy Corporation recording an increase to deferred tax expense of \$61 million and Entergy Wholesale Commodities recording an increase to deferred tax expense of \$105 million from the re-measurement of deferred tax assets associated with the resolved uncertain tax position; and miscellaneous other individually insignificant benefits totaling \$13 million.

The completion of the 2014-2015 tax audit also resulted in a \$31 million reduction to income tax expense associated with Entergy Louisiana's method of accounting related to the adoption of tangible property regulations. As a result of the settlement of the tangible property regulation tax position, Entergy Louisiana was required to record a \$33 million (\$24 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to customers pursuant to a prior regulatory settlement.

Finally, upon completion of the 2014-2015 tax audit, Entergy New Orleans recorded a reduction to income tax expense of \$8 million associated with claims for mark-to-market deductions.

In the first quarter 2020, Entergy and the IRS agreed on the treatment of funds received by Entergy Louisiana in conjunction with the Act 55 financing of Hurricane Isaac storm costs, which resulted in a net reduction

of income tax expense of approximately \$32 million. As a result of the settlement, the position was partially sustained, and Entergy Louisiana recorded a reduction of income tax expense of approximately \$58 million primarily due to the reversal of a provision for uncertain tax positions in excess of the agreed-upon settlement. As a result of the IRS settlement, Entergy Louisiana recorded a \$29 million (\$21 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to customers pursuant to the LPSC Hurricane Isaac Act 55 financing order.

Additional effects of the completion of the 2014-2015 IRS tax audit are discussed below within Tax Accounting Methods.

Other Tax Matters

Tax Cuts and Jobs Act (TCJA)

The most significant effect of the TCJA for Entergy and the Registrant Subsidiaries was the change in the federal corporate income tax rate from 35% to 21%, effective January 1, 2018.

TCJA also limited the deduction for net business interest expense to 30 percent of adjusted taxable income, which is similar to earnings before interest, taxes, depreciation, and amortization. The limitation does not apply to interest expense that is properly allocable to a trade or business classified as a regulated public utility. This was further modified by a temporary provision of the CARES Act resulting in an increase of the adjusted taxable income limitation from 30% to 50% for tax years that begin in 2019 or 2020.

The IRS issued final regulations which are effective for Entergy beginning with the 2021 tax year. The regulations provide that if 90% of a tax group's consolidated assets consist of regulated utility property, the entire consolidated tax group will be treated as a regulated public utility and all of the consolidated group's interest expense will be currently tax deductible. Entergy expects that this provision will continue to apply to Entergy's business operations making the application of this limitation to Entergy less likely. The provision has not resulted in Entergy having to report any significant business interest expense limitations on its tax returns.

With respect to the federal corporate income tax rate change from 35% to 21% in 2017, Entergy and the Registrant Subsidiaries recorded a regulatory liability associated with the decrease in the net accumulated deferred income tax liability, which is often referred to as "excess ADIT," a significant portion of which has been paid to customers in 2019, 2020 and 2021 in the form of lower rates. Entergy's December 31, 2021 and December 31, 2020 balance sheets reflect a regulatory liability of \$1.3 billion and \$1.6 billion, respectively, as a result of the re-measurement of deferred tax assets and liabilities from the income tax rate change, amortization of excess ADIT, and payments to customers during 2019, 2020 and 2021. Entergy's regulatory liability for income taxes includes a gross-up at the applicable tax rate because of the effect that excess ADIT has on the ratemaking formula. The regulatory liability for income taxes includes the effect of a) the reduction of the net deferred tax liability resulting in excess ADIT, and b) the tax gross-up of excess ADIT. The Registrant Subsidiaries' December 31, 2021 and December 31, 2020 balance sheets reflect net regulatory liabilities for income taxes as follows:

	2021	2020
	(In Millions)	
Entergy Arkansas	\$432	\$467
Entergy Louisiana	\$338	\$479
Entergy Mississippi	\$212	\$224
Entergy New Orleans	\$42	\$59
Entergy Texas	\$171	\$205
System Energy	\$113	\$152

Excess ADIT is generally classified into two categories: 1) the portion that is subject to the normalization requirements of the TCJA, i.e., “protected”, and 2) the portion that is not subject to such normalization provisions, referred to as “unprotected”. The TCJA provides that the normalization method of accounting for income taxes is required for excess ADIT associated with public utility property. The TCJA provides for the use of the average rate assumption method (ARAM) for the determination of the timing of the return of excess ADIT associated with such property. Under ARAM, the excess ADIT is reduced over the remaining life of the asset. Remaining asset lives vary for each Registrant Subsidiary, but the average life of public utility property is typically 30 years or longer. Entergy will amortize the protected portion of the excess ADIT in conformity with the normalization requirements. The Registrant Subsidiaries’ net regulatory liability for income taxes as of December 31, 2021 and December 31, 2020, includes protected excess ADIT as follows:

	2021	2020
	(In Millions)	
Entergy Arkansas	\$463	\$490
Entergy Louisiana	\$669	\$721
Entergy Mississippi	\$237	\$248
Entergy New Orleans	\$56	\$61
Entergy Texas	\$208	\$215
System Energy	\$148	\$173

Payment of the unprotected excess accumulated deferred income taxes results in a reduction in the regulatory liability for income taxes and a corresponding reduction in income tax expense. This has a significant effect on the effective tax rate for the period as compared to the statutory tax rate. The Registrant Subsidiaries’ net regulatory liability for income taxes as of December 31, 2021 and December 31, 2020, includes unprotected excess ADIT as follows:

	2021	2020
	(In Millions)	
Entergy Arkansas	\$12	\$11
Entergy Louisiana	\$148	\$223
Entergy New Orleans	\$—	\$3
Entergy Texas	\$26	\$54
System Energy	\$—	\$16

The return of unprotected excess accumulated deferred income taxes reduced Entergy’s and the Registrant Subsidiaries’ regulatory liability for income taxes as follows for 2021 and 2020:

	2021	2020
	(In Millions)	
Entergy	\$88	\$74
Entergy Arkansas	\$8	\$8
Entergy Louisiana	\$33	\$31
Entergy New Orleans	\$1	\$6
Entergy Texas	\$28	\$29
System Energy	\$18	\$—

In addition to the protected and unprotected excess ADIT amounts, the net regulatory liability for income taxes includes other regulatory assets and liabilities for income taxes associated with AFUDC, which is described in Note 1 to the financial statements.

Included in the effect of the computation of the changes in deferred tax assets and liabilities is the recognition threshold and measurement of uncertain tax positions resulting in unrecognized tax benefits. The final economic outcome of such unrecognized tax benefits is generally the result of a negotiated settlement with the IRS that often differs from the amount that is recorded as realizable under GAAP. The intrinsic uncertainty with respect to all such tax positions means that the difference between current estimates of such amounts likely to be realized and actual amounts realized upon settlement may have an effect on income tax expense and the regulatory liability for income taxes in future periods.

Entergy anticipates that the effect of TCJA may continue to have ramifications that require adjustments in the future as certain events occur. These events include: 1) IRS audit adjustments to or amendments of federal and state income tax returns that include modifications to the computation of taxable income resulting from TCJA; and 2) additional guidance, interpretations, or rulings by the U.S. Department of the Treasury or the IRS. The potential exists for these types of events to result in future tax expense adjustments because of the difference in the federal corporate income tax rate between past and future periods and the effect of the tax rate change on ratemaking. In turn, these events also could potentially affect the regulatory liability for income taxes.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impacts of the COVID-19 pandemic, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020. The CARES Act provisions that result in the most significant opportunities for tax relief to Entergy and the Registrant Subsidiaries are (i) permitting a five-year carryback of 2018-2020 NOLs, (ii) removing the 80 percent limitation on NOLs carried to tax years beginning before 2021, (iii) increasing the limitation on interest expense deductibility for 2019 and 2020, (iv) accelerating available refunds for minimum tax credit carryforwards, modifying limitations on charitable contributions during 2020, and (v) delaying the payment of employer payroll taxes. Entergy deferred approximately \$64 million of 2020 payroll tax payments, payable in equal installments over two years. The initial installment of \$32 million was paid in December 2021. The second installment will be paid in December 2022.

Entergy Wholesale Commodities Restructuring

In the fourth quarter 2019, two separate events occurred resulting in a reduction of tax expense of \$174 million. In November 2019 an Entergy Wholesale Commodities subsidiary recognized a reduction in income tax expense of \$18 million in connection with the accounting method on power contracts associated with the Palisades nuclear power station. Additionally, Entergy's ownership of Indian Point 2 and Indian Point 3 was restructured. The restructuring required Entergy to recognize Indian Point 2 and Indian Point 3 nuclear decommissioning liabilities for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by \$156 million. The accrual of the nuclear decommissioning liabilities also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in the tax basis of the assets. Recognition of the gain and the increase in the tax basis of the assets represents a tax accounting temporary difference.

Immediately prior to the restructuring, through its ownership of Indian Point 2 and Indian Point 3, Entergy donated property to Stony Brook University and recognized an associated tax deduction resulting in a decrease to tax expense of \$19 million.

In the fourth quarter 2020, Entergy's ownership of Palisades was restructured. The restructuring required Entergy to recognize Palisades' nuclear decommissioning liability for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by \$9.2 million. The accrual of the nuclear decommissioning liability also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in the tax basis of the assets. Recognition of the gain and the increase in the tax basis of the assets represents a tax accounting temporary difference.

Tax Accounting Methods

In the fourth quarter 2015, System Energy and Entergy Louisiana adopted a new method of accounting for income tax return purposes in which their nuclear decommissioning costs will be treated as production costs of electricity includable in cost of goods sold. The new method resulted in a reduction of taxable income of \$1.2 billion for System Energy and \$2.2 billion for Energy Louisiana.

In conjunction with the 2014-2015 IRS audit discussed above, the IRS issued proposed adjustments concerning the nuclear decommissioning tax position allowing System Energy to include \$102 million of its decommissioning liability in cost of goods sold, and Entergy Louisiana to include \$221 million of its decommissioning liability in cost of goods sold. Entergy, System Energy, and Entergy Louisiana agreed to the proposed adjustments included in the RAR.

As a result of System Energy being allowed to include part of its decommissioning liability in cost of goods sold, System Energy and Entergy recorded a deferred tax liability of \$26 million. System Energy also recorded federal and state taxes payable of \$402 million. However, on a consolidated basis, Entergy utilized tax loss carryovers to offset the federal taxable income adjustment and did not record federal taxes payable as a result of the outcome of this uncertain tax position.

As a result of Entergy Louisiana being allowed to include part of its decommissioning liability in cost of goods sold, Entergy Louisiana and Entergy recorded a deferred tax liability of \$60 million. Both Entergy Louisiana and Entergy utilized tax loss carryovers to offset the taxable income adjustment and accordingly did not record taxes payable as a result of the outcome of this uncertain tax position.

The partial disallowance of this uncertain tax position to include the decommissioning liability in cost of goods sold resulted in a \$1.5 billion decrease in the balance of unrecognized tax benefits related to federal and state taxes for Entergy. Additionally, both System Energy and Entergy Louisiana recorded a reduction to their balances of unrecognized tax benefits for federal and state taxes of \$461 million and \$1.1 billion, respectively.

Entergy Arkansas adopted the same method of accounting for its nuclear decommissioning costs which resulted in a \$1.8 billion reduction in taxable income on its 2018 tax return.

In 2016, Entergy Louisiana elected mark-to-market income tax treatment for various wholesale electric power purchase and sale agreements, including Entergy Louisiana's contract to purchase electricity from the Vidalia hydroelectric facility and from System Energy under the Unit Power Sales Agreement. The election resulted in a \$2.2 billion deductible temporary difference. In 2017, Entergy New Orleans also elected mark-to-market income tax treatment for wholesale electric contracts which resulted in a \$1.1 billion deductible temporary difference. In 2018, Entergy Arkansas and Entergy Mississippi accrued deductible temporary differences related to mark-to-market tax accounting for wholesale electric contracts of \$2.1 billion and \$1.9 billion, respectively. Additionally, in 2020, Entergy Texas elected mark-to-market income tax treatment for wholesale electric power purchase and sale agreements which resulted in a \$2.5 billion deductible temporary difference.

Arkansas and Louisiana Corporate Income Tax Rate Changes

In April 2019 and December 2021 the State of Arkansas enacted corporate income tax law changes that phased in rate reductions from the former rate of 6.5% to 6.2% in 2021, 5.9% in 2022, and 5.7% in 2023. As a result of the 2019 rate reduction, Entergy Arkansas computed a regulatory liability for income taxes as of December 31, 2020 of approximately \$21 million, which includes a tax gross-up related to the treatment of income taxes in the retail and wholesale ratemaking formulas and has been included in the appropriate rate mechanisms. Entergy Arkansas recorded an incremental regulatory liability of \$11 million associated with the rate reduction enacted in December 2021. The Arkansas tax law enactment also phases in an increase to the net operating loss carryover period from five to ten years.

Pursuant to legislation enacted in 2021 and approved by Louisiana citizens by amendment to the state constitution, beginning January 1, 2022, federal income taxes paid will no longer be deductible for state income tax purposes, and the top Louisiana corporate income tax rate will be reduced from 8% to 7.5%. As a result of this change in Louisiana tax law, the Louisiana applicable tax rate increased by 0.85%. Accordingly, deferred tax assets and liabilities were adjusted to reflect the new applicable federal and state rates. Legislation enacted in 2021 also provides that Louisiana net operating losses generally have an indefinite carryover period.

Entergy recorded a net increase to its deferred tax asset of \$27 million. Entergy Louisiana and Entergy New Orleans recorded net increases to their deferred tax liabilities before consideration of the tax gross-up of \$77 million and \$8 million, respectively, which were offset by regulatory assets for income taxes. Therefore, these increases had no effect on tax expense. However, the increase of deferred tax assets associated with certain assets reduced tax expense for Entergy Louisiana and Entergy New Orleans by \$6 million and \$2 million, respectively.

Consolidated Income Tax Return of Entergy Corporation

In September 2019, Entergy Utility Holding Company, LLC and its regulated, wholly-owned subsidiaries including Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, became eligible to and joined the Entergy Corporation consolidated federal income tax group. As a result of these four Utility operating companies re-joining the Entergy Corporation consolidated tax return group, Entergy was able to recognize a \$41 million deferred tax asset associated with a previously unrecognized net operating loss carryover.

In September 2019, Entergy Texas issued \$35 million of 5.375% Series A preferred stock with a liquidation value of \$25 per share resulting in the disaffiliation and de-consolidation of Entergy Texas from the consolidated federal income tax return of Entergy Corporation. These changes will not affect the accrual or allocation of income taxes for the Registrant Subsidiaries. See Note 6 to the financial statements for discussion of the preferred stock issuance.

Vermont Yankee

The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter 2019; accordingly, Entergy accrued a net tax expense of \$29 million on the disposition of Vermont Yankee. See Note 14 to the financial statements for discussion of the Vermont Yankee transaction.

Stock Compensation

In accordance with stock compensation accounting rules, Entergy and the Registrant Subsidiaries recognized excess tax deductions as a reduction of income tax expense in the first quarter 2020. Due to the vesting and exercise of certain Entergy stock-based awards, Entergy recorded a permanent tax reduction of approximately \$24.7 million, including \$4.8 million for Entergy Arkansas, \$8.6 million for Entergy Louisiana, \$2.7 million for Entergy Mississippi, \$1.5 million for Entergy New Orleans, \$2.7 million for Entergy Texas, and \$1.3 million for System Energy.

NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT, AND SHORT-TERM BORROWINGS (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 June 2026. 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 year ended December 31, 2021 was 1.60% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2021.

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$165	\$6	\$3,329

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. As of December 31, 2021, Entergy Corporation had \$1.201 billion of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2021 was 0.28%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2021 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2021	Letters of Credit Outstanding as of December 31, 2021
Entergy Arkansas	April 2022	\$25 million (b)	2.75%	—	—
Entergy Arkansas	June 2026	\$150 million (c)	1.23%	—	—
Entergy Louisiana	June 2026	\$350 million (c)	1.32%	\$125 million	—
Entergy Mississippi	April 2022	\$10 million (d)	1.60%	—	—
Entergy Mississippi	April 2022	\$35 million (d)	1.60%	—	—
Entergy Mississippi	April 2022	\$37.5 million (d)	1.60%	—	—
Entergy New Orleans	June 2024	\$25 million (c)	1.73%	—	—
Entergy Texas	June 2026	\$150 million (c)	1.60%	—	\$1.3 million

- (a) The interest rate is the estimated interest rate as of December 31, 2021 that would have been applied to outstanding borrowings under the facility.
- (b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
- (c) 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.
- (d) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

The commitment fees on the credit facilities range from 0.075% to 0.375% of the undrawn commitment amount for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas, and of the entire facility amount for Entergy New Orleans. 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 an uncommitted standby letter of credit facility as a means to post collateral to support its obligations to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2021:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2021
			(a) (b)
Entergy Arkansas	\$25 million	0.78%	\$8.5 million
Entergy Louisiana	\$125 million	0.78%	\$15.0 million
Entergy Mississippi	\$65 million	0.78%	\$9.3 million
Entergy New Orleans	\$15 million	1.00%	\$1.0 million
Entergy Texas	\$80 million	0.875%	\$79.6 million

- (a) As of December 31, 2021, letters of credit posted with MISO covered financial transmission right exposure of \$0.2 million for Entergy Mississippi and \$0.1 million for Entergy Texas. See Note 15 to the financial statements for discussion of financial transmission rights.
- (b) As of December 31, 2021, in addition to the \$9.3 million MISO letter of credit, Entergy Mississippi has \$1 million of non-MISO letters of credit outstanding under this facility.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized short-term borrowing limits for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are effective through October 2023. 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 December 31, 2021 (aggregating both internal and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	\$250	\$140
Entergy Louisiana	\$450	\$—
Entergy Mississippi	\$175	\$—
Entergy New Orleans	\$150	\$—
Entergy Texas	\$200	\$80
System Energy	\$200	\$—

Vermont Yankee Credit Facility (Entergy Corporation)

In January 2019, Entergy Nuclear Vermont Yankee was transferred to NorthStar and its credit facility was assumed by Entergy Assets Management Operations, LLC (formerly Vermont Yankee Asset Retirement, LLC), Entergy Nuclear Vermont Yankee's parent company that remains an Entergy subsidiary after the transfer. The

credit facility has a borrowing capacity of \$139 million and expires in December 2022. The commitment fee is currently 0.20% of the undrawn commitment amount. As of December 31, 2021, \$139 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the year ended December 31, 2021 was 1.67% on the drawn portion of the facility. See Note 14 to the financial statements for discussion of the transfer of Entergy Nuclear Vermont Yankee to NorthStar.

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

See Note 17 to the financial statements for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). To finance the acquisition and ownership of nuclear fuel, the nuclear fuel company VIEs have credit facilities and three of the four VIEs also issue commercial paper, details of which follow as of December 31, 2021:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of December 31, 2021
(Dollars in Millions)				
Entergy Arkansas VIE	June 2024	\$80	1.17%	\$4.8
Entergy Louisiana River Bend VIE	June 2024	\$105	1.15%	\$42.7
Entergy Louisiana Waterford VIE	June 2024	\$105	1.16%	\$39.6
System Energy VIE	June 2024	\$120	1.16%	\$36.1

- (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.

The commitment fees on the credit facilities are 0.100% 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. Each lessee is in compliance with this covenant.

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of December 31, 2021 as follows:

Company	Description	Amount
Entergy Arkansas VIE	3.17% Series M due December 2023	\$40 million
Entergy Arkansas VIE	1.84% Series N due July 2026	\$90 million
Entergy Louisiana River Bend VIE	2.51% Series V due June 2027	\$70 million
Entergy Louisiana Waterford VIE	3.22% Series I due December 2023	\$20 million
System Energy VIE	2.05% Series K due September 2027	\$90 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.

Entergy Arkansas, Entergy Louisiana, and System Energy each has obtained financing authorization from the FERC that extend through October 2023 for issuances by their nuclear fuel company variable interest entities.

NOTE 5. LONG - TERM DEBT (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2021 and 2020 consisted of:

Type of Debt and Maturity	Weighted Average Interest Rate December 31, 2021	Interest Rate Ranges at December 31,		Outstanding at December 31,	
		2021	2020	2021	2020
(In Thousands)					
Mortgage Bonds					
2021-2025	2.70%	0.62% - 5.59%	0.62% - 5.59%	\$5,228,000	\$4,978,000
2026-2030	3.13%	1.50%- 4.44%	1.6% - 4.44%	3,965,000	3,835,000
2031-2041	3.31%	1.75% - 4.52%	1.75% - 4.52%	3,612,000	2,252,000
2044-2066	4.06%	2.65% - 5.5%	2.65% - 5.5%	6,980,000	6,380,000
Governmental Bonds (a)					
2022-2044	2.43%	2.0% - 2.5%	2.375% - 3.5%	332,680	377,680
Securitization Bonds					
2022-2027	3.31%	2.67% - 4.38%	2.04% - 5.93%	85,234	177,522
Variable Interest Entities Notes Payable (Note 4)					
2021-2027	2.21%	1.84% - 3.22%	2.05% - 3.92%	310,000	450,000
Entergy Corporation Notes					
due July 2022	n/a	4.00%	4.00%	650,000	650,000
due September 2025	n/a	0.9%	0.9%	800,000	800,000
due September 2026	n/a	2.95%	2.95%	750,000	750,000
due June 2028	n/a	1.9%	—	650,000	—
due June 2030	n/a	2.80%	2.80%	600,000	600,000
due June 2031	n/a	2.40%	—	650,000	—
due June 2050	n/a	3.75%	3.75%	600,000	600,000
Entergy New Orleans Unsecured Term Loan due May 2022	n/a	—	3.00%	—	70,000
Entergy New Orleans Unsecured Term Loan due May 2023	n/a	2.50%	—	70,000	—
5 Year Credit Facility (Note 4)	n/a	1.60%	2.35%	165,000	165,000
Entergy Louisiana Credit Facility (Note 4)	n/a	1.32%	—	125,000	—
Vermont Yankee Credit Facility (Note 4)	n/a	1.67%	2.46%	139,000	139,000
Entergy Arkansas VIE Credit Facility (Note 4)	n/a	1.17%	1.94%	4,800	12,200
Entergy Louisiana River Bend VIE Credit Facility (Note 4)	n/a	1.15%	1.95%	42,700	18,900
Entergy Louisiana Waterford VIE Credit Facility (Note 4)	n/a	1.16%	1.72%	39,600	39,300
System Energy VIE Credit Facility (Note 4)	n/a	1.16%	1.63%	36,100	—
Long-term DOE Obligation (b)	—	—	—	192,115	192,018
Grand Gulf Sale-Leaseback Obligation	n/a	—	—	34,321	34,336
Unamortized Premium and Discount - Net				(8,273)	3,665
Unamortized Debt Issuance Costs				(177,904)	(160,420)
Other				5,528	5,575
Total Long-Term Debt				25,880,901	22,369,776
Less Amount Due Within One Year				1,039,329	1,164,015
Long-Term Debt Excluding Amount Due Within One Year				\$24,841,572	\$21,205,761
Fair Value of Long-Term Debt				\$27,061,171	\$24,813,818

- (a) Consists of pollution control revenue bonds and environmental revenue bonds, some of which are secured by collateral mortgage bonds.
- (b) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2021, for the next five years are as follows:

	Amount
	(In Thousands)
2022	\$1,040,631
2023	\$2,460,563
2024	\$2,299,475
2025	\$1,379,140
2026	\$2,595,720

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through October 2023. Entergy New Orleans has obtained long-term financing authorization from the City Council that extends through December 2023. Entergy Arkansas has also obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2022.

Long-term debt for the Registrant Subsidiaries as of December 31, 2021 and 2020 consisted of:

	2021	2020
	(In Thousands)	
Entergy Arkansas		
Mortgage Bonds:		
3.75% Series due February 2021	\$—	\$350,000
3.05% Series due June 2023	250,000	250,000
3.7% Series due June 2024	375,000	375,000
3.5% Series due April 2026	600,000	600,000
4.00% Series due June 2028	350,000	350,000
4.95% Series due December 2044	250,000	250,000
4.20% Series due April 2049	350,000	350,000
2.65% Series due June 2051	675,000	675,000
3.35% Series due June 2052	400,000	—
4.875% Series due September 2066	410,000	410,000
Total mortgage bonds	3,660,000	3,610,000
Governmental Bonds (a):		
2.375% Series due January 2021, Independence County (c)	—	45,000
Total governmental bonds	—	45,000
Variable Interest Entity Notes Payable and Credit Facility (Note 4):		
3.65% Series L due July 2021	—	90,000
3.17% Series M due December 2023	40,000	40,000
1.84% Series N due July 2026	90,000	—
Credit Facility due June 2024, weighted avg rate 1.17%	4,800	12,200
Total variable interest entity notes payable and credit facility	134,800	142,200
Other:		
Long-term DOE Obligation (b)	192,115	192,018
Unamortized Premium and Discount – Net	2,776	6,938
Unamortized Debt Issuance Costs	(32,803)	(30,638)
Other	1,974	1,989
Total Long-Term Debt	3,958,862	3,967,507
Less Amount Due Within One Year	—	485,000
Long-Term Debt Excluding Amount Due Within One Year	\$3,958,862	\$3,482,507
Fair Value of Long-Term Debt	\$4,176,577	\$4,355,632

	2021	2020
	(In Thousands)	
Entergy Louisiana		
Mortgage Bonds:		
4.80% Series due May 2021	\$—	\$200,000
3.3% Series due December 2022	200,000	200,000
4.05% Series due September 2023	325,000	325,000
0.62% Series due November 2023	1,100,000	1,100,000
5.59% Series due October 2024	300,000	300,000
0.95% Series due October 2024	1,000,000	—
5.40% Series due November 2024	400,000	400,000
3.78% Series due April 2025	110,000	110,000
3.78% Series due April 2025	190,000	190,000
4.44% Series due January 2026	250,000	250,000
2.40% Series due October 2026	400,000	400,000
3.12% Series due September 2027	450,000	450,000
3.25% Series due April 2028	425,000	425,000
1.60% Series due December 2030	300,000	300,000
3.05% Series due June 2031	325,000	325,000
2.35% Series due June 2032	500,000	—
4.0% Series due March 2033	750,000	750,000
3.10% Series due June 2041	500,000	—
5.0% Series due July 2044	170,000	170,000
4.95% Series due January 2045	450,000	450,000
4.20% Series due September 2048	900,000	900,000
4.20% Series due April 2050	525,000	525,000
2.90% Series due March 2051	650,000	650,000
4.875% Series due September 2066	270,000	270,000
Total mortgage bonds	10,490,000	8,690,000
Governmental Bonds (a):		
3.375% Series due September 2028, Louisiana Public Facilities Authority (c)	—	83,680
3.50% Series due June 2030, Louisiana Public Facilities Authority (c)	—	115,000
2.00% Series due June 2030, Louisiana Local Government Environmental Facilities and Community Development Authority (c)	16,200	—
2.50% Series due April 2036, Louisiana Local Government Environmental Facilities and Community Development Authority (c)	182,480	—
Total governmental bonds	198,680	198,680
Variable Interest Entity Notes Payable and Credit Facilities (Note 4):		
3.92% Series H due February 2021	—	40,000
3.22% Series I due December 2023	20,000	20,000
2.51% Series V due June 2027	70,000	70,000
Credit Facility due June 2024, weighted avg rate 1.15%	42,700	18,900
Credit Facility due June 2024, weighted avg rate 1.16%	39,600	39,300
Total variable interest entity notes payable and credit facilities	172,300	188,200
Securitization Bonds:		
2.04% Series Senior Secured due September 2023	—	10,980
Total securitization bonds	—	10,980
Other:		
Credit Facility due June 2026, weighted avg rate 1.32%	125,000	—
Unamortized Premium and Discount - Net	(7,523)	(2,863)
Unamortized Debt Issuance Costs	(67,665)	(61,132)
Other	3,554	3,586
Total Long-Term Debt	10,914,346	9,027,451
Less Amount Due Within One Year	200,000	240,000
Long-Term Debt Excluding Amount Due Within One Year	\$10,714,346	\$8,787,451
Fair Value of Long-Term Debt	\$11,492,650	\$10,258,294

	2021	2020
	(In Thousands)	
Entergy Mississippi		
Mortgage Bonds:		
3.10% Series due July 2023	\$250,000	\$250,000
3.75% Series due July 2024	100,000	100,000
3.25% Series due December 2027	150,000	150,000
2.85% Series due June 2028	375,000	375,000
2.55% Series due December 2033	200,000	—
4.52% Series due December 2038	55,000	55,000
3.85% Series due June 2049	435,000	435,000
3.50% Series due June 2051	370,000	170,000
4.90% Series due October 2066	260,000	260,000
Total mortgage bonds	2,195,000	1,795,000
Other:		
Unamortized Premium and Discount – Net	5,853	3,685
Unamortized Debt Issuance Costs	(20,864)	(18,108)
Total Long-Term Debt	2,179,989	1,780,577
Less Amount Due Within One Year	—	—
Long-Term Debt Excluding Amount Due Within One Year	\$2,179,989	\$1,780,577
Fair Value of Long-Term Debt	\$2,346,230	\$2,021,432

	2021	2020
	(In Thousands)	
Entergy New Orleans		
Mortgage Bonds:		
3.9% Series due July 2023	\$100,000	\$100,000
3.0% Series due March 2025	78,000	78,000
4.0% Series due June 2026	85,000	85,000
4.19% Series due November 2031	90,000	—
4.51% Series due September 2033	60,000	60,000
4.51% Series due November 2036	70,000	—
3.75% Series due March 2040	62,000	62,000
5.0% Series due December 2052	30,000	30,000
5.50% Series due April 2066	110,000	110,000
Total mortgage bonds	685,000	525,000
Securitization Bonds:		
2.67% Series Senior Secured due June 2027	30,977	42,850
Total securitization bonds	30,977	42,850
Other:		
3.0% Unsecured Term Loan due May 2022	—	70,000
2.5% Unsecured Term Loan due May 2023	70,000	—
Payable to associated company due November 2035	10,911	12,529
Unamortized Premium and Discount – Net	(58)	(91)
Unamortized Debt Issuance Costs	(8,665)	(8,055)
Total Long-Term Debt	788,165	642,233
Less Amount Due Within One Year	1,326	1,618
Long-Term Debt Excluding Amount Due Within One Year	\$786,839	\$640,615
Fair Value of Long-Term Debt	\$765,538	\$620,634

	2021	2020
	(In Thousands)	
Entergy Texas		
Mortgage Bonds:		
2.55% Series due June 2021	\$—	\$125,000
4.10% Series due September 2021	—	75,000
1.50% Series due September 2026	130,000	—
3.45% Series due December 2027	150,000	150,000
4.0% Series due March 2029	300,000	300,000
1.75% Series due March 2031	600,000	600,000
4.5% Series due March 2039	400,000	400,000
5.15% Series due June 2045	250,000	250,000
3.55% Series due September 2049	475,000	475,000
Total mortgage bonds	2,305,000	2,375,000
Securitization Bonds:		
5.93% Series Senior Secured, Series A due June 2022	—	17,478
4.38% Series Senior Secured, Series A due November 2023	54,257	106,214
Total securitization bonds	54,257	123,692
Other:		
Unamortized Premium and Discount - Net	13,556	14,064
Unamortized Debt Issuance Costs	(18,665)	(19,048)
Total Long-Term Debt	2,354,148	2,493,708
Less Amount Due Within One Year	—	200,000
Long-Term Debt Excluding Amount Due Within One Year	\$2,354,148	\$2,293,708
Fair Value of Long-Term Debt	\$2,483,995	\$2,765,193

	2021	2020
	(In Thousands)	
System Energy		
Mortgage Bonds:		
4.1% Series due April 2023	\$250,000	\$250,000
2.14% Series due December 2025	200,000	200,000
Total mortgage bonds	450,000	450,000
Governmental Bonds (a):		
2.5% Series due April 2022, Mississippi Business Finance Corp.	50,305	134,000
2.375% Series due June 2044, Mississippi Business Finance Corp. (c)	83,695	—
Total governmental bonds	134,000	134,000
Variable Interest Entity Notes Payable and Credit Facility (Note 4):		
3.42% Series J due April 2021	—	100,000
2.05% Series K due September 2027	90,000	90,000
Credit Facility due June 2024, weighted avg rate 1.16%	36,100	—
Total variable interest entity notes payable and credit facility	126,100	190,000
Other:		
Grand Gulf Sale-Leaseback Obligation	34,321	34,336
Unamortized Premium and Discount – Net	(108)	(165)
Unamortized Debt Issuance Costs	(3,017)	(2,897)
Total Long-Term Debt	741,296	805,274
Less Amount Due Within One Year	50,329	100,015
Long-Term Debt Excluding Amount Due Within One Year	\$690,967	\$705,259
Fair Value of Long-Term Debt	\$743,040	\$840,540

- (a) Consists of pollution control revenue bonds and environmental revenue bonds.
- (b) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.
- (c) The bonds are secured by a series of collateral mortgage bonds.

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2021, for the next five years are as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
2022	\$—	\$200,000	\$—	\$1,326	\$—	\$50,305
2023	\$290,000	\$1,445,000	\$250,000	\$171,306	\$54,257	\$250,000
2024	\$379,800	\$1,782,300	\$100,000	\$1,275	\$—	\$36,100
2025	\$—	\$300,000	\$—	\$79,140	\$—	\$200,000
2026	\$690,000	\$775,000	\$—	\$85,720	\$130,000	\$—

Entergy Louisiana Debt Issuance

In December 2021, Entergy Louisiana entered into a term loan credit agreement providing a \$1.2 billion unsecured term loan due June 2023. The term loan bears interest at a variable interest rate based on an adjusted term Secured Overnight Financing Rate plus the applicable margin. Entergy Louisiana received the funds in January 2022 and used the proceeds for general corporate purposes, including storm restoration costs related to Hurricane Ida.

Securitization Bonds

Entergy Arkansas Securitization Bonds

In June 2010 the APSC issued a financing order authorizing the issuance of bonds to recover Entergy Arkansas's January 2009 ice storm damage restoration costs, including carrying costs of \$11.5 million and \$4.6 million of up-front financing costs. In August 2010, Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, issued \$124.1 million of storm cost recovery bonds, with a coupon of 2.30%. Although the principal amount was not due until August 2021, Entergy Arkansas Restoration Funding made principal payments on the bonds in the amount of \$7.3 million in 2020, after which the bonds were fully repaid. Entergy Arkansas Restoration Funding, LLC was then legally dissolved in January 2021.

Entergy Louisiana Securitization Bonds – Little Gypsy

In August 2011 the LPSC issued a financing order authorizing the issuance of bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. In September 2011, Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, issued \$207.2 million of senior secured investment recovery bonds. The bonds had an interest rate of 2.04%. Although the principal amount was not due until September 2023, Entergy Louisiana Investment Recovery Funding made principal payments on the bonds in the amount of \$11 million in 2021, after which the bonds were fully repaid.

Entergy New Orleans Securitization Bonds - Hurricane Isaac

In May 2015 the City Council issued a financing order authorizing the issuance of securitization bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs of \$31.8 million, including carrying costs, the costs of funding and replenishing the storm recovery reserve in the amount of \$63.9 million, and approximately \$3 million of up-front financing costs associated with the securitization. In July 2015, Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly owned and consolidated by Entergy New Orleans, issued \$98.7 million of storm cost recovery bonds. The bonds have a coupon of 2.67%. Although the principal amount is not due until June 2027, Entergy New Orleans Storm Recovery Funding expects to make principal payments on the bonds over the next three years in the amounts of \$12.3 million for 2022, \$12.5 million for 2023, and \$6.2 million for 2024, after which the bonds will be fully repaid. With the proceeds, Entergy New Orleans Storm Recovery Funding purchased from Entergy New Orleans the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy New Orleans balance sheet. The creditors of Entergy New Orleans do not have recourse to the assets or revenues of Entergy New Orleans Storm Recovery Funding, including the storm recovery property, and the creditors of Entergy New Orleans Storm Recovery Funding do not have recourse to the assets or revenues of Entergy New Orleans. Entergy New Orleans has no payment obligations to Entergy New Orleans Storm Recovery Funding except to remit storm recovery charge collections.

Entergy Texas Securitization Bonds - Hurricane Rita

In April 2007 the PUCT issued a financing order authorizing the issuance of securitization bonds to recover \$353 million of Entergy Texas's Hurricane Rita reconstruction costs and up to \$6 million of transaction costs, offset by \$32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company that is now wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition bonds (securitization bonds). Although the principal amount was not due until June 2022, Entergy Gulf States Reconstruction Funding made principal payments on the bonds in the amount of \$17.5 million in 2021, after which the bonds were fully repaid.

Entergy Texas Securitization Bonds - Hurricane Ike and Hurricane Gustav

In September 2009 the PUCT authorized the issuance of securitization bonds to recover \$566.4 million of Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs, plus carrying costs and transaction costs, offset by insurance proceeds. In November 2009, Entergy Texas Restoration Funding, LLC (Entergy Texas Restoration Funding), a company wholly-owned and consolidated by Entergy Texas, issued \$545.9 million of senior secured transition bonds (securitization bonds). Although the principal amount is not due until November 2023, Entergy Texas Restoration Funding expects to make principal payments on the bonds in the amount of \$54.3 million for 2022, after which the bonds will be fully repaid.

With the proceeds, Entergy Texas Restoration Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Texas Restoration Funding, including the transition property, and the creditors of Entergy Texas Restoration Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Texas Restoration Funding except to remit transition charge collections.

Grand Gulf Sale-Leaseback Transactions

In 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of \$500 million. The initial term of the leases expired in July 2015. System Energy renewed the leases for fair market value with renewal terms expiring in July 2036. At the end of the new lease renewal terms, System Energy has the option to repurchase the leased interests in Grand Gulf or renew the leases at fair market value. In the event that System Energy does not renew or purchase the interests, System Energy would surrender such interests and their associated entitlement of Grand Gulf's capacity and energy.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. As such, it has recognized debt for the lease obligation and retained the portion of the plant subject to the sale-leaseback on its balance sheet. For financial reporting purposes, System Energy has recognized interest expense on the debt balance and depreciation on the applicable plant balance. The lease payments are recognized as principal and interest payments on the debt balance. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount was a net regulatory liability of \$55.6 million as of December 31, 2021 and 2020.

As of December 31, 2021, System Energy, in connection with the Grand Gulf sale and leaseback transactions, had future minimum lease payments that are recorded as long-term debt, as follows, which reflects the effect of the December 2013 renewal:

	Amount
	(In Thousands)
2022	\$17,188
2023	17,188
2024	17,188
2025	17,188
2026	17,188
Years thereafter	171,875
Total	257,815
Less: Amount representing interest	223,494
Present value of net minimum lease payments	\$34,321

NOTE 6. PREFERRED EQUITY AND NONCONTROLLING INTEREST (Entergy Corporation, Entergy Arkansas, and Entergy Texas)

In May 2021, Entergy's certificate of incorporation was amended and restated to provide authority to issue up to 1,000,000 shares of preferred stock, no par value per share, and to decrease from 500,000,000 to 499,000,000 the number of shares of common stock, par value of \$0.01 per share, authorized for issuance. As of December 31, 2021, no preferred stock has been issued.

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and noncontrolling interest for Entergy Corporation subsidiaries as of December 31, 2021 and 2020 are presented below.

	Shares/Units Authorized		Shares/Units Outstanding			
	2021	2020	2021	2020	2021	2020
Entergy Corporation						
Utility:						
Preferred Stock or Preferred Membership Interests without sinking fund and Noncontrolling Interest:						
Entergy Utility Holding Company, LLC, 7.5% Series (a)	110,000	110,000	110,000	110,000	\$107,425	\$107,425
Entergy Utility Holding Company, LLC, 6.25% Series (b)	15,000	15,000	15,000	15,000	14,366	14,366
Entergy Utility Holding Company, LLC, 6.75% Series (c)	75,000	75,000	75,000	75,000	73,370	73,370
Entergy Texas, 5.375% Series	1,400,000	1,400,000	1,400,000	1,400,000	35,000	35,000
Entergy Texas, 5.10% Series (d)	150,000	—	—	—	—	—
Entergy Arkansas Noncontrolling Interest	—	—	—	—	33,110	—
Total Utility Preferred Stock or Preferred Membership Interests without sinking fund and Noncontrolling Interest	1,750,000	1,600,000	1,600,000	1,600,000	263,271	230,161
Entergy Wholesale Commodities:						
Preferred Stock without sinking fund:						
Entergy Finance Holding, Inc. 8.75% (e)	250,000	250,000	250,000	250,000	24,249	24,249
Total Subsidiaries' Preferred Stock or Preferred Membership Interests without sinking fund and Noncontrolling Interest	2,000,000	1,850,000	1,850,000	1,850,000	\$287,520	\$254,410

- (a) In October 2015, Entergy Utility Holding Company, LLC issued 110,000 units of \$1,000 liquidation value 7.5% Series A Preferred Membership Interests, all of which are outstanding as of December 31, 2021. The distributions are cumulative and payable quarterly. These units are redeemable on or after January 1, 2036, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$2,575 thousand of preferred stock issuance costs.
- (b) In November 2017, Entergy Utility Holding Company, LLC issued 15,000 units of \$1,000 liquidation value 6.25% Series B Preferred Membership Interests, all of which are outstanding as of December 31, 2021. The distributions are cumulative and payable quarterly. These units are redeemable on or after February 28, 2038, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$634 thousand of preferred stock issuance costs.
- (c) In November 2018, Entergy Utility Holding Company, LLC issued 75,000 units of \$1,000 liquidation value 6.75% Series C Preferred Membership Interests, all of which are outstanding as of December 31, 2021. The distributions are cumulative and payable quarterly. These units are redeemable on or after February 28, 2039, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$1,630 thousand of preferred stock issuance costs.

- (d) Currently, all shares are held by Entergy Corporation.
- (e) In December 2013, Entergy Finance Holding, Inc. issued 250,000 shares of \$100 par value 8.75% Series Preferred Stock, all of which are outstanding as of December 31, 2021. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after December 16, 2023, at Entergy Finance Holding, Inc.'s option, at the fixed redemption price of \$100 per share. Dollar amount outstanding is net of \$751 thousand of preferred stock issuance costs.

The number of shares authorized and outstanding and dollar value of preferred stock for Entergy Texas as of December 31, 2021 and 2020 are presented below.

	Shares Authorized and Outstanding				Call Price per Share as of December 31, 2021
	2021	2020	2021	2020	
Entergy Texas Preferred Stock	(Dollars in Thousands)				
Without sinking fund:					
Cumulative, \$25 par value:					
5.375% Series (a)	1,400,000	1,400,000	\$35,000	\$35,000	\$—
5.10% Series (b)	150,000	—	3,750	—	\$25.50
Total without sinking fund	<u>1,550,000</u>	<u>1,400,000</u>	<u>\$38,750</u>	<u>\$35,000</u>	

- (a) In September 2019, Entergy Texas issued \$35 million of 5.375% Series A Preferred Stock, a total of 1,400,000 shares with a liquidation value of \$25 per share, all of which are outstanding as of December 31, 2021. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after October 15, 2024 at Entergy Texas's option, at a fixed redemption price of \$25 per share.
- (b) In November 2021, Entergy Texas issued \$3.75 million of 5.10% Series B Preferred Stock, a total of 150,000 shares with a liquidation value of \$25 per share, all of which are outstanding and held by Entergy Corporation as of December 31, 2021. The dividends are cumulative and payable quarterly. The preferred stock is redeemable at Entergy Texas's option at a fixed redemption price of \$25.50 per share prior to November 1, 2026 and at a fixed redemption price of \$25 per share on or after November 1, 2026.

Dividends and distributions paid on all of Entergy Corporation's subsidiaries' preferred stock and membership interests series may be eligible for the dividends received deduction.

The dollar value of noncontrolling interest for Entergy Arkansas as of December 31, 2021 and 2020 is presented below.

	2021	2020
	(Dollars in Thousands)	
Entergy Arkansas Noncontrolling Interest		
AR Searcy Partnership, LLC (a)	\$33,110	\$—
Total Noncontrolling Interest	<u>\$33,110</u>	<u>\$—</u>

- (a) In December 2021, AR Searcy Partnership, LLC, a tax equity partnership between Entergy Arkansas and a tax equity investor, acquired the Searcy Solar facility. Entergy Arkansas, as the managing member, consolidates AR Searcy Partnership, LLC and the tax equity investor's interest is shown as noncontrolling interest in the financial statements. Entergy Arkansas uses the HLBV method of accounting for income or loss allocation to the tax equity investor's noncontrolling interest. See Note 1 to the financial statements for further discussion on the presentation of the tax equity investor's noncontrolling interest and the HLBV method of accounting used to account for the investment in AR Searcy Partnership, LLC.

Presentation of Preferred Stock without Sinking Fund

Accounting standards regarding noncontrolling interests and the classification and measurement of redeemable securities require the classification of preferred securities between liabilities and shareholders' equity on the balance sheet if the holders of those securities have protective rights that allow them to gain control of the board of directors in certain circumstances. These rights would have the effect of giving the holders the ability to potentially redeem their securities, even if the likelihood of occurrence of these circumstances is considered remote. The outstanding preferred stock of Entergy Texas has protective rights with respect to unpaid dividends but provides for the election of board members that would not constitute a majority of the board, and the preferred stock of Entergy Texas is therefore classified as a component of equity.

The outstanding preferred securities of Entergy Utility Holding Company (a Utility subsidiary) and Entergy Finance Holding (an Entergy Wholesale Commodities subsidiary), whose preferred holders have protective rights, are presented between liabilities and equity on Entergy's consolidated balance sheets. The preferred dividends or distributions paid by all subsidiaries are reflected for all periods presented outside of consolidated net income.

NOTE 7. COMMON EQUITY (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Common Stock

Common stock and treasury stock shares activity for Entergy for 2021, 2020, and 2019 is as follows:

	2021		2020		2019	
	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares
Beginning Balance, January 1	270,035,180	69,790,346	270,035,180	70,886,400	261,587,009	72,530,866
Issuances:						
Equity Distribution Program	1,930,330	—	—	—	—	—
Equity forwards settled	—	—	—	—	8,448,171	—
Employee Stock-Based Compensation Plans	—	(461,903)	—	(1,076,511)	—	(1,624,358)
Directors' Plan	—	(16,117)	—	(19,543)	—	(20,108)
Ending Balance, December 31	<u>271,965,510</u>	<u>69,312,326</u>	<u>270,035,180</u>	<u>69,790,346</u>	<u>270,035,180</u>	<u>70,886,400</u>

Entergy Corporation reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), the three equity plans of Entergy Corporation and Subsidiaries, and certain other stock benefit plans. The Directors' Plan awards to non-employee directors a portion of their compensation in the form of a fixed dollar value of shares of Entergy Corporation common stock.

In October 2010 the Board granted authority for a \$500 million share repurchase program. As of December 31, 2021, \$350 million of authority remains under the \$500 million share repurchase program.

Dividends declared per common share were \$3.86 in 2021, \$3.74 in 2020, and \$3.66 in 2019.

Equity Distribution Program

In January 2021, Entergy entered into an equity distribution sales agreement with several counterparties establishing an at the market equity distribution program, pursuant to which Entergy may offer and sell from time to time shares of its common stock. The sales agreement provides that, in addition to the issuance and sale of shares of Entergy common stock, Entergy may enter into forward sale agreements for the sale of its common stock. The aggregate number of shares of common stock sold under this sales agreement and under any forward sale agreement may not exceed an aggregate gross sales price of \$1 billion.

During the year ended December 31, 2021, Entergy Corporation issued 1,930,330 shares of common stock under the at the market equity distribution program. The net sales proceeds from these shares totaled \$200.8 million, which includes the gross sales price of \$204.2 million received by Entergy Corporation less \$1.4 million of general issuance costs and \$2.0 million of aggregate compensation to the agents with respect to such sales.

In June, August, and October 2021, Entergy entered into forward sale agreements for 416,853 shares, 1,692,555 shares, and 250,743 shares of common stock, respectively. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreements occur. The forward sale agreements require Entergy to, at its election prior to September 30, 2022, either (i) physically settle the transactions by issuing the total of 416,853 shares, 1,692,555 shares, and 250,743 shares, respectively, of its common stock to the forward counterparties in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially approximately \$106.87, \$111.16, and \$100.35 per share, respectively) or (ii) net settle the transactions in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreements. In connection with the forward sale agreements, the forward seller, or its affiliates, borrowed from third parties and sold 416,853 shares, 1,692,555 shares, and 250,743 shares, respectively, of Entergy Corporation's common stock. The gross sales price of these shares totaled \$45 million, \$190.1 million, and \$25.4 million, respectively. In connection with the sales of these shares, Entergy paid to the agents fees of \$0.5 million, \$1.9 million, and \$0.3 million, respectively, which have not been deducted from the gross sales prices. Entergy did not receive any proceeds from such sales of borrowed shares.

Until settlement of the forward sale agreements, earnings per share dilution resulting from the agreements, if any, will be determined under the treasury stock method. Share dilution occurs when the average market price of Entergy's common stock is higher than the average forward sales price. At December 31, 2021, 1,158,917 shares under the forward sale agreements were not included in the calculation of diluted earnings per share because their effect would have been antidilutive.

Equity Forward Sale Agreements

In June 2018, Entergy marketed an equity offering of 15.3 million shares of common stock. In lieu of issuing equity at the time of the offering, Entergy entered into forward sale agreements with various investment banks. The equity forwards required Entergy to, at its election prior to June 7, 2019, either (i) physically settle the transactions by issuing the total of 15.3 million shares of its common stock to the investment banks in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially \$74.45 per share) or (ii) net settle the transactions in whole or in part through the delivery or receipt of cash or shares. The forward sale price was subject to adjustment on a daily basis based on a floating interest rate factor and decreased by other fixed amounts specified in the agreements.

In December 2018, Entergy physically settled a portion of its obligations under the forward sale agreements by delivering 6,834,221 shares of common stock in exchange for cash proceeds of \$500 million. The forward sale price used to determine the cash proceeds received by Entergy was calculated based on the initial forward sale price

of \$74.45 per share as adjusted in accordance with the forward sale agreements. Entergy incurred approximately \$728 thousand of common stock issuance costs with the settlement.

In May 2019, Entergy physically settled its remaining obligations under the forward sale agreements by delivering 8,448,171 shares of common stock in exchange for cash proceeds of \$608 million. The forward sale price used to determine the cash proceeds received by Entergy was calculated based on the initial forward sale price of \$74.45 per share as adjusted in accordance with the forward sale agreements. Entergy incurred approximately \$7 thousand of common stock issuance costs with the settlement.

Entergy used the net proceeds for general corporate purposes, which included repayment of commercial paper, outstanding loans under Entergy's revolving credit facility, and other debt.

Retained Earnings and Dividends

Entergy implemented ASU No. 2017-12 "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" effective January 1, 2019. The ASU makes a number of amendments to hedge accounting, most significantly changing the recognition and presentation of highly effective hedges. Entergy implemented this standard using a modified retrospective method and recorded an adjustment increasing retained earnings and increasing accumulated other comprehensive loss by approximately \$8 million as of January 1, 2019 for the cumulative effect of the ineffectiveness portion of designated hedges on nuclear power sales.

Entergy implemented ASU 2017-08 "Receivables (Topic 310): Nonrefundable Fees and Other Costs" effective January 1, 2019. The ASU amends the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. Entergy implemented this standard using the modified retrospective approach and recorded an adjustment decreasing retained earnings and decreasing accumulated other comprehensive loss by approximately \$1 million as of January 1, 2019 for the cumulative effect of the amended amortization period.

Entergy Corporation received dividend payments and distributions from subsidiaries totaling \$136 million in 2021, \$113 million in 2020, and \$124 million in 2019.

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 year ended December 31, 2021 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
	(In Thousands)			
Beginning balance, January 1, 2021	\$28,719	(\$534,576)	\$56,650	(\$449,207)
Other comprehensive income (loss) before reclassifications	1,439	130,371	(48,050)	83,760
Amounts reclassified from accumulated other comprehensive income (loss)	(31,193)	65,558	(1,446)	32,919
Net other comprehensive income (loss) for the period	(29,754)	195,929	(49,496)	116,679
Ending balance, December 31, 2021	<u>(\$1,035)</u>	<u>(\$338,647)</u>	<u>\$7,154</u>	<u>(\$332,528)</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the year ended December 31, 2020 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
	(In Thousands)			
Beginning balance, January 1, 2020	\$84,206	(\$557,072)	\$25,946	(\$446,920)
Other comprehensive income (loss) before reclassifications	60,928	(49,113)	41,354	53,169
Amounts reclassified from accumulated other comprehensive income (loss)	(116,415)	71,609	(10,650)	(55,456)
Net other comprehensive income (loss) for the period	(55,487)	22,496	30,704	(2,287)
Ending balance, December 31, 2020	<u>\$28,719</u>	<u>(\$534,576)</u>	<u>\$56,650</u>	<u>(\$449,207)</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the year ended December 31, 2021:

	Pension and Other Postretirement Liabilities
	(In Thousands)
Beginning balance, January 1, 2021	\$4,327
Other comprehensive income (loss) before reclassifications	4,084
Amounts reclassified from accumulated other comprehensive income (loss)	(133)
Net other comprehensive income (loss) for the period	3,951
Ending balance, December 31, 2021	<u>\$8,278</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the year ended December 31, 2020:

	Pension and Other Postretirement Liabilities
	(In Thousands)
Beginning balance, January 1, 2020	\$4,562
Other comprehensive income (loss) before reclassifications	3,002
Amounts reclassified from accumulated other comprehensive income (loss)	(3,237)
Net other comprehensive income (loss) for the period	(235)
Ending balance, December 31, 2020	<u>\$4,327</u>

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the years ended December 31, 2021 and 2020 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2021	2020	
	(In Thousands)		
Cash flow hedges net unrealized gain (loss)			
Power contracts	\$39,679	\$147,554	Competitive business operating revenues
Interest rate swaps	(194)	(194)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	39,485	147,360	
Income taxes	(8,292)	(30,945)	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	\$31,193	\$116,415	
Pension and other postretirement liabilities			
Amortization of prior-service costs	\$20,947	\$20,769	(a)
Amortization of loss	(88,838)	(110,185)	(a)
Settlement loss	(16,379)	(243)	(a)
Total amortization and settlement loss	(84,270)	(89,659)	
Income taxes	18,712	18,050	Income taxes
Total amortization and settlement loss (net of tax)	(\$65,558)	(\$71,609)	
Net unrealized investment gain (loss)			
Realized gain (loss)	\$2,289	\$16,851	Interest and investment income
Income taxes	(843)	(6,201)	Income taxes
Total realized investment gain (loss) (net of tax)	\$1,446	\$10,650	
Total reclassifications for the period (net of tax)	<u>(\$32,919)</u>	<u>\$55,456</u>	

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional details.

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy Louisiana for the years ended December 31, 2021 and 2020 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2021	2020	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service costs	\$4,920	\$6,179	(a)
Amortization of loss	(2,322)	(1,557)	(a)
Settlement loss	(2,484)	(243)	(a)
Total amortization	114	4,379	
Income taxes	19	(1,142)	Income taxes
Total amortization (net of tax)	133	3,237	
Total reclassifications for the period (net of tax)	\$133	\$3,237	

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional details.

NOTE 8. 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 authorities, 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. Entergy discusses regulatory proceedings in Note 2 to the financial statements and discusses tax proceedings in Note 3 to the financial statements.

Vidalia Purchased Power Agreement

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately \$128.5 million in 2021, \$132.7 million in 2020, and \$135.5 million in 2019. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$137 million in 2022, and a total of \$1.23 billion for the years 2023 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by \$11 million each year for up to 10 years, beginning in October 2002. In

October 2011 the LPSC approved a settlement under which Entergy Louisiana agreed to provide credits to customers by crediting billings an additional \$20.235 million per year for 15 years beginning January 2012. Entergy Louisiana recorded a regulatory charge and a corresponding regulatory liability to reflect this obligation. The settlement agreement allowed for an adjustment to the credits if, among other things, there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Vidalia purchased power regulatory liability was reduced by \$30.5 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements. Pursuant to legislation enacted in 2021 and approved by Louisiana citizens by amendment to the state constitution, beginning January 1, 2022, federal income taxes paid will no longer be deductible for state income tax purposes, and the top Louisiana corporate income tax rate will be reduced from 8% to 7.5%. As a result of this change in Louisiana tax law, deferred taxes must be adjusted to reflect the applicable federal and state rates which has a corresponding effect on the Vidalia regulatory liability. Such effect is not expected to be significant.

ANO Damage, Outage, and NRC Reviews

In March 2013, during a scheduled refueling outage at ANO 1, a contractor-owned and operated heavy-lifting apparatus collapsed while moving the generator stator out of the turbine building. The collapse resulted in the death of an ironworker and injuries to several other contract workers, caused ANO 2 to shut down, and damaged the ANO turbine building. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately \$95 million. Entergy Arkansas pursued its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy Arkansas collected \$50 million in 2014 from Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants. Entergy Arkansas also collected a total of \$21 million in 2018 as a result of stator-related settlements.

In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC authorized Entergy Arkansas to retain the \$65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

In March 2015, after several NRC inspections and regulatory conferences, arising from the stator incident, the NRC placed ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix. Entergy Arkansas incurred incremental costs of approximately \$53 million in 2015 to prepare for the NRC inspections that began in early 2016 in order to address the issues required to move ANO back to "licensee response" or Column 1 of the NRC's Reactor Oversight Process Action Matrix. Excluding remediation and response costs that resulted from the additional NRC inspection activities, Entergy Arkansas incurred approximately \$44 million in 2016 and \$7 million in 2017 in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. In June 2018 the NRC moved ANO 1 and ANO 2 into the "licensee response column," or Column 1, of the NRC's Reactor Oversight Process Action Matrix.

In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the \$65.9 million of deferred fuel and purchased energy costs and costs related to the incremental oversight previously noted, subject to certain timelines and conditions set forth in the settlement agreement.

In October 2021 the APSC approved Entergy Arkansas's second request to extend the deadline for initiating

a regulatory proceeding for the purpose of recovering funds related to the stator incident for twelve additional months, or until December 1, 2022.

Spent Nuclear Fuel Litigation

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014.

Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. Beginning in November 2003 these subsidiaries have pursued litigation to recover the damages caused by the DOE's delay in performance. Following are details of final judgments recorded by Entergy in 2019, 2020, and 2021 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE.

In August 2019 the U.S. Court of Federal Claims issued a final judgment in the amount of \$19 million in favor of Entergy Louisiana against the DOE in the second round River Bend damages case. Entergy Louisiana received payment from the U.S. Treasury in September 2019. The effects in 2019 of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The River Bend damages awarded included \$12 million related to costs previously recorded as nuclear fuel expense, \$5 million related to costs previously recorded as other operation and maintenance expense, and \$2 million in costs previously recorded as plant.

In December 2019 the DOE submitted an offer of judgment to resolve claims in the third round ANO damages case. The \$80 million offer was accepted by Entergy Arkansas, and the U.S. Court of Federal Claims issued a judgment in that amount in favor of Entergy Arkansas and against the DOE. Entergy Arkansas received payment from the U.S. Treasury in January 2020. The effects in 2019 of recording the judgment were reductions to plant, nuclear fuel expense, other operation and maintenance expense, depreciation expense, and taxes other than income taxes. The ANO damages awarded included \$55 million in costs previously recorded as plant, \$12 million related to costs previously recorded as nuclear fuel expense, \$12 million related to costs previously recorded as other operation and maintenance expense, and \$1 million related to costs previously recorded as taxes other than income taxes. Of the \$55 million, Entergy Arkansas, recorded \$5 million as a reduction to previously-recorded depreciation expense.

In December 2019 the Entergy FitzPatrick Properties (formerly Entergy Nuclear FitzPatrick) and the DOE entered into a settlement agreement and the U.S. Court of Federal Claims issued a judgment in the amount of \$7 million in favor of Entergy FitzPatrick Properties against the DOE in the second round FitzPatrick damages case. Entergy received payment from the U.S. Treasury in January 2020. Substantially all of the FitzPatrick damages

awarded relate to costs previously expensed as asset write-offs, impairments, and related charges, and in December 2019 Entergy recorded \$7 million as a reduction to asset write-offs, impairments, and related charges.

In April 2020 the U.S. Court of Federal Claims issued a final judgment in the amount of \$33 million in favor of Entergy Louisiana against the DOE in the second round Waterford 3 damages case. Entergy Louisiana received payment from the U.S. Treasury in June 2020. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The Waterford 3 damages awarded included \$20 million related to costs previously recorded as nuclear fuel expense, \$8 million related to costs previously recorded as other operation and maintenance expenses, and \$5 million in costs previously recorded as plant.

In October 2020 the U.S. Court of Federal Claims issued a final judgment in the amount of \$40.5 million in favor of System Energy and against the DOE in the third round Grand Gulf damages case. System Energy received payment from the U.S. Treasury in December 2020. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The amounts of Grand Gulf damages awarded related to System Energy's 90% ownership of Grand Gulf included \$5 million related to costs previously recorded as plant, \$21 million related to costs previously recorded as nuclear fuel expense, and \$10 million related to costs previously recorded as other operation and maintenance expense.

In January 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$23 million in favor of Entergy Nuclear Palisades and against the DOE in the second round Palisades damages case. Entergy received payment from the U.S. Treasury in February 2021. The effects of recording the judgment were reductions to plant, other operation and maintenance expense, and taxes other than income taxes. The Palisades damages awarded included \$16 million related to costs previously recorded as plant, and \$7 million related to costs previously recorded as other operation and maintenance expenses. Of the \$16 million previously capitalized, Entergy recorded \$9 million as a reduction to previously-recorded depreciation expense.

In August 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$37.6 million in favor of Holtec Pilgrim, LLC against the DOE in the third round Pilgrim damages case. Holtec Pilgrim, LLC received the payment from the U.S. Treasury in September 2021. The judgment proceeds were subsequently transferred to Entergy pursuant to the terms of the Pilgrim sale. The receipt of the proceeds was recorded as a deferred credit because Entergy has an indemnity obligation to Holtec related to pre-sale DOE litigation involving Pilgrim that remains outstanding.

In August 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$21 million in favor of Entergy Louisiana against the DOE in the third round River Bend damages case. Entergy Louisiana received the payment from the U.S. Treasury in September 2021. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The River Bend damages awarded included \$9 million in costs previously capitalized, \$8 million related to costs previously recorded as nuclear fuel expense, and \$4 million related to costs previously recorded as other operation and maintenance expense.

In October 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$83 million in favor of Entergy Nuclear Indian Point 2, LLC and Entergy Nuclear Indian Point 3, LLC against the DOE in the Indian Point Unit 2 third round and Unit 3 second round combined damages case. Entergy received payment from the U. S. Treasury in January 2022. The effect of recording the judgment was a reduction to asset write-offs, impairments, and related charges. The damages awarded included \$32 million related to costs previously recorded as plant, \$47 million related to costs previously recorded as other operation and maintenance expenses, and \$4 million related to costs previously recorded as taxes other than income taxes.

Management cannot predict the timing or amount of any potential recoveries on other claims filed by Entergy subsidiaries, and cannot predict the timing of any eventual receipt from the DOE of the U.S. Court of Federal Claims damage awards.

Nuclear Insurance

Third Party Liability Insurance

The Price-Anderson Act requires that reactor licensees purchase insurance and participate in a secondary insurance pool that provides insurance coverage for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two layers of coverage:

1. The primary level is private insurance underwritten by American Nuclear Insurers (ANI) and provides public liability insurance coverage of \$450 million for each operating reactor. If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies.
2. Secondary Financial Protection: Currently, 95 nuclear reactors participate in the Secondary Financial Protection program, which provides approximately \$13 billion in secondary layer insurance coverage to compensate the public in the event of a nuclear power reactor accident. The Price-Anderson Act provides that all potential liability for a nuclear accident is limited to the amounts of insurance coverage available under the primary and secondary layers.

Within the Secondary Financial Protection program, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident or fault, up to a maximum of approximately \$137.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$826 million following the recent sale of the Indian Point Energy Center in May 2021). This retrospective premium is assessable at approximately \$21 million per year per incident per nuclear power reactor.

3. Total insurance coverage available is approximately \$13.5 billion, among the primary ANI coverage and the Secondary Financial Protection program, to respond to a nuclear power plant accident that causes third-party damages (e.g. off-site property and environmental damage, off-site bodily injury and on-site third-party bodily injury (i.e. contractors)). These coverages also respond to an accident caused by terrorism. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2027.

The shutdown Big Rock Point facility maintains its site-specific statutory nuclear liability insurance requirement limit of \$44.4 million, as designated by the NRC.

Entergy Arkansas and Entergy Louisiana each have two licensed reactors. System Energy has one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (Cooperative Energy) that would share on a pro-rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). The Entergy Wholesale Commodities segment includes the ownership, operation, and decommissioning of one remaining nuclear power reactor at Palisades and the ownership of the shutdown Big Rock Point facility. The Indian Point Energy Center was sold to Holtec in late May 2021, following the final shutdown of Indian Point Unit 2 and Indian Point Unit 3 in April 2020 and 2021, respectively. Palisades is scheduled for shutdown in May 2022, with sale of Palisades and Big Rock to follow soon thereafter. The Entergy Wholesale Commodities segment previously

included three nuclear power reactors that were sold (FitzPatrick sold in March 2017, Vermont Yankee sold in January 2019, and Pilgrim sold in August 2019) in addition to the recently sold Indian Point Energy Center.

Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of NEIL, a mutual insurance company that provides property damage coverage, including decontamination and reactor stabilization, to the members' nuclear generating plants. The property damage insurance limits procured by Entergy for its Utility plants and Entergy Wholesale Commodity plants are in compliance with the financial protection requirements of the NRC.

The Utility plants' (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3) property damage insurance limits are \$1.5 billion per occurrence at each plant with an additional \$100 million per nuclear property occurrence that is shared among the plants. The nuclear property deductible is \$10 million per site at the Utility plants, except for earth movement, flood, and windstorm. Property damage from earth movement is excluded from the first \$500 million in coverage for all Utility plants. Property damage from flood is excluded from the first \$500 million in coverage at ANO 1 and 2 and Grand Gulf. Property damage from flood for Waterford 3 and River Bend includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million. Property damage from wind for all of the Utility nuclear plants includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a total maximum deductible of \$50 million.

The Entergy Wholesale Commodities' plants (Palisades and Big Rock Point) have property damage insurance limits as follows: Big Rock Point - \$50 million per occurrence and Palisades - \$1.115 billion per occurrence. For losses that are considered non-nuclear in nature, the property damage insurance limit at Palisades is \$500 million. The nuclear property deductible is \$10 million at Palisades and \$5 million at Big Rock Point, except for earth movement, flood, and windstorm. Property damage from earth movement, flood, and windstorm at Palisades includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million. Property damage from earth movement, flood, and windstorm at Big Rock Point includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$14 million.

The valuation basis of the insured property at Palisades has been changed from replacement cost to actual cash value, given the site's age, anticipated ownership horizon and/or shutdown status.

In addition, Waterford 3 and Grand Gulf are also covered under NEIL's Accidental Outage Coverage program. Accidental outage coverage provides indemnification for the actual cost incurred in the event of an unplanned outage resulting from property damage covered under the NEIL Primary Property Insurance policy, subject to a deductible period. The indemnification for the actual cost incurred is based on market power prices at the time of the loss. After the deductible period has passed, weekly indemnities for an unplanned outage, covered under NEIL's Accidental Outage Coverage program, would be paid according to the amounts listed below:

- 100% of the weekly indemnity for each week for the first payment period of 52 weeks; then
- 80% of the weekly indemnity for each week for the second payment period of 52 weeks; and thereafter
- 80% of the weekly indemnity for an additional 58 weeks for the third and final payment period.

Under the property damage and accidental outage insurance programs, all NEIL insured plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. Effective April 1, 2021, the maximum amounts of such possible assessments per occurrence were as follows:

	<u>Assessments</u> (In Millions)
Utility:	
Entergy Arkansas	\$27.6
Entergy Louisiana	\$49.2
Entergy Mississippi	\$0.11
Entergy New Orleans	\$0.11
Entergy Texas	N/A
System Energy	\$21.4
Entergy Wholesale Commodities	N/A *

*Potential assessments for the Entergy Wholesale Commodities plants are covered by insurance obtained through NEIL's reinsurers.

NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate not exceeding \$3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses.

Non-Nuclear Property Insurance

Entergy's non-nuclear property insurance program provides coverage on a system-wide basis for Entergy's non-nuclear assets. The insurance program provides coverage for property damage up to \$400 million per occurrence in excess of a \$20 million self-insured retention except for property damage caused by the following: earthquake shock, flood, and named windstorm, including associated storm surge. For earthquake shock and flood, the insurance program provides coverage up to \$400 million on an annual aggregate basis in excess of a \$40 million self-insured retention. For named windstorm and associated storm surge, the insurance program provides coverage up to \$125 million on an annual aggregate basis in excess of a \$40 million self-insured retention. The coverage provided by the insurance program for the Entergy New Orleans gas distribution system is limited to \$50 million per occurrence and is subject to the same annual aggregate limits and retentions listed above for earthquake shock, flood, and named windstorm, including associated storm surge.

Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes transmission and distribution lines, poles, and towers. For substations valued at \$5 million or less, coverage for named windstorm and associated storm surge is excluded. This coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries. Entergy also purchases \$400 million in terrorism insurance coverage for its conventional property. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2027.

Employment and Labor-related Proceedings

The Registrant Subsidiaries and other Entergy subsidiaries and related entities are responding to various lawsuits in both state and federal courts and to other labor-related proceedings filed by current and former employees, recognized bargaining representatives, and certain third parties. Generally, the amount of damages being sought is not specified in these proceedings. These actions may include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender, age, and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations Board or concerning the National Labor Relations Act; claims of retaliation; claims of harassment and hostile work environment; and claims for or regarding benefits under various Entergy Corporation-sponsored plans. Entergy and the Registrant Subsidiaries and related entities are responding to these lawsuits and proceedings and deny liability to the claimants. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of Entergy or the Utility operating companies.

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

Numerous lawsuits have been filed in state courts against primarily Entergy Texas and Entergy Louisiana by individuals alleging exposure to asbestos while working at Entergy facilities between 1955 and 1980. Entergy is being sued as a premises owner. Many other defendants are named in these lawsuits as well. Currently, there are approximately 200 lawsuits involving approximately 325 claimants. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover reimbursements. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of the Utility operating companies.

Grand Gulf - Related Agreements**Unit Power Sales Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

System Energy has agreed to sell all of its share of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by the FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered. The agreement will remain in effect until terminated by the parties and the termination is approved by the FERC, most likely upon Grand Gulf's retirement from service. In December 2016 the NRC granted the extension of Grand Gulf's operating license to 2044. Monthly obligations are based on actual capacity and energy costs. The average monthly payments for 2021 under the agreement were approximately \$16.4 million for Entergy Arkansas, \$6.5 million for Entergy Louisiana, \$14.6 million for Entergy Mississippi, and \$7.9 million for Entergy New Orleans. See Note 2 to the financial statements for discussion of the complaints filed with the FERC against System Energy seeking a reduction in the return on equity component of the Unit Power Sales Agreement and other complaints filed with the FERC regarding the rates charged by System Energy under the System Agreement.

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

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

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

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

NOTE 9. ASSET RETIREMENT OBLIGATIONS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Accounting standards require companies to record liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of the assets. For Entergy, substantially all of its asset retirement obligations consist of its liability for decommissioning its nuclear power plants. In addition, an insignificant amount of removal costs associated with non-nuclear power plants is also included in the decommissioning and asset retirement costs line item on the balance sheets.

These liabilities are recorded at their fair values (which are the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation is accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The accretion will continue through the completion of the asset retirement activity. The amounts added to the carrying amounts of the long-lived assets will be depreciated over the

useful lives of the assets. The application of accounting standards related to asset retirement obligations is earnings neutral to the rate-regulated business of the Registrant Subsidiaries.

In accordance with ratemaking treatment and as required by regulatory accounting standards, the depreciation provisions for the Registrant Subsidiaries include a component for removal costs that are not asset retirement obligations under accounting standards. In accordance with regulatory accounting principles, the Registrant Subsidiaries have recorded regulatory assets (liabilities) in the following amounts to reflect their estimates of the difference between estimated incurred removal costs and estimated removal costs expected to be recovered in rates:

	December 31,	
	2021	2020
	(In Millions)	
Entergy Arkansas	\$224.3	\$212.6
Entergy Louisiana	\$848.2	\$302.5
Entergy Mississippi	\$136.8	\$107.3
Entergy New Orleans	\$91.7	\$63.2
Entergy Texas	\$98.1	\$115.3
System Energy	\$89.7	\$92.9

As of December 31, 2021 and 2020, the regulatory asset for removal costs for the Utility operating companies includes amounts related to storm restoration costs. See Note 2 to the financial statements for further discussion of storm restoration costs and requested recovery.

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2021 and 2020 by Entergy were as follows:

	Liabilities as of December 31, 2020	Accretion	Spending	Dispositions	Liabilities as of December 31, 2021
	(In Millions)				
Entergy	\$6,469.5	\$317.9	(\$33.2)	(\$1,997.1)	\$4,757.1
Utility					
Entergy Arkansas	1,314.2	77.7	—	(1.5)	1,390.4
Entergy Louisiana	1,573.3	79.9	—	—	1,653.2
Entergy Mississippi	9.8	0.5	—	—	10.3
Entergy New Orleans	3.8	0.2	—	—	4.0
Entergy Texas	8.1	0.4	—	—	8.5
System Energy	968.9	38.7	—	—	1,007.6
Entergy Wholesale Commodities					
Big Rock Point	41.1	3.4	(2.5)	—	42.0
Indian Point 1	246.6	8.8	(1.3)	(254.1) (b)	—
Indian Point 2	839.8	28.9	(25.1)	(843.6) (b)	—
Indian Point 3	869.4	29.1	(0.6)	(897.9) (b)	—
Palisades	594.1	50.1	(3.8)	—	640.4
Other (a)	0.5	0.1	—	—	0.6

	Liabilities as of December 31, 2019	Accretion	Spending	Liabilities as of December 31, 2020
	(In Millions)			
Entergy	\$6,159.2	\$394.6	(\$84.3)	\$6,469.5
Utility				
Entergy Arkansas	1,242.6	73.3	(1.7)	1,314.2
Entergy Louisiana	1,497.3	76.0	—	1,573.3
Entergy Mississippi	9.7	0.6	(0.5)	9.8
Entergy New Orleans	3.5	0.3	—	3.8
Entergy Texas	7.6	0.5	—	8.1
System Energy	931.7	37.2	—	968.9
Entergy Wholesale Commodities				
Big Rock Point	40.3	3.3	(2.5)	41.1
Indian Point 1	238.6	20.4	(12.4)	246.6
Indian Point 2	829.0	69.4	(58.6)	839.8
Indian Point 3	808.4	67.4	(6.4)	869.4
Palisades	549.8	46.4	(2.1)	594.1
Other (a)	0.5	—	—	0.5

- (a) See “**Coal Combustion Residuals**” below for additional discussion regarding the asset retirement obligations related to coal combustion residuals management.
- (b) See Note 14 to the financial statements for discussion of the sale of the Indian Point Energy Center to Holtec International in May 2021.

Nuclear Plant Decommissioning

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of the timing of plant decommissioning, regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. Entergy did not update decommissioning cost estimates in 2021 or 2020.

NRC Filings Regarding Trust Funding Levels

Plant owners are required to provide the NRC with a biennial report (annually for units that have shut down or will shut down within five years), based on values as of December 31, addressing the owners’ ability to meet the NRC minimum funding levels. Depending on the value of the trust funds, plant owners may be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or making additional contributions to the trusts, to ensure that the trusts are adequately funded and that NRC minimum funding requirements are met.

As nuclear plants individually approach and begin decommissioning, filings will be submitted to the NRC for planned shutdown activities. These filings with the NRC also determine whether financial assurance may be required in addition to the nuclear decommissioning trust fund.

Coal Combustion Residuals

In June 2010 the EPA issued a proposed rule on coal combustion residuals (CCRs) that contained two primary regulatory options: (1) regulating CCRs destined for disposal in landfills or received (including stored) in surface impoundments as so-called “special wastes” under the hazardous waste program of Resource Conservation and Recovery Act (RCRA) Subtitle C; or (2) regulating CCRs destined for disposal in landfills or surface impoundments as non-hazardous wastes under Subtitle D of RCRA. Under both options, CCRs that are beneficially reused in certain processes would remain excluded from hazardous waste regulation. In April 2015 the EPA published the final CCR rule with the material being regulated under the second scenario presented above - as non-hazardous wastes regulated under RCRA Subtitle D. The final regulations create new compliance requirements including modified storage, new notification and reporting practices, product disposal considerations, and CCR unit closure criteria. Entergy believes that on-site disposal options will be available at its facilities, to the extent needed for CCR that cannot be transferred for beneficial reuse. 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 permit programs.

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

As of December 31, 2021 and 2020, Entergy and the Registrant Subsidiaries held operating and finance leases for fleet vehicles used in operations, real estate, and aircraft. Excluded are power purchase agreements not meeting the definition of a lease, nuclear fuel leases, and the Grand Gulf sale-leaseback which were determined not to be leases under the accounting standards.

Leases have remaining terms of one year to 59 years. Real estate leases generally include at least one five-year renewal option; however, renewal is not typically considered reasonably certain unless Entergy or a Registrant

Subsidiary makes significant leasehold improvements or other modifications that would hinder its ability to easily move. In certain of the lease agreements for fleet vehicles used in operations, Entergy and the Registrant Subsidiaries provide residual value guarantees to the lessor. Due to the nature of the agreements and Entergy's continuing relationship with the lessor, however, Entergy and the Registrant Subsidiaries expect to renegotiate or refinance the leases prior to conclusion of the lease. As such, Entergy and the Registrant Subsidiaries do not believe it is probable that they will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

Entergy incurred the following total lease costs for the years ended December 31, 2021 and 2020:

	2021	2020
	(In Thousands)	
Operating lease cost	\$69,067	\$67,471
Finance lease cost:		
Amortization of right-of-use assets	\$12,483	\$12,180
Interest on lease liabilities	\$2,845	\$2,884

Of the lease costs disclosed above, Entergy had \$2.8 million and \$759 thousand in short-term leases costs for the years ended December 31, 2021 and 2020, respectively.

The Registrant Subsidiaries incurred the following lease costs for the year ended December 31, 2021:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Operating lease cost	\$15,087	\$14,368	\$7,018	\$1,745	\$5,370
Finance lease cost:					
Amortization of right-of-use assets	\$2,860	\$3,938	\$1,766	\$731	\$1,493
Interest on lease liabilities	\$432	\$607	\$270	\$124	\$214

Of the lease costs disclosed above, Entergy Arkansas had \$826 thousand, Entergy Louisiana had \$934 thousand, Entergy Mississippi had \$703 thousand, Entergy New Orleans had \$77 thousand, and Entergy Texas had \$261 thousand in short-term lease costs for the year ended December 31, 2021.

The lease costs disclosed above materially approximate the cash flows used by the Registrant Subsidiaries for leases with all costs included within operating activities on the respective Statements of Cash Flows, except for the finance lease costs which are included in financing activities.

The Registrant Subsidiaries incurred the following lease costs for the year ended December 31, 2020:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Operating lease cost	\$14,344	\$13,944	\$6,584	\$1,443	\$4,870
Finance lease cost:					
Amortization of right-of-use assets	\$2,693	\$4,097	\$1,627	\$712	\$1,340
Interest on lease liabilities	\$408	\$597	\$254	\$120	\$196

Of the lease costs disclosed above, Entergy Arkansas had \$43 thousand and Entergy Louisiana had \$719 thousand in short-term lease costs for the year ended December 31, 2020.

The lease costs disclosed above materially approximate the cash flows used by the Registrant Subsidiaries for leases with all costs included within operating activities on the respective Statements of Cash Flows, except for the finance lease costs which are included in financing activities.

Entergy has elected to account for short-term leases in accordance with policy options provided by accounting guidance; therefore, there are no related lease liabilities or right-of-use assets for the costs recognized above by Entergy or by its Registrant Subsidiaries in the table below.

Included within Property, Plant, and Equipment on Entergy's consolidated balance sheet at December 31, 2021 and 2020 are \$212 million and \$230 million related to operating leases, respectively, and \$67 million and \$60 million related to finance leases, respectively.

Included within Utility Plant on the Registrant Subsidiaries' respective balance sheets at December 31, 2021 and 2020 are the following amounts:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2021					
Operating leases	\$56,099	\$46,443	\$16,831	\$5,480	\$14,986
Finance leases	\$15,043	\$19,007	\$9,114	\$4,023	\$7,583
2020					
Operating leases	\$55,840	\$43,189	\$16,538	\$5,222	\$14,738
Finance leases	\$12,447	\$16,425	\$7,452	\$3,428	\$5,719

The following lease-related liabilities are recorded within the respective Other lines on Entergy's consolidated balance sheet as of December 31, 2021 and 2020:

	2021	2020
	(In Thousands)	
Current liabilities:		
Operating leases	\$59,437	\$59,004
Finance leases	\$12,988	\$11,921
Non-current liabilities:		
Operating leases	\$152,363	\$170,980
Finance leases	\$59,320	\$52,803

The following lease-related liabilities are recorded within the respective Other lines on the Registrant Subsidiaries' respective balance sheets at December 31, 2021:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Current liabilities:					
Operating leases	\$12,695	\$12,520	\$5,866	\$1,491	\$4,489
Finance leases	\$2,964	\$4,001	\$1,843	\$812	\$1,476
Non-current liabilities:					
Operating leases	\$43,420	\$33,931	\$10,976	\$3,994	\$10,505
Finance leases	\$12,079	\$15,006	\$7,271	\$3,211	\$6,107

The following lease-related liabilities are recorded within the respective Other lines on the Registrant Subsidiaries' respective balance sheets at December 31, 2020:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Current liabilities:					
Operating leases	\$11,942	\$11,934	\$5,738	\$1,406	\$4,277
Finance leases	\$2,660	\$3,821	\$1,644	\$686	\$1,327
Non-current liabilities:					
Operating leases	\$43,914	\$31,260	\$10,867	\$3,819	\$10,469
Finance leases	\$9,788	\$12,603	\$5,808	\$2,741	\$4,392

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of Entergy at December 31, 2021 and 2020:

	2021	2020
Weighted average remaining lease terms:		
Operating leases	4.44	4.82
Finance leases	6.18	6.34
Weighted average discount rate:		
Operating leases	3.37 %	3.58 %
Finance leases	3.96 %	4.42 %

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of the Registrant Subsidiaries at December 31, 2021:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
Weighted average remaining lease terms:					
Operating leases	5.13	4.65	5.36	5.35	3.94
Finance leases	5.89	5.57	5.63	5.94	5.97
Weighted average discount rate:					
Operating leases	3.10 %	2.93 %	3.00 %	2.99 %	3.04 %
Finance leases	2.80 %	3.08 %	2.87 %	3.03 %	2.79 %

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of the Registrant Subsidiaries at December 31, 2020:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
Weighted average remaining lease terms:					
Operating leases	5.74	4.72	5.30	5.78	4.30
Finance leases	5.60	5.20	5.44	5.69	5.39
Weighted average discount rate:					
Operating leases	3.34 %	3.11 %	3.43 %	3.09 %	3.07 %
Finance leases	3.18 %	3.33 %	3.22 %	3.35 %	3.22 %

Maturity of the lease liabilities for Entergy as of December 31, 2021 are as follows:

Year	Operating Leases	Finance Leases
	(In Thousands)	
2022	\$65,270	\$15,312
2023	55,527	14,611
2024	48,281	13,296
2025	28,174	11,913
2026	15,864	10,061
Years thereafter	14,531	15,756
Minimum lease payments	227,647	80,949
Less: amount representing interest	15,847	8,640
Present value of net minimum lease payments	<u>\$211,800</u>	<u>\$72,309</u>

Maturity of the lease liabilities for the Registrant Subsidiaries as of December 31, 2021 are as follows:

Year	<u>Operating Leases</u>				
	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2022	\$14,180	\$13,706	\$6,280	\$1,682	\$4,888
2023	12,713	11,791	4,181	1,441	4,449
2024	11,150	9,618	3,174	1,182	3,427
2025	9,292	6,694	2,168	773	1,933
2026	7,314	4,081	827	398	771
Years thereafter	5,892	3,574	1,924	601	423
Minimum lease payments	60,541	49,464	18,554	6,077	15,891
Less: amount representing interest	4,425	3,013	1,711	592	898
Present value of net minimum lease payments	<u>\$56,116</u>	<u>\$46,451</u>	<u>\$16,843</u>	<u>\$5,485</u>	<u>\$14,993</u>

Year	<u>Finance Leases</u>				
	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2022	\$3,319	\$4,481	\$2,054	\$854	\$1,637
2023	3,100	4,231	1,971	814	1,532
2024	2,791	3,671	1,783	712	1,382
2025	2,449	3,122	1,529	621	1,256
2026	2,018	2,367	1,202	545	1,016
Years thereafter	2,477	2,613	1,220	673	1,296
Minimum lease payments	16,154	20,485	9,759	4,219	8,119
Less: amount representing interest	1,111	1,478	645	196	536
Present value of net minimum lease payments	<u>\$15,043</u>	<u>\$19,007</u>	<u>\$9,114</u>	<u>\$4,023</u>	<u>\$7,583</u>

In allocating consideration in lease contracts to the lease and non-lease components, Entergy and the Registrant Subsidiaries have made the accounting policy election to combine lease and non-lease components related to fleet vehicles used in operations, fuel storage agreements, and purchased power agreements and to allocate the contract consideration to both lease and non-lease components for real estate leases.

NOTE 11. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**Qualified Pension Plans**

Entergy has eight defined benefit qualified pension plans. The Entergy Corporation Retirement Plan for Non-Bargaining Employees (Non-Bargaining Plan I), the Entergy Corporation Retirement Plan for Bargaining Employees (Bargaining Plan I), the Entergy Corporation Retirement Plan II for Non-Bargaining Employees (Non-Bargaining Plan II), the Entergy Corporation Retirement Plan II for Bargaining Employees, the Entergy Corporation Retirement Plan III, and the Entergy Corporation Retirement Plan IV for Bargaining Employees are non-contributory final average pay plans that provide pension benefits based on employees' credited service and compensation during employment. Non-bargaining employees whose most recent date of hire is after June 30, 2014 and before January 1, 2021 do not participate in a final average pay plan, but instead participate in the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees (Non-Bargaining Cash Balance Plan). Effective January 1, 2021, the Non-Bargaining Cash Balance Plan was closed to non-bargaining employees whose most recent date of hire is after December 31, 2020, who instead may be eligible to participate in, and receive a discretionary employer contribution under, the Savings Plan of Entergy Corporation and Subsidiaries VIII, an Entergy-sponsored tax-qualified defined contribution plan that includes a 401(k) feature. Certain bargaining employees whose most recent date of hire is after June 30, 2014, or such later date provided for in their applicable collective bargaining agreements, participate in the Entergy Corporation Cash Balance Plan for Bargaining Employees (Bargaining Cash Balance Plan). Effective January 1, 2021, the Bargaining Cash Balance Plan was amended to close participation in the plan to those bargaining employees whose most recent hire date is after December 31, 2020 or such later date provided for in their applicable collective bargaining agreements. The Registrant Subsidiaries participate in these four plans: Non-Bargaining Plan I, Bargaining Plan I, Non-Bargaining Cash Balance Plan, and Bargaining Cash Balance Plan. Effective January 1, 2022, the Non-Bargaining Cash Balance Plan was merged with and into Non-Bargaining Plan I.

The assets of the six final average pay defined benefit qualified pension plans are held in a master trust established by Entergy, and the assets of the two cash balance pension plans are held in a second master trust established by Entergy. Each pension plan has an undivided beneficial interest in each of the investment accounts in its respective master trust that is maintained by a trustee. Use of the master trusts permits the commingling of the trust assets of the pension plans of Entergy Corporation and its Registrant Subsidiaries for investment and administrative purposes. Although assets in the master trusts are commingled, the trustee maintains supporting records for the purpose of allocating the trust level equity in net earnings (loss) and the administrative expenses of the investment accounts in each trust to the various participating pension plans in that particular trust. The fair value of the trusts' assets is determined by the trustee and certain investment managers. For each trust, the trustee calculates a daily earnings factor, including realized and unrealized gains or losses, collected and accrued income, and administrative expenses, and allocates earnings to each plan in the master trusts on a pro rata basis. Effective January 1, 2022, the assets of the remaining cash balance pension plan held in a second master trust were merged with and into a master trust that holds the assets of the six final average pay defined benefit qualified pension plans.

Within each pension plan, the record of each Registrant Subsidiary's beneficial interest in the plan assets is maintained by the plan's actuary and is updated quarterly. Assets for each Registrant Subsidiary are increased for investment net income and contributions, and are decreased for benefit payments. A plan's investment net income/loss (i.e. interest and dividends, realized and unrealized gains and losses and expenses) is allocated to the Registrant Subsidiaries participating in that plan based on the value of assets for each Registrant Subsidiary at the beginning of the quarter adjusted for contributions and benefit payments made during the quarter.

Entergy Corporation and its subsidiaries fund pension plans in an amount not less than the minimum required contribution under the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income

securities, interest in a money market fund, and insurance contracts. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their respective jurisdictions.

Components of Qualified Net Pension Cost and Other Amounts Recognized as a Regulatory Asset and/or Accumulated Other Comprehensive Income (AOCI)

Entergy Corporation and its subsidiaries' total 2021, 2020, and 2019 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

	2021	2020	2019
	(In Thousands)		
Net periodic pension cost:			
Service cost - benefits earned during the period	\$165,278	\$161,487	\$134,193
Interest cost on projected benefit obligation	191,107	239,614	293,114
Expected return on assets	(424,572)	(414,273)	(414,947)
Recognized net loss	334,124	350,010	241,117
Settlement charges	205,878	36,946	23,492
Net periodic pension costs	<u>\$471,815</u>	<u>\$373,784</u>	<u>\$276,969</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)			
Arising this period:			
Net (gain)/loss	(\$448,532)	\$483,653	\$614,600
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:			
Amortization of net loss	(334,124)	(358,473)	(241,117)
Settlement charge	(205,878)	(36,946)	(23,492)
Total	<u>(\$988,534)</u>	<u>\$88,234</u>	<u>\$349,991</u>
Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)	<u><u>(\$516,719)</u></u>	<u><u>\$462,018</u></u>	<u><u>\$626,960</u></u>

The Registrant Subsidiaries' total 2021, 2020, and 2019 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, for their employees included the following components:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net periodic pension cost:						
Service cost - benefits earned during the period	\$28,632	\$38,271	\$9,070	\$3,038	\$6,921	\$8,851
Interest cost on projected benefit obligation	35,683	39,740	10,446	4,392	8,381	9,087
Expected return on assets	(78,368)	(89,821)	(22,407)	(10,598)	(21,158)	(19,254)
Recognized net loss	69,290	67,015	20,007	7,596	12,676	18,404
Settlement charges	37,682	61,945	16,710	5,431	11,797	12,260
Net pension cost	<u>\$92,919</u>	<u>\$117,150</u>	<u>\$33,826</u>	<u>\$9,859</u>	<u>\$18,617</u>	<u>\$29,348</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)						
Arising this period:						
Net gain	(\$96,066)	(\$89,534)	(\$29,675)	(\$16,159)	(\$18,217)	(\$27,617)
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(69,290)	(67,015)	(20,007)	(7,596)	(12,676)	(18,404)
Settlement charge	<u>(37,682)</u>	<u>(61,945)</u>	<u>(16,710)</u>	<u>(5,431)</u>	<u>(11,797)</u>	<u>(12,260)</u>
Total	<u>(\$203,038)</u>	<u>(\$218,494)</u>	<u>(\$66,392)</u>	<u>(\$29,186)</u>	<u>(\$42,690)</u>	<u>(\$58,281)</u>
Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)	<u><u>(\$110,119)</u></u>	<u><u>(\$101,344)</u></u>	<u><u>(\$32,566)</u></u>	<u><u>(\$19,327)</u></u>	<u><u>(\$24,073)</u></u>	<u><u>(\$28,933)</u></u>

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net periodic pension cost:						
Service cost - benefits earned during the period	\$26,329	\$35,158	\$8,060	\$2,654	\$6,116	\$7,883
Interest cost on projected benefit obligation	44,165	50,432	12,922	5,825	10,731	11,006
Expected return on assets	(78,187)	(89,691)	(23,147)	(10,509)	(21,951)	(18,757)
Recognized net loss	68,338	66,640	18,983	8,018	13,173	17,104
Settlement charges	21,078	8,109	3,366	—	4,289	105
Net pension cost	<u>\$81,723</u>	<u>\$70,648</u>	<u>\$20,184</u>	<u>\$5,988</u>	<u>\$12,358</u>	<u>\$17,341</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)						
Arising this period:						
Net loss	\$106,178	\$90,064	\$36,899	\$8,148	\$13,379	\$35,403
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(69,713)	(68,248)	(19,393)	(8,213)	(13,564)	(17,434)
Settlement charge	(21,078)	(8,109)	(3,366)	—	(4,289)	(105)
Total	<u>\$15,387</u>	<u>\$13,707</u>	<u>\$14,140</u>	<u>(\$65)</u>	<u>(\$4,474)</u>	<u>\$17,864</u>
Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)	<u><u>\$97,110</u></u>	<u><u>\$84,355</u></u>	<u><u>\$34,324</u></u>	<u><u>\$5,923</u></u>	<u><u>\$7,884</u></u>	<u><u>\$35,205</u></u>

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net periodic pension cost:						
Service cost - benefits earned during the period	\$21,043	\$29,137	\$6,516	\$2,274	\$5,401	\$6,199
Interest cost on projected benefit obligation	56,701	63,529	16,272	7,495	14,451	13,456
Expected return on assets	(80,705)	(90,607)	(23,873)	(10,785)	(23,447)	(18,710)
Recognized net loss	47,361	46,571	12,416	6,117	9,335	11,400
Net pension cost	\$44,400	\$48,630	\$11,331	\$5,101	\$5,740	\$12,345
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)						
Arising this period:						
Net loss	\$118,898	\$99,346	\$41,088	\$6,531	\$10,869	\$36,711
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(47,361)	(46,571)	(12,416)	(6,117)	(9,335)	(11,400)
Total	\$71,537	\$52,775	\$28,672	\$414	\$1,534	\$25,311
Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)	<u>\$115,937</u>	<u>\$101,405</u>	<u>\$40,003</u>	<u>\$5,515</u>	<u>\$7,274</u>	<u>\$37,656</u>

Qualified Pension Obligations, Plan Assets, Funded Status, Amounts Recognized in the Balance Sheet

Qualified pension obligations, plan assets, funded status, amounts recognized in the Consolidated Balance Sheets for Entergy Corporation and its Subsidiaries as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Change in Projected Benefit Obligation (PBO)		
Balance at January 1	\$9,143,652	\$8,406,203
Service cost	165,278	161,487
Interest cost	191,107	239,614
Actuarial (gain)/ loss	(158,276)	969,609
Benefits paid (including settlement lump sum benefit payments of (\$553,576) in 2021 and (\$84,754) in 2020)	(932,141)	(633,261)
Balance at December 31	<u>\$8,409,620</u>	<u>\$9,143,652</u>
Change in Plan Assets		
Fair value of assets at January 1	\$6,854,426	\$6,271,160
Actual return on plan assets	714,827	900,229
Employer contributions	355,998	316,298
Benefits paid (including settlement lump sum benefit payments of (\$553,576) in 2021 and (\$84,754) in 2020)	(932,141)	(633,261)
Fair value of assets at December 31	<u>\$6,993,110</u>	<u>\$6,854,426</u>
Funded status	<u>(\$1,416,510)</u>	<u>(\$2,289,226)</u>
Amount recognized in the balance sheet		
Non-current liabilities	(\$1,416,510)	(\$2,289,226)
Amount recognized as a regulatory asset		
Net loss	\$2,214,390	\$2,926,670
Amount recognized as AOCI (before tax)		
Net loss	\$449,756	\$726,010

Qualified pension obligations, plan assets, funded status, amounts recognized in the Balance Sheets for the Registrant Subsidiaries as of December 31, 2021 and 2020 are as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Change in Projected Benefit Obligation (PBO)						
Balance at January 1	\$1,739,382	\$1,927,271	\$510,109	\$220,287	\$410,664	\$441,148
Service cost	28,632	38,271	9,070	3,038	6,921	8,851
Interest cost	35,683	39,740	10,446	4,392	8,381	9,087
Actuarial gain	(41,227)	(28,439)	(14,831)	(9,118)	(3,971)	(14,746)
Benefits paid (a)	(183,124)	(240,447)	(65,936)	(23,219)	(50,193)	(49,546)
Balance at December 31	\$1,579,346	\$1,736,396	\$448,858	\$195,380	\$371,802	\$394,794
Change in Plan Assets						
Fair value of assets at January 1	\$1,285,856	\$1,476,306	\$371,394	\$172,551	\$349,748	\$310,818
Actual return on plan assets	133,207	150,917	37,251	17,639	35,405	32,125
Employer contributions	66,649	59,882	13,715	5,395	6,955	18,663
Benefits paid (a)	(183,124)	(240,447)	(65,936)	(23,219)	(50,193)	(49,546)
Fair value of assets at December 31	\$1,302,588	\$1,446,658	\$356,424	\$172,366	\$341,915	\$312,060
Funded status	(\$276,758)	(\$289,738)	(\$92,434)	(\$23,014)	(\$29,887)	(\$82,734)
Amounts recognized in the balance sheet (funded status)						
Non-current liabilities	(\$276,758)	(\$289,738)	(\$92,434)	(\$23,014)	(\$29,887)	(\$82,734)
Amounts recognized as regulatory asset						
Net loss	\$612,963	\$556,345	\$173,511	\$62,805	\$113,790	\$153,782
Amounts recognized as AOCI (before tax)						
Net loss	\$—	\$23,181	\$—	\$—	\$—	\$—

- (a) Including settlement lump sum benefit payments of (\$104.4) million at Entergy Arkansas, (\$166.6) million at Entergy Louisiana, (\$45.7) million at Entergy Mississippi, (\$14.3) million at Entergy New Orleans, (\$31.9) million at Entergy Texas, and (\$33) million at System Energy.

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Change in Projected Benefit Obligation (PBO)						
Balance at January 1	\$1,615,084	\$1,784,474	\$471,510	\$206,962	\$396,764	\$393,607
Service cost	26,329	35,158	8,060	2,654	6,116	7,883
Interest cost	44,165	50,432	12,922	5,825	10,731	11,006
Actuarial loss	196,755	196,032	62,564	20,535	37,579	57,574
Benefits paid (a)	(142,951)	(138,825)	(44,947)	(15,689)	(40,526)	(28,922)
Balance at December 31	\$1,739,382	\$1,927,271	\$510,109	\$220,287	\$410,664	\$441,148
Change in Plan Assets						
Fair value of assets at January 1	\$1,200,035	\$1,364,030	\$354,928	\$160,777	\$339,126	\$282,668
Actual return on plan assets	168,764	195,658	48,812	22,896	46,151	40,927
Employer contributions	60,008	55,443	12,601	4,567	4,997	16,145
Benefits paid (a)	(142,951)	(138,825)	(44,947)	(15,689)	(40,526)	(28,922)
Fair value of assets at December 31	\$1,285,856	\$1,476,306	\$371,394	\$172,551	\$349,748	\$310,818
Funded status	(\$453,526)	(\$450,965)	(\$138,715)	(\$47,736)	(\$60,916)	(\$130,330)
Amounts recognized in the balance sheet (funded status)						
Non-current liabilities	(\$453,526)	(\$450,965)	(\$138,715)	(\$47,736)	(\$60,916)	(\$130,330)
Amounts recognized as regulatory asset						
Net loss	\$816,002	\$766,099	\$239,904	\$91,991	\$156,480	\$212,062
Amounts recognized as AOCI (before tax)						
Net loss	\$—	\$31,921	\$—	\$—	\$—	\$—

(a) Including settlement lump sum benefit payments of (\$48.4) million at Entergy Arkansas, (\$18.6) million at Entergy Louisiana, (\$7.7) million at Entergy Mississippi, (\$9.8) million at Entergy Texas, and (\$236) thousand at System Energy.

The qualified pension plans incurred actuarial gains during 2021 primarily due to a rise in bond yields that resulted in increases to the discount rates used to develop the benefit obligations and an actual return on assets exceeding the expected return on assets for 2021. The qualified pension plans incurred actuarial losses during 2020 primarily due to a fall in bond yields that resulted in decreases to the discount rates used to develop the benefit obligations. These losses were partially offset by gains resulting from the actual return on assets exceeding the expected return on assets for 2020.

Accumulated Pension Benefit Obligation

The accumulated benefit obligation for Entergy's qualified pension plans was \$7.8 billion and \$8.4 billion at December 31, 2021 and 2020, respectively.

The qualified pension accumulated benefit obligation for each of the Registrant Subsidiaries for their employees as of December 31, 2021 and 2020 was as follows:

	December 31,	
	2021	2020
	(In Thousands)	
Entergy Arkansas	\$1,463,966	\$1,617,858
Entergy Louisiana	\$1,574,273	\$1,753,980
Entergy Mississippi	\$407,851	\$466,497
Entergy New Orleans	\$178,010	\$201,159
Entergy Texas	\$342,441	\$379,050
System Energy	\$366,920	\$410,296

Other Postretirement Benefits

Entergy also currently offers retiree medical, dental, vision, and life insurance benefits (other postretirement benefits) for eligible retired employees. Employees who commenced employment before July 1, 2014 and who satisfy certain eligibility requirements (including retiring from Entergy after a certain age and/or years of service with Entergy and immediately commencing their Entergy pension benefit), may become eligible for other postretirement benefits.

In March 2020, Entergy announced changes to its other postretirement benefits. Effective January 1, 2021, certain retired, former non-bargaining employees age 65 and older who are eligible for Entergy-sponsored retiree welfare benefits, and their eligible spouses who are age 65 and older (collectively, Medicare-eligible participants), will be eligible to participate in a new Entergy-sponsored retiree health plan, and will no longer be eligible for retiree coverage under the Entergy Corporation Companies' Benefits Plus Medical, Dental and Vision Plans. Under the new Entergy retiree health plan, Medicare-eligible participants will be eligible to participate in a health reimbursement arrangement which they may use towards the purchase of various types of qualified insurance offered through a Medicare exchange provider and for other qualified medical expenses. In accordance with accounting standards, the effects of this change are reflected in the December 31, 2020 other postretirement obligation. The changes affecting active bargaining unit employees will be negotiated with the unions prior to implementation, where necessary, and to the extent required by law.

Effective January 1, 1993, Entergy adopted an accounting standard requiring a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received regulatory approval to recover accrued other postretirement benefit costs through rates. The LPSC ordered Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for other postretirement benefits to determine if special exceptions to this order are warranted. Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy contribute the other postretirement benefit costs collected in rates into external trusts. System Energy is funding, on behalf of Entergy Operations, other postretirement benefits associated with Grand Gulf.

Trust assets contributed by participating Registrant Subsidiaries are in master trusts, established by Entergy Corporation and maintained by a trustee. Each participating Registrant Subsidiary holds a beneficial interest in the trusts' assets. The assets in the master trusts are commingled for investment and administrative purposes. Although assets are commingled, supporting records are maintained for the purpose of allocating the beneficial interest in net earnings/(losses) and the administrative expenses of the investment accounts to the various participating plans and participating Registrant Subsidiaries. Beneficial interest in an investment account's net income/(loss) is comprised of interest and dividends, realized and unrealized gains and losses, and expenses. Beneficial interest from these

investments is allocated to the plans and participating Registrant Subsidiary based on their portion of net assets in the pooled accounts.

Components of Net Other Postretirement Benefit Cost and Other Amounts Recognized as a Regulatory Asset and/or AOCI

Entergy Corporation's and its subsidiaries' total 2021, 2020, and 2019 other postretirement benefit costs, including amounts capitalized and amounts recognized as a regulatory asset and/or other comprehensive income, included the following components:

	2021	2020	2019
	(In Thousands)		
Other postretirement costs:			
Service cost - benefits earned during the period	\$26,578	\$24,500	\$18,699
Interest cost on accumulated postretirement benefit obligation (APBO)	21,278	28,597	47,901
Expected return on assets	(43,220)	(40,880)	(38,246)
Amortization of prior service credit	(33,069)	(32,882)	(35,377)
Recognized net loss	2,853	3,481	1,430
Net other postretirement benefit income	<u>(\$25,580)</u>	<u>(\$17,184)</u>	<u>(\$5,593)</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and /or AOCI (before tax)			
Arising this period:			
Prior service credit for period	(\$3,168)	(\$128,837)	\$—
Net (gain)/loss	6,210	41,031	(38,526)
Amounts reclassified from regulatory asset and /or AOCI to net periodic benefit cost in the current year:			
Amortization of prior service credit	33,069	32,882	35,377
Amortization of net loss	(2,853)	(3,481)	(1,430)
Total	<u>\$33,258</u>	<u>(\$58,405)</u>	<u>(\$4,579)</u>
Total recognized as net periodic benefit (income)/cost, regulatory asset, and/or AOCI (before tax)	<u>\$7,678</u>	<u>(\$75,589)</u>	<u>(\$10,172)</u>

Total 2021, 2020, and 2019 other postretirement benefit costs of the Registrant Subsidiaries, including amounts capitalized and deferred, for their employees included the following components:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
Other postretirement costs:						
Service cost - benefits earned during the period	\$4,135	\$6,174	\$1,448	\$437	\$1,384	\$1,340
Interest cost on APBO	3,726	4,520	1,110	521	1,269	878
Expected return on assets	(18,020)	—	(5,536)	(5,750)	(10,192)	(3,156)
Amortization of prior service credit	(1,121)	(4,920)	(1,775)	(916)	(3,742)	(436)
Recognized net (gain)/ loss	196	(364)	76	(712)	398	61
Net other postretirement benefit (income)/cost	<u>(\$11,084)</u>	<u>\$5,410</u>	<u>(\$4,677)</u>	<u>(\$6,420)</u>	<u>(\$10,883)</u>	<u>(\$1,313)</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)						
Arising this period:						
Prior service cost/(credit) for the period	(\$85)	\$357	\$—	\$—	(\$3,776)	\$69
Net (gain)/loss	\$9,956	(\$2,367)	(\$2,823)	(\$3,330)	\$939	\$210
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	1,121	4,920	1,775	916	3,742	436
Amortization of net (gain)/loss	(196)	364	(76)	712	(398)	(61)
Total	<u>\$10,796</u>	<u>\$3,274</u>	<u>(\$1,124)</u>	<u>(\$1,702)</u>	<u>\$507</u>	<u>\$654</u>
Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)	<u>(\$288)</u>	<u>\$8,684</u>	<u>(\$5,801)</u>	<u>(\$8,122)</u>	<u>(\$10,376)</u>	<u>(\$659)</u>

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Other postretirement costs:						
Service cost - benefits earned during the period	\$3,626	\$5,993	\$1,468	\$445	\$1,219	\$1,254
Interest cost on APBO	4,712	6,216	1,536	784	2,008	1,130
Expected return on assets	(17,104)	—	(5,167)	(5,382)	(9,643)	(2,958)
Amortization of prior service credit	(1,849)	(6,179)	(1,652)	(763)	(3,364)	(1,065)
Recognized net (gain)/loss	540	(447)	171	(13)	907	121
Net other postretirement benefit (income)/cost	<u>(\$10,075)</u>	<u>\$5,583</u>	<u>(\$3,644)</u>	<u>(\$4,929)</u>	<u>(\$8,873)</u>	<u>(\$1,518)</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)						
Arising this period:						
Prior service cost/(credit) for the period	\$12,320	(\$23,508)	(\$4,428)	(\$5,493)	(\$22,441)	(\$1,963)
Net (gain)/loss	\$2,245	\$8,744	(\$4,456)	(\$5,351)	(\$3,266)	\$58
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	1,849	6,179	1,652	763	3,364	1,065
Amortization of net (gain)/ loss	(540)	447	(171)	13	(907)	(121)
Total	<u>\$15,874</u>	<u>(\$8,138)</u>	<u>(\$7,403)</u>	<u>(\$10,068)</u>	<u>(\$23,250)</u>	<u>(\$961)</u>
Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)	<u>\$5,799</u>	<u>(\$2,555)</u>	<u>(\$11,047)</u>	<u>(\$14,997)</u>	<u>(\$32,123)</u>	<u>(\$2,479)</u>

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Other postretirement costs:						
Service cost - benefits earned during the period	\$2,363	\$4,639	\$1,046	\$367	\$943	\$973
Interest cost on APBO	7,226	10,664	2,681	1,581	3,415	1,902
Expected return on assets	(15,962)	—	(4,794)	(4,947)	(9,103)	(2,788)
Amortization of prior service credit	(4,950)	(7,349)	(1,756)	(682)	(2,243)	(1,450)
Recognized net (gain)/loss	576	(695)	723	231	485	354
Net other postretirement benefit (income)/cost	<u>(\$10,747)</u>	<u>\$7,259</u>	<u>(\$2,100)</u>	<u>(\$3,450)</u>	<u>(\$6,503)</u>	<u>(\$1,009)</u>
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)						
Arising this period:						
Net gain	(26,707)	(2,220)	(11,950)	(10,967)	(6,406)	(5,539)
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	4,950	7,349	1,756	682	2,243	1,450
Amortization of net (gain)/loss	(576)	695	(723)	(231)	(485)	(354)
Total	<u>(\$22,333)</u>	<u>\$5,824</u>	<u>(\$10,917)</u>	<u>(\$10,516)</u>	<u>(\$4,648)</u>	<u>(\$4,443)</u>
Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)	<u><u>(\$33,080)</u></u>	<u><u>\$13,083</u></u>	<u><u>(\$13,017)</u></u>	<u><u>(\$13,966)</u></u>	<u><u>(\$11,151)</u></u>	<u><u>(\$5,452)</u></u>

Other Postretirement Benefit Obligations, Plan Assets, Funded Status, and Amounts Not Yet Recognized and Recognized in the Balance Sheet

Other postretirement benefit obligations, plan assets, funded status, and amounts not yet recognized and recognized in the Consolidated Balance Sheets of Entergy Corporation and its Subsidiaries as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Change in APBO		
Balance at January 1	\$1,181,075	\$1,252,903
Service cost	26,578	24,500
Interest cost	21,278	28,597
Plan amendments	(3,168)	(128,837)
Plan participant contributions	22,023	37,176
Actuarial loss	20,955	80,162
Benefits paid	(79,308)	(113,786)
Medicare Part D subsidy received	249	360
Balance at December 31	<u>\$1,189,682</u>	<u>\$1,181,075</u>
Change in Plan Assets		
Fair value of assets at January 1	\$737,866	\$686,262
Actual return on plan assets	57,965	80,011
Employer contributions	32,773	48,203
Plan participant contributions	22,023	37,176
Benefits paid	(79,308)	(113,786)
Fair value of assets at December 31	<u>\$771,319</u>	<u>\$737,866</u>
Funded status	<u>(\$418,363)</u>	<u>(\$443,209)</u>
Amounts recognized in the balance sheet		
Current liabilities	(\$42,000)	(\$38,963)
Non-current liabilities	(376,363)	(404,246)
Total funded status	<u>(\$418,363)</u>	<u>(\$443,209)</u>
Amounts recognized as a regulatory asset		
Prior service credit	(\$37,693)	(\$45,501)
Net gain	(7,981)	(8,565)
	<u>(\$45,674)</u>	<u>(\$54,066)</u>
Amounts recognized as AOCI (before tax)		
Prior service credit	(\$61,488)	(\$83,581)
Net loss	27,138	24,365
	<u>(\$34,350)</u>	<u>(\$59,216)</u>

Other postretirement benefit obligations, plan assets, funded status, and amounts not yet recognized and recognized in the Balance Sheets of the Registrant Subsidiaries as of December 31, 2021 and 2020 are as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Change in APBO						
Balance at January 1	\$209,369	\$255,571	\$61,990	\$31,707	\$74,233	\$47,701
Service cost	4,135	6,174	1,448	437	1,384	1,340
Interest cost	3,726	4,520	1,110	521	1,269	878
Plan amendments	(85)	357	—	—	(3,776)	69
Plan participant contributions	5,637	5,186	1,386	403	1,491	1,353
Actuarial (gain)/loss	14,323	(2,367)	(1,335)	988	4,270	1,289
Benefits paid	(15,954)	(16,460)	(3,604)	(2,194)	(6,923)	(4,769)
Medicare Part D subsidy received	32	50	6	4	13	14
Balance at December 31	<u>\$221,183</u>	<u>\$253,031</u>	<u>\$61,001</u>	<u>\$31,866</u>	<u>\$71,961</u>	<u>\$47,875</u>
Change in Plan Assets						
Fair value of assets at January 1	\$304,192	\$—	\$93,475	\$102,734	\$174,096	\$52,619
Actual return on plan assets	22,387	—	7,024	10,068	13,523	4,235
Employer contributions	(767)	11,274	(393)	126	98	1,212
Plan participant contributions	5,637	5,186	1,386	403	1,491	1,353
Benefits paid	(15,954)	(16,460)	(3,604)	(2,194)	(6,923)	(4,769)
Fair value of assets at December 31	<u>\$315,495</u>	<u>\$—</u>	<u>\$97,888</u>	<u>\$111,137</u>	<u>\$182,285</u>	<u>\$54,650</u>
Funded status	<u>\$94,312</u>	<u>(\$253,031)</u>	<u>\$36,887</u>	<u>\$79,271</u>	<u>\$110,324</u>	<u>\$6,775</u>
Amounts recognized in the balance sheet						
Current liabilities	\$—	(\$15,839)	\$—	\$—	\$—	\$—
Non-current liabilities	<u>94,312</u>	<u>(237,192)</u>	<u>36,887</u>	<u>79,271</u>	<u>110,324</u>	<u>6,775</u>
Total funded status	<u>\$94,312</u>	<u>(\$253,031)</u>	<u>\$36,887</u>	<u>\$79,271</u>	<u>\$110,324</u>	<u>\$6,775</u>
Amounts recognized in regulatory asset						
Prior service cost/(credit)	\$8,691	\$—	(\$4,109)	(\$3,814)	(\$20,532)	(\$1,249)
Net (gain)/loss	<u>(6,797)</u>	<u>—</u>	<u>(4,254)</u>	<u>(16,003)</u>	<u>2,571</u>	<u>2,967</u>
	<u>\$1,894</u>	<u>\$—</u>	<u>(\$8,363)</u>	<u>(\$19,817)</u>	<u>(\$17,961)</u>	<u>\$1,718</u>
Amounts recognized in AOCI (before tax)						
Prior service credit	\$—	(\$16,967)	\$—	\$—	\$—	\$—
Net gain	<u>—</u>	<u>(17,551)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$—</u>	<u>(\$34,518)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Change in APBO						
Balance at January 1	\$185,744	\$274,175	\$65,979	\$38,460	\$94,742	\$47,348
Service cost	3,626	5,993	1,468	445	1,219	1,254
Interest cost	4,712	6,216	1,536	784	2,008	1,130
Plan amendments	12,320	(23,508)	(4,428)	(5,493)	(22,441)	(1,963)
Plan participant contributions	7,792	8,269	2,122	1,123	2,456	1,732
Actuarial (gain)/loss	18,257	8,744	684	(91)	5,952	3,025
Benefits paid	(23,141)	(24,395)	(5,382)	(3,530)	(9,721)	(4,851)
Medicare Part D subsidy received	59	77	11	9	18	26
Balance at December 31	\$209,369	\$255,571	\$61,990	\$31,707	\$74,233	\$47,701
Change in Plan Assets						
Fair value of assets at January 1	\$284,224	\$—	\$86,085	\$93,858	\$161,810	\$48,471
Actual return on plan assets	33,116	—	10,307	10,642	18,861	5,925
Employer contributions	2,201	16,126	343	641	690	1,342
Plan participant contributions	7,792	8,269	2,122	1,123	2,456	1,732
Benefits paid	(23,141)	(24,395)	(5,382)	(3,530)	(9,721)	(4,851)
Fair value of assets at December 31	\$304,192	\$—	\$93,475	\$102,734	\$174,096	\$52,619
Funded status	\$94,823	(\$255,571)	\$31,485	\$71,027	\$99,863	\$4,918
Amounts recognized in the balance sheet						
Current liabilities	\$—	(\$15,580)	\$—	\$—	\$—	\$—
Non-current liabilities	94,823	(239,991)	31,485	71,027	99,863	4,918
Total funded status	\$94,823	(\$255,571)	\$31,485	\$71,027	\$99,863	\$4,918
Amounts recognized in regulatory asset						
Prior service cost/(credit)	\$7,655	\$—	(\$5,884)	(\$4,730)	(\$20,498)	(\$1,754)
Net (gain)/loss	(16,557)	—	(1,355)	(13,385)	2,030	2,818
	(\$8,902)	\$—	(\$7,239)	(\$18,115)	(\$18,468)	\$1,064
Amounts recognized in AOCI (before tax)						
Prior service credit	\$—	(\$22,244)	\$—	\$—	\$—	\$—
Net gain	—	(15,548)	—	—	—	—
	\$—	(\$37,792)	\$—	\$—	\$—	\$—

The other postretirement plans incurred actuarial losses during 2021 primarily due to a reduction in the projected Employer Group Waiver Plan (EGWP) revenue and updated census data. These losses were partially offset by gains resulting from the actual return on assets exceeding the expected return on assets for 2021 and a rise in bond yields that resulted in increases to the discount rates used to develop the benefit obligations. The other postretirement plans

incurred actuarial losses during 2020 primarily due to a reduction in the projected EGWP revenue and a fall in bond yields that resulted in decreases to the discount rates used to develop the benefit obligations. These losses were partially offset by gains resulting from the actual return on assets exceeding the expected return on assets for 2020, an update to the latest mortality projection scale MP-2020, and favorable claims experience.

Non-Qualified Pension Plans

Entergy also sponsors non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. Entergy recognized net periodic pension cost related to these plans of \$28.6 million in 2021, \$18.1 million in 2020, and \$22.6 million in 2019. In 2021 and 2019 Entergy recognized \$10.9 million and \$7.4 million, respectively in settlement charges related to the payment of lump sum benefits out of the plan that is included in the non-qualified pension plan cost above. In 2020 there were no settlement charges related to the payment of lump sum benefits out of the plan.

The projected benefit obligation was \$181.6 million as of December 31, 2021 of which \$26.3 million was a current liability and \$155.3 million was a non-current liability. The projected benefit obligation was \$182.4 million as of December 31, 2020 of which \$22.9 million was a current liability and \$159.5 million was a non-current liability. The accumulated benefit obligation was \$165.5 million and \$161.3 million as of December 31, 2021 and 2020, respectively. The unamortized prior service cost and net loss are recognized in regulatory assets (\$74.9 million at December 31, 2021 and \$77.3 million at December 31, 2020) and accumulated other comprehensive income before taxes (\$17 million at December 31, 2021 and \$16.7 million at December 31, 2020).

A Rabbi Trust has been established for the benefit of certain participants in Entergy's non-qualified, non-contributory defined benefit pension plans. The Rabbi Trust assets are invested in money-market funds which are recorded at fair value with all gains and losses recognized immediately in income. All of the investments are classified as Level 1 investments for purposes of Fair Value Measurements. At December 31, 2021, the fair value of the assets held in the Rabbi Trust was \$35 million.

The following Registrant Subsidiaries participate in Entergy's non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. The net periodic pension cost for their employees for the non-qualified plans for 2021, 2020, and 2019, was as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
2021	\$343	\$307	\$365	\$30	\$615
2020	\$333	\$148	\$359	\$31	\$469
2019	\$275	\$159	\$326	\$20	\$481

Included in the 2021 net periodic pension cost above are settlement charges of \$155 thousand and \$172 thousand for Entergy Louisiana and Entergy Texas, respectively, related to the lump sum benefits paid out of the plan. Included in the 2019 net periodic pension cost above are settlement charges of \$40 thousand for Entergy Mississippi related to the lump sum benefits paid out of the plan. In 2020 there were no settlement charges related to the payment of lump sum benefits out of the plan.

The projected benefit obligation for their employees for the non-qualified plans as of December 31, 2021 and 2020 was as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
2021	\$2,875	\$1,469	\$3,708	\$1,069	\$7,462
2020	\$3,197	\$1,965	\$3,852	\$247	\$8,475

The accumulated benefit obligation for their employees for the non-qualified plans as of December 31, 2021 and 2020 was as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
2021	\$2,482	\$1,445	\$3,377	\$738	\$7,355
2020	\$2,626	\$1,802	\$3,345	\$240	\$7,949

The following amounts were recorded on the balance sheet as of December 31, 2021 and 2020:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Current liabilities	(\$248)	(\$186)	(\$190)	(\$31)	(\$3,080)
Non-current liabilities	(2,627)	(1,283)	(3,518)	(1,039)	(4,382)
Total funded status	(\$2,875)	(\$1,469)	(\$3,708)	(\$1,070)	(\$7,462)
Regulatory asset/(liability)	\$1,059	\$233	\$1,368	\$251	(\$706)
Accumulated other comprehensive income (before taxes)	\$—	\$10	\$—	\$—	\$—

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Current liabilities	(\$218)	(\$193)	(\$181)	(\$17)	(\$633)
Non-current liabilities	(2,979)	(1,772)	(3,671)	(230)	(7,842)
Total funded status	(\$3,197)	(\$1,965)	(\$3,852)	(\$247)	(\$8,475)
Regulatory asset/(liability)	\$1,535	\$424	\$1,757	(\$558)	\$147
Accumulated other comprehensive income (before taxes)	\$—	\$18	\$—	\$—	\$—

The non-qualified pension plans incurred actuarial losses during 2021 primarily due to differences in recent retirement and lump sum experience relative to actuarial assumptions. The non-qualified pension plans incurred actuarial losses during 2020 primarily due to a fall in bond yields that resulted in decreases to the discount rates used to develop the benefit obligations.

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) as of December 31, 2021:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
Entergy				
Amortization of prior service cost	\$—	\$21,151	(\$204)	\$20,947
Amortization of loss	(84,661)	(1,983)	(2,194)	(88,838)
Settlement loss	(12,001)	—	(4,378)	(16,379)
	<u>(\$96,662)</u>	<u>\$19,168</u>	<u>(\$6,776)</u>	<u>(\$84,270)</u>
Entergy Louisiana				
Amortization of prior service cost	\$—	\$4,920	\$—	\$4,920
Amortization of loss	(2,681)	364	(5)	(2,322)
Settlement loss	(2,478)	—	(6)	(2,484)
	<u>(\$5,159)</u>	<u>\$5,284</u>	<u>(\$11)</u>	<u>\$114</u>

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) as of December 31, 2020:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
Entergy				
Amortization of prior service cost	\$—	\$21,000	(\$231)	\$20,769
Amortization of loss	(105,853)	(1,006)	(3,326)	(110,185)
Settlement loss	(243)	—	—	(243)
	<u>(\$106,096)</u>	<u>\$19,994</u>	<u>(\$3,557)</u>	<u>(\$89,659)</u>
Entergy Louisiana				
Amortization of prior service cost	\$—	\$6,179	\$—	\$6,179
Amortization of loss	(2,001)	447	(3)	(1,557)
Settlement loss	(243)	—	—	(243)
	<u>(\$2,244)</u>	<u>\$6,626</u>	<u>(\$3)</u>	<u>\$4,379</u>

Accounting for Pension and Other Postretirement Benefits

Accounting standards require an employer to recognize in its balance sheet the funded status of its benefit plans. This is measured as the difference between plan assets at fair value and the benefit obligation. Entergy uses a December 31 measurement date for its pension and other postretirement plans. Employers are to record previously unrecognized gains and losses, prior service costs, and any remaining transition asset or obligation (that resulted from adopting prior pension and other postretirement benefits accounting standards) as comprehensive income and/or as a regulatory asset reflective of the recovery mechanism for pension and other postretirement benefit costs in the Registrant Subsidiaries' respective regulatory jurisdictions. For the portion of Entergy Louisiana that is not regulated, the unrecognized prior service cost, gains and losses, and transition asset/obligation for its pension and other postretirement benefit obligations are recorded as other comprehensive income. Entergy

Louisiana recovers other postretirement benefit costs on a pay-as-you-go basis and records the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation as other comprehensive income. Accounting standards also require that changes in the funded status be recorded as other comprehensive income and/or a regulatory asset in the period in which the changes occur.

With regard to pension and other postretirement costs, Entergy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. In general, Entergy determines the MRV of its pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns and for its other postretirement benefit plan assets Entergy generally uses fair value.

In accordance with ASU No. 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”, 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 by Entergy in miscellaneous - net in other income.

Qualified Pension Settlement Cost

Year-to-date lump sum benefit payments from the Entergy Corporation Retirement Plan for Bargaining Employees and the Entergy Corporation Retirement Plan for Non-Bargaining Employees exceeded the sum of the Plans’ 2021 service and interest cost, resulting in settlement costs. In accordance with accounting standards, settlement accounting requires immediate recognition of the portion of previously unrecognized losses associated with the settled portion of the plans’ pension liability. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy participate in one or both of the Entergy Corporation Retirement Plan for Bargaining Employees and the Entergy Corporation Retirement Plan for Non-Bargaining employees and incurred settlement costs. Similar to other pension costs, the settlement costs were included with employee labor costs and charged to expense and capital in the same manner that labor costs were charged. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans received regulatory approval to defer the expense portion of the settlement costs, with future amortization of the deferred settlement expense over the period in which the expense otherwise would be recorded had the immediate recognition not occurred.

Entergy Texas Reserve

In September 2020, Entergy Texas elected to establish a reserve, in accordance with PUCT regulations, for the difference between the amount recorded for pension and other postretirement benefits expense under generally accepted accounting principles during 2019, the first year that rates from Entergy Texas’s last general rate proceeding were in effect, and the annual amount of actuarially determined pension and other postretirement benefits chargeable to Entergy Texas’s expense. The reserve amount will be evaluated in the next scheduled PUCT rate case and a reasonable amortization period will be determined by the PUCT at that time. At December 31, 2021, the balance in this reserve was approximately \$14.6 million.

Qualified Pension and Other Postretirement Plans’ Assets

The Plan Administrator’s trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

In the optimization studies, the Plan Administrator formulates assumptions about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical

market characteristics of the various asset classes and making adjustments to reflect future conditions expected to prevail over the study period.

The target asset allocation for pension adjusts dynamically based on the pension plans' funded status. The current targets are shown below. The expectation is that the allocation to fixed income securities will increase as the pension plans' funded status increases. The following ranges were established to produce an acceptable, economically efficient plan to manage around the targets.

For postretirement assets the target and range asset allocations (as shown below) reflect recommendations made in the latest optimization study. The target asset allocations for postretirement assets adjust dynamically based on the funded status of each sub-account within each trust. The current weighted average targets shown below represent the aggregate of all targets for all sub-accounts within all trusts.

Entergy's qualified pension and postretirement weighted-average asset allocations by asset category at December 31, 2021 and 2020 and the target asset allocation and ranges for 2021 are as follows:

Pension Asset Allocation	Target	Range			Actual 2021	Actual 2020
Domestic Equity Securities	39%	32%	to	46%	40%	38%
International Equity Securities	19%	15%	to	23%	20%	19%
Fixed Income Securities	42%	39%	to	45%	40%	42%
Other	0%	0%	to	10%	0%	1%

Postretirement Asset Allocation	Non-Taxable and Taxable					
	Target	Range			Actual 2021	Actual 2020
Domestic Equity Securities	25%	20%	to	30%	28%	29%
International Equity Securities	17%	12%	to	22%	17%	18%
Fixed Income Securities	58%	53%	to	63%	55%	53%
Other	0%	0%	to	5%	0%	0%

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

The expected long-term rate of return for the qualified pension plans' assets is based primarily on the geometric average of the historical annual performance of a representative portfolio weighted by the target asset allocation defined in the table above, along with other indications of expected return on assets. The time period reflected is a long-dated period spanning several decades.

The expected long-term rate of return for the non-taxable postretirement trust assets is determined using the same methodology described above for pension assets, but the aggregate asset allocation specific to the non-taxable postretirement assets is used.

For the taxable postretirement trust assets, the investment allocation includes tax-exempt fixed income securities. This asset allocation, in combination with the same methodology employed to determine the expected return for other postretirement assets (as described above), and with a modification to reflect applicable taxes, is used to produce the expected long-term rate of return for taxable postretirement trust assets.

Concentrations of Credit Risk

Entergy's investment guidelines mandate the avoidance of risk concentrations. Types of concentrations specified to be avoided include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country, geographic area and individual security issuance. As of December 31, 2021, all investment managers and assets were materially in compliance with the approved investment guidelines, therefore there were no significant concentrations (defined as greater than 10 percent of plan assets) of credit risk in Entergy's pension and other postretirement benefit plan assets.

Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 - Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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 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 an independent party that uses 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 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.

If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Level 3 refers to securities valued based on significant unobservable inputs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth by level within the fair value hierarchy, measured at fair value on a recurring basis at December 31, 2021, and December 31, 2020, a summary of the investments held in the master trusts for Entergy's qualified pension and other postretirement plans in which the Registrant Subsidiaries participate.

Qualified Defined Benefit Pension Plan Trusts

2021	Level 1	Level 2	Level 3	Total
(In Thousands)				
Equity securities:				
Corporate stocks:				
Preferred	\$16,231 (b)	\$—	\$—	\$16,231
Common	1,001,169 (b)	—	—	1,001,169
Common collective trusts (c)				3,123,111
Fixed income securities:				
U.S. Government securities	—	627,148 (a)	—	627,148
Corporate debt instruments	—	966,616 (a)	—	966,616
Registered investment companies (e)	92,347 (d)	3,004 (d)	—	1,129,070
Other	—	68,886 (f)	—	68,886
Other:				
Insurance company general account (unallocated contracts)	—	5,961 (g)	—	5,961
Total investments	\$1,109,747	\$1,671,615	\$—	\$6,938,192
Cash				123,153
Other pending transactions				11,125
Less: Other postretirement assets included in total investments				(79,360)
Total fair value of qualified pension assets				\$6,993,110

2020	Level 1	Level 2	Level 3	Total
(In Thousands)				
Equity securities:				
Corporate stocks:				
Preferred	\$15,756 (b)	\$—	\$—	\$15,756
Common	1,031,213 (b)	—	—	1,031,213
Common collective trusts (c)				2,958,767
Fixed income securities:				
U.S. Government securities	—	731,319 (a)	—	731,319
Corporate debt instruments	—	1,029,370 (a)	—	1,029,370
Registered investment companies (e)	81,800 (d)	3,076 (d)	—	1,128,107
Other	156 (f)	56,323 (f)	—	56,479
Other:				
Insurance company general account (unallocated contracts)	—	6,253 (g)	—	6,253
Total investments	\$1,128,925	\$1,826,341	\$—	\$6,957,264
Cash				2,316
Other pending transactions				(29,121)
Less: Other postretirement assets included in total investments				(76,033)
Total fair value of qualified pension assets				\$6,854,426

Other Postretirement Trusts

2021	Level 1	Level 2	Level 3	Total
(In Thousands)				
Equity securities:				
Common collective trust (c)				\$312,594
Fixed income securities:				
U.S. Government securities	62,240 (b)	89,951 (a)	—	152,191
Corporate debt instruments	—	152,562 (a)	—	152,562
Registered investment companies	28,450 (d)	—	—	28,450
Other	—	72,059 (f)	—	72,059
Total investments	\$90,690	\$314,572	\$—	\$717,856
Other pending transactions				(25,897)
Plus: Other postretirement assets included in the investments of the qualified pension trust				79,360
Total fair value of other postretirement assets				\$771,319

2020	Level 1	Level 2	Level 3	Total
(In Thousands)				
Equity securities:				
Common collective trust (c)				\$315,191
Fixed income securities:				
U.S. Government securities	46,498 (b)	97,604 (a)	—	144,102
Corporate debt instruments	—	147,287 (a)	—	147,287
Registered investment companies	16,965 (d)	—	—	16,965
Other	—	60,219 (f)	—	60,219
Total investments	\$63,463	\$305,110	\$—	\$683,764
Other pending transactions				(21,931)
Plus: Other postretirement assets included in the investments of the qualified pension trust				76,033
Total fair value of other postretirement assets				\$737,866

- (a) Certain fixed income debt securities (corporate, government, and securitized) are stated at fair value as determined by broker quotes.
- (b) Common stocks, certain preferred stocks, and certain fixed income debt securities (government) are stated at fair value determined by quoted market prices.
- (c) The common collective trusts hold investments in accordance with stated objectives. The investment strategy of the trusts is to capture the growth potential of equity markets by replicating the performance of a specified index. Net asset value per share of common collective trusts estimate fair value. Common collective trusts 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, but are included in the total.
- (d) Registered investment companies are money market mutual funds with a stable net asset value of one dollar per share. Registered investment companies may hold investments in domestic and international bond markets or domestic equities and estimate fair value using net asset value per share.
- (e) Certain of these registered investment companies 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, but are included in the total.
- (f) The other remaining assets are U.S. municipal and foreign government bonds stated at fair value as determined by broker quotes and quoted market values.
- (g) The unallocated insurance contract investments are recorded at contract value, which approximates fair value. The contract value represents contributions made under the contract, plus interest, less funds used to pay benefits and contract expenses, and less distributions to the master trust.

Estimated Future Benefit Payments

Based upon the assumptions used to measure Entergy's qualified pension and other postretirement benefit obligations at December 31, 2021, and including pension and other postretirement benefits attributable to estimated future employee service, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for Entergy Corporation and its subsidiaries will be as follows:

Year(s)	Estimated Future Benefits Payments			Estimated Future Medicare D Subsidy Receipts
	Qualified Pension	Non-Qualified Pension	Other Postretirement (before Medicare Subsidy)	
	(In Thousands)			
2022	\$550,204	\$26,336	\$72,400	\$70
2023	\$542,753	\$24,710	\$72,220	\$27
2024	\$549,913	\$21,230	\$71,506	\$34
2025	\$530,406	\$36,210	\$70,148	\$34
2026	\$525,278	\$14,377	\$68,744	\$39
2027 - 2031	\$2,527,735	\$52,967	\$328,634	\$222

Based upon the same assumptions, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for the Registrant Subsidiaries for their employees will be as follows:

Estimated Future Qualified Pension Benefits Payments	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Year(s)						
2022	\$107,542	\$120,365	\$33,459	\$13,992	\$31,134	\$26,953
2023	\$104,328	\$118,289	\$33,055	\$13,677	\$30,381	\$25,985
2024	\$104,606	\$117,416	\$32,711	\$13,333	\$28,661	\$26,155
2025	\$102,411	\$116,610	\$31,838	\$13,146	\$26,807	\$25,203
2026	\$101,144	\$114,232	\$31,708	\$12,875	\$26,983	\$24,939
2027 - 2031	\$487,637	\$534,665	\$143,052	\$58,299	\$114,747	\$123,220

Estimated Future Non-Qualified Pension Benefits Payments	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Year(s)					
2022	\$248	\$186	\$190	\$31	\$3,080
2023	\$383	\$172	\$422	\$82	\$441
2024	\$324	\$159	\$504	\$104	\$420
2025	\$689	\$146	\$486	\$135	\$398
2026	\$143	\$133	\$412	\$128	\$428
2027 - 2031	\$878	\$503	\$1,927	\$782	\$1,677

Estimated Future Other Postretirement Benefits Payments (before Medicare Part D Subsidy)	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Year(s)						
2022	\$14,228	\$15,845	\$3,488	\$2,449	\$5,061	\$2,828
2023	\$13,652	\$15,766	\$3,550	\$2,378	\$4,998	\$2,774
2024	\$13,392	\$15,404	\$3,597	\$2,288	\$4,824	\$2,668
2025	\$13,021	\$15,182	\$3,657	\$2,200	\$4,686	\$2,617
2026	\$12,717	\$14,868	\$3,645	\$2,096	\$4,458	\$2,511
2027 - 2031	\$61,153	\$70,094	\$18,095	\$9,058	\$20,932	\$12,474

Estimated Future Medicare Part D Subsidy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Year(s)						
2022	\$35	\$6	\$14	\$—	\$—	\$1
2023	\$3	\$5	\$15	\$—	\$—	\$1
2024	\$4	\$7	\$16	\$—	\$—	\$1
2025	\$4	\$8	\$17	\$—	\$—	\$—
2026	\$5	\$7	\$18	\$1	\$—	\$1
2027 - 2031	\$27	\$51	\$104	\$—	\$—	\$4

Contributions

Entergy currently expects to contribute approximately \$200 million to its qualified pension plans and approximately \$42.8 million to other postretirement plans in 2022. The expected 2022 pension and other postretirement plan contributions of the Registrant Subsidiaries for their employees are shown below. The 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

The Registrant Subsidiaries expect to contribute approximately the following to the qualified pension and other postretirement plans for their employees in 2022:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Pension Contributions	\$40,840	\$22,917	\$12,852	\$922	\$1,924	\$12,760
Other Postretirement Contributions	\$517	\$15,845	\$130	\$175	\$66	\$22

Actuarial Assumptions

The significant actuarial assumptions used in determining the pension PBO and the other postretirement benefit APBO as of December 31, 2021 and 2020 were as follows:

	2021	2020
Weighted-average discount rate:		
Qualified pension	2.99% - 3.08% Blended 3.05%	2.60% - 2.83% Blended 2.77%
Other postretirement	2.94%	2.62%
Non-qualified pension	2.11%	1.61%
Weighted-average rate of increase in future compensation levels	3.98% - 4.40%	3.98% - 4.40%
Interest crediting rate	2.60%	2.60%
Assumed health care trend rate:		
Pre-65	5.65%	5.87%
Post-65	5.90%	6.31%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond:		
Pre-65	2032	2030
Post-65	2032	2028

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2021, 2020, and 2019 were as follows:

	2021	2020	2019
Weighted-average discount rate:			
Qualified pension:			
Service cost	2.81%	3.42%	4.57%
Interest cost	2.08%	2.99%	4.15%
Other postretirement:			
Service cost	2.98%	3.27%	4.62%
Interest cost	1.86%	2.41%	4.01%
Non-qualified pension:			
Service cost	1.48%	2.71%	3.94%
Interest cost	2.14%	2.25%	3.46%
Weighted-average rate of increase in future compensation levels	3.98% - 4.40%	3.98% - 4.40%	3.98%
Expected long-term rate of return on plan assets:			
Pension assets	6.75%	7.00%	7.25%
Other postretirement non-taxable assets	6.00% - 6.75%	6.25% - 7.25%	6.50% - 7.50%
Other postretirement taxable assets	5.00%	5.25%	5.50%
Assumed health care trend rate:			
Pre-65	5.87%	6.13%	6.59%
Post-65	6.31%	6.25%	7.15%
Ultimate rate	4.75%	4.75%	4.75%
Year ultimate rate is reached and beyond:			
Pre-65	2030	2027	2027
Post-65	2028	2027	2026

With respect to the mortality assumptions, Entergy used the Pri-2012 Employee and Healthy Annuitant Tables with a fully generational MP-2020 projection scale, in determining its December 31, 2021 and 2020 pension plans' PBOs and the Pri.H 2012 (headcount weighted) Employee and Healthy Annuitant Tables with a fully generational MP-2020 projection scale, in determining its December 31, 2021 and 2020 other postretirement benefit APBO.

Defined Contribution Plans

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (System Savings Plan). The System Savings Plan is a defined contribution plan covering eligible employees of Entergy and certain of its subsidiaries. The participating Entergy subsidiary makes matching contributions to the System Savings Plan for all eligible participating employees in an amount equal to either 70% or 100% of the participants' basic contributions, up to 6% of their eligible earnings per pay period. The matching contribution is allocated to investments as directed by the employee.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries VI (established in April 2007) and the Savings Plan of Entergy Corporation and Subsidiaries VII (established in April 2007) to which matching contributions are also made. The plans are defined contribution plans that cover eligible employees, as defined by each plan, of Entergy and certain of its subsidiaries.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries VIII (established January 2021) and the Savings Plan of Entergy Corporation and Subsidiaries IX (established January 2021) to which company contributions are made. The participating Entergy subsidiary makes matching contributions to these defined contribution plans for all eligible participating employees in an amount equal to 100% of the participants' basic contributions, up to 5% of their eligible earnings per pay period. Eligible participants may also receive a discretionary annual company contribution up to 4% of the participant's eligible earnings (subject to vesting).

Entergy's subsidiaries' contributions to defined contribution plans collectively were \$62.3 million in 2021, \$63.1 million in 2020, and \$57.6 million in 2019. The majority of the contributions were to the System Savings Plan.

The Registrant Subsidiaries' 2021, 2020, and 2019 contributions to defined contribution plans for their employees were as follows:

Year	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2021	\$4,820	\$6,678	\$3,045	\$1,140	\$2,699
2020	\$4,515	\$6,518	\$2,863	\$1,115	\$2,596
2019	\$4,111	\$5,641	\$2,424	\$882	\$2,136

NOTE 12. STOCK-BASED COMPENSATION (Entergy Corporation)

Entergy grants stock options, restricted stock, performance units, and restricted stock units to key employees of the Entergy subsidiaries under its equity plans which are shareholder-approved stock-based compensation plans. Effective May 3, 2019, Entergy's shareholders approved the 2019 Omnibus Incentive Plan (2019 Plan). The maximum number of common shares that can be issued from the 2019 Plan for stock-based awards is 7,300,000 all of which are available for incentive stock option grants. The 2019 Plan applies to awards granted on or after May 3, 2019 and awards expire ten years from the date of grant. As of December 31, 2021, there were 4,711,095 authorized shares remaining for stock-based awards.

Stock Options

Stock options are granted at exercise prices that equal the closing market price of Entergy Corporation common stock on the date of grant. Generally, stock options granted will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Unless they are forfeited previously under the terms of the grant, options expire 10 years after the date of the grant if they are not exercised.

The following table includes financial information for stock options for each of the years presented:

	2021	2020	2019
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$4.2	\$3.9	\$3.8
Tax benefit recognized in Entergy's consolidated net income	\$1.1	\$1.0	\$1.0
Compensation cost capitalized as part of fixed assets and inventory	\$1.5	\$1.5	\$1.4

Entergy determines the fair value of the stock option grants by considering factors such as lack of marketability, stock retention requirements, and regulatory restrictions on exercisability in accordance with accounting standards. The stock option weighted-average assumptions used in determining the fair values are as follows:

	2021	2020	2019
Stock price volatility	23.93%	17.16%	17.23%
Expected term in years	6.93	7.04	7.32
Risk-free interest rate	0.74%	1.49%	2.50%
Dividend yield	4.00%	4.00%	4.50%
Dividend payment per share	\$3.86	\$3.74	\$3.66

Stock price volatility is calculated based upon the daily public stock price volatility of Entergy Corporation common stock over a period equal to the expected term of the award. The expected term of the options is based upon historical option exercises and the weighted average life of options when exercised and the estimated weighted average life of all vested but unexercised options. In 2008, Entergy implemented stock ownership guidelines for its senior executive officers. These guidelines require an executive officer to own shares of Entergy Corporation common stock equal to a specified multiple of his or her salary. Until an executive officer achieves this ownership position the executive officer is required to retain 75% of the net-of-tax net profit upon exercise of the option to be held in Entergy Corporation common stock. The reduction in fair value of the stock options due to this restriction is based upon an estimate of the call option value of the reinvested gain discounted to present value over the applicable reinvestment period.

A summary of stock option activity for the year ended December 31, 2021 and changes during the year are presented below:

	Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value	Weighted- Average Contractual Life
Options outstanding as of January 1, 2021	2,399,379	\$89.63		
Options granted	508,704	\$95.87		
Options exercised	(72,138)	\$80.54		
Options forfeited/expired	(16,301)	\$117.89		
Options outstanding as of December 31, 2021	<u>2,819,644</u>	\$90.82	\$71,110,949	6.34 years
Options exercisable as of December 31, 2021	<u>1,788,702</u>	\$81.91	\$58,164,228	5.16 years
Weighted-average grant-date fair value of options granted during 2021	\$12.27			

The weighted-average grant-date fair value of options granted during the year was \$11.45 for 2020 and \$8.32 for 2019. The total intrinsic value of stock options exercised was \$2 million during 2021, \$26 million during 2020, and \$29 million during 2019. The intrinsic value, which has no effect on net income, of the outstanding stock options exercised 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 December 31, 2021. The aggregate intrinsic value of the stock options outstanding as of December 31, 2021 was \$71.1 million. Stock options outstanding as of December 31, 2021 includes 501,316 out of the money options with an intrinsic value of zero. Entergy recognizes compensation cost over the vesting period of the options based on their grant-date fair value. The total fair value of options that vested was approximately \$5 million during 2021, \$5 million during 2020, and \$5 million during 2019. Cash received from option exercises was \$6 million for the year ended December 31, 2021. The tax benefits realized from options exercised was \$0.5 million for the year ended December 31, 2021.

The following table summarizes information about stock options outstanding as of December 31, 2021:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	As of December 31, 2021	Weighted-Average Remaining Contractual Life-Yrs.	Weighted Average Exercise Price	Number Exercisable as of December 31, 2021	Weighted Average Exercise Price
\$51 - \$64.99	240,200	1.72	\$63.69	240,200	\$63.69
\$65 - \$78.99	915,839	5.19	\$73.80	915,839	\$73.80
\$79 - \$91.99	653,585	6.21	\$89.35	465,577	\$89.41
\$92 - \$131.72	1,010,020	8.58	\$113.66	167,086	\$131.72
\$51 - \$131.72	<u>2,819,644</u>	6.34	\$90.82	<u>1,788,702</u>	\$81.91

Stock-based compensation cost related to non-vested stock options outstanding as of December 31, 2021 not yet recognized is approximately \$7 million and is expected to be recognized over a weighted-average period of 1.72 years.

Restricted Stock Awards

Entergy grants restricted stock awards earned under its stock benefit plans in the form of stock units. One-third of the restricted stock awards will vest upon each anniversary of the grant date and are expensed ratably over

the three-year vesting period. Shares of restricted stock have the same dividend and voting rights as other common stock and are considered issued and outstanding shares of Entergy upon vesting. In January 2021 the Board approved and Entergy granted 392,383 restricted stock awards under the 2019 Plan. The restricted stock awards were made effective on January 28, 2021 and were valued at \$95.87 per share, which was the closing price of Entergy Corporation's common stock on that date.

The following table includes information about the restricted stock awards outstanding as of December 31, 2021:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2021	648,498	\$107.89
Granted	419,095	\$96.45
Vested	(323,698)	\$99.28
Forfeited	(58,540)	\$108.57
Outstanding shares at December 31, 2021	685,355	\$104.91

The following table includes financial information for restricted stock for each of the years presented:

	2021	2020	2019
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$24.7	\$23.1	\$20.2
Tax benefit recognized in Entergy's consolidated net income	\$6.3	\$5.9	\$5.1
Compensation cost capitalized as part of fixed assets and inventory	\$9.3	\$8.5	\$7.1

The total fair value of the restricted stock awards granted was \$40 million, \$44 million, and \$34 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The total fair value of the restricted stock awards vested was \$32 million, \$27 million, and \$25 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Long-Term Performance Unit Program

Entergy grants long-term incentive awards earned under its stock benefit plans in the form of performance units, which represents 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. The Long-Term Performance Unit Program specifies a minimum, target, and maximum achievement level, the achievement of which will determine the number of performance units that may be earned. Entergy measures performance by assessing Entergy's total shareholder return relative to the total shareholder return of the companies in the Philadelphia Utility Index. To emphasize the importance of strong cash generation for the long-term health of its business, Entergy Corporation replaced the cumulative adjusted earnings per share metric with a credit measure – adjusted funds from operations/debt ratio for the 2021-2023 performance period. For the 2021-2023 performance period, performance will be measured based eighty percent on relative total shareholder return and twenty percent on the credit metric.

In January 2021 the Board approved and Entergy granted 203,983 performance units under the 2019 Plan. The performance units were granted on January 28, 2021, and eighty percent were valued at \$110.74 per share based on various factors, primarily market conditions; and twenty percent were valued at \$95.87 per share, the closing price of Entergy Corporation's common stock on that date. Performance units 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, and compensation cost for the portion of the award based on cumulative adjusted earnings per share will be adjusted based on the number of units that ultimately vest.

The following table includes information about the long-term performance units outstanding at the target level as of December 31, 2021:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2021	475,765	\$110.82
Granted	303,092	\$104.02
Vested	(235,983)	\$82.42
Forfeited	(21,038)	\$122.87
Outstanding shares at December 31, 2021	521,836	\$119.23

The following table includes financial information for the long-term performance units for each of the years presented:

	2021	2020	2019
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$14.5	\$12.6	\$11.1
Tax benefit recognized in Entergy's consolidated net income	\$3.7	\$3.2	\$2.8
Compensation cost capitalized as part of fixed assets and inventory	\$5.8	\$4.9	\$4.0

The total fair value of the long-term performance units granted was \$32 million, \$40 million, and \$23 million for the years ended December 31, 2021, 2020, and 2019, respectively.

In January 2021, Entergy issued 235,983 shares of Entergy Corporation common stock at a share price of \$95.12 for awards earned and dividends accrued under the 2018-2020 Long-Term Performance Unit Program. In January 2020, Entergy issued 423,184 shares of Entergy Corporation common stock at a share price of \$126.31 for awards earned and dividends accrued under the 2017-2019 Long-Term Performance Unit Program. In January 2019, Entergy issued 226,208 shares of Entergy Corporation common stock at a share price of \$86.03 for awards earned and dividends accrued under the 2016-2018 Long-Term Performance Unit Program.

Restricted Stock Unit Awards

Entergy grants restricted stock unit awards earned under its stock benefit plans in the form of stock units that are subject to time-based restrictions. The restricted stock units may be settled in shares of Entergy Corporation common stock or the cash value of shares of Entergy Corporation common stock at the time of vesting. The costs of restricted stock unit awards are charged to income over the restricted period, which varies from grant to grant. The average vesting period for restricted stock unit awards granted is 35 months. As of December 31, 2021, there were 88,648 unvested restricted stock units that are expected to vest over an average period of 18 months.

The following table includes information about the restricted stock unit awards outstanding as of December 31, 2021:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2021	86,175	\$92.92
Granted	39,478	\$105.06
Vested	(37,005)	\$90.89
Outstanding shares at December 31, 2021	88,648	\$99.18

The following table includes financial information for restricted stock unit awards for each of the years presented:

	2021	2020	2019
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$1.9	\$2.0	\$2.2
Tax benefit recognized in Entergy's consolidated net income	\$0.5	\$0.5	\$0.6
Compensation cost capitalized as part of fixed assets and inventory	\$0.7	\$0.9	\$0.9

The total fair value of the restricted stock unit awards granted was \$4 million, \$2 million, and \$3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The total fair value of the restricted stock unit awards vested was \$3 million, \$4 million, and \$5.9 million for the years ended December 31, 2021, 2020, and 2019, respectively.

NOTE 13. BUSINESS SEGMENT INFORMATION (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy's reportable segments as of December 31, 2021 were Utility and Entergy Wholesale Commodities. Utility includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and natural gas utility service in portions of Louisiana. 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 includes the ownership of 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 was as follows:

2021	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
(In Thousands)					
Operating revenues	\$11,044,674	\$698,164	\$87	(\$29)	\$11,742,896
Asset write-offs, impairments, and related charges	\$—	\$263,625	\$—	\$—	\$263,625
Depreciation, amortization, & decommissioning	\$1,823,389	\$164,602	\$2,706	\$—	\$1,990,697
Interest and investment income	\$442,817	\$118,597	\$10,932	(\$141,880)	\$430,466
Interest expense	\$692,004	\$13,334	\$143,614	(\$14,258)	\$834,694
Income taxes	\$264,209	(\$25,381)	(\$47,454)	\$—	\$191,374
Consolidated net income (loss)	\$1,488,487	(\$120,689)	(\$121,457)	(\$127,622)	\$1,118,719
Total assets	\$59,733,625	\$1,242,675	\$561,168	(\$2,083,226)	\$59,454,242
Cash paid for long-lived asset additions	\$6,409,855	\$12,100	\$157	\$—	\$6,422,112

2020	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
(In Thousands)					
Operating revenues	\$9,170,714	\$942,869	\$78	(\$25)	\$10,113,636
Asset write-offs, impairments, and related charges	\$—	\$26,623	\$—	\$—	\$26,623
Depreciation, amortization, & decommissioning	\$1,685,138	\$306,974	\$2,835	\$—	\$1,994,947
Interest and investment income	\$299,004	\$234,194	\$19,563	(\$159,943)	\$392,818
Interest expense	\$648,851	\$22,432	\$146,730	(\$32,350)	\$785,663
Income taxes	(\$282,311)	\$104,937	\$55,868	\$—	(\$121,506)
Consolidated net income (loss)	\$1,816,354	(\$62,763)	(\$219,344)	(\$127,594)	\$1,406,653
Total assets	\$55,940,153	\$3,800,378	\$552,632	(\$2,053,951)	\$58,239,212
Cash paid for long-lived asset additions	\$5,102,322	\$54,455	\$84	\$—	\$5,156,861

2019	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
(In Thousands)					
Operating revenues	\$9,583,985	\$1,294,719	\$21	(\$52)	\$10,878,673
Asset write-offs, impairments, and related charges	\$—	\$290,027	\$—	\$—	\$290,027
Depreciation, amortization, & decommissioning	\$1,493,167	\$384,707	\$2,944	\$—	\$1,880,818
Interest and investment income	\$289,570	\$414,636	\$26,295	(\$182,589)	\$547,912
Interest expense	\$589,395	\$29,450	\$178,575	(\$54,995)	\$742,425
Income taxes	\$19,634	(\$161,295)	(\$28,164)	\$—	(\$169,825)
Consolidated net income (loss)	\$1,425,643	\$148,870	(\$188,675)	(\$127,594)	\$1,258,244
Total assets	\$49,557,664	\$4,154,961	\$514,020	(\$2,502,733)	\$51,723,912
Cash paid for long-lived asset additions	\$4,527,045	\$104,300	\$160	\$—	\$4,631,505

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.

Results of operations for 2021 include a charge of \$340 million (\$268 million net-of-tax) as a result of the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements for further discussion of the sale of the Indian Point Energy Center.

Results of operations for 2020 include resolution of the 2014-2015 IRS audit, which resulted in a reduction in deferred income tax expense of \$230 million that includes a \$396 million reduction in deferred income tax expense at Utility related to the basis of assets contributed in the 2015 Entergy Louisiana and Entergy Gulf States Louisiana business combination, including the recognition of previously uncertain tax positions, and deferred income tax expense of \$105 million at Entergy Wholesale Commodities and \$61 million at Parent and Other resulting from the revaluation of net operating losses as a result of the release of the reserves. See Note 3 to the financial statements for further discussion of the IRS audit resolution.

Results of operations for 2019 include: 1) a loss of \$190 million (\$156 million net-of-tax) as a result of the sale of the Pilgrim plant in August 2019; 2) a \$156 million reduction in income tax expense recognized by Entergy Wholesale Commodities as a result of an internal restructuring; and 3) impairment charges of \$100 million (\$79 million net-of-tax) due to costs being charged directly 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 exit the Entergy Wholesale Commodities’ merchant power business. See Note 3 to the financial statements for further discussion of the internal restructuring. See Note 14 to the financial statements for further discussion of the sale of the Pilgrim plant.

Entergy Wholesale Commodities

In January 2019, Entergy sold the Vermont Yankee plant, which it had previously shut down, to NorthStar. In August 2019, Entergy sold the Pilgrim plant, which it had previously shut down, to Holtec. In May 2021, Entergy sold Indian Point 1, Indian Point 2, and Indian Point 3 to Holtec. Entergy has also announced plans to shut down Palisades in May 2022 and has a purchase and sale agreement with Holtec expected to close after the plant is shut down. Management expects these transactions to result in the cessation of merchant power generation at all Entergy Wholesale Commodities nuclear power plants owned and operated by Entergy by 2022. Entergy will continue to have the obligation to decommission the Palisades plant pending its sale to Holtec.

The decisions to shut down these plants and the related transactions resulted in asset impairments; employee retention and severance expenses and other benefits-related costs; and contracted economic development contributions. The employee retention and severance expenses and other benefits-related costs and contracted economic development contributions are included in "Other operation and maintenance" in the consolidated income statements.

Total restructuring charges in 2021, 2020, and 2019 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 December 31, 2018	\$179	\$14	\$193
Restructuring costs accrued	91	—	91
Cash paid out	141	—	141
Balance as of December 31, 2019	\$129	\$14	\$143
Restructuring costs accrued	71	—	71
Cash paid out	55	—	55
Balance as of December 31, 2020	\$145	\$14	\$159
Restructuring costs accrued	12	1	13
Cash paid out	120	15	135
Balance as of December 31, 2021	\$37	\$—	\$37

In addition, Entergy Wholesale Commodities incurred \$264 million in 2021, \$19 million in 2020, and \$290 million in 2019 of impairment, loss on sales, and other related charges associated with these strategic decisions and transactions. See Note 14 to the financial statements for further discussion of these impairment charges.

Going forward, Entergy Wholesale Commodities expects to incur employee retention and severance expenses of approximately \$5 million in 2022 associated with these strategic transactions.

Geographic Areas

For the years ended December 31, 2021, 2020, and 2019, the amount of revenue Entergy derived from outside of the United States was insignificant. As of December 31, 2021 and 2020, Entergy had no long-lived assets located outside of the United States.

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 14. ACQUISITIONS, DISPOSITIONS, AND IMPAIRMENT OF LONG-LIVED ASSETS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas)

Acquisitions

Searcy Solar Facility

In March 2019, Entergy Arkansas entered into a build-own-transfer agreement for the purchase of an approximately 100 MW solar energy facility to be sited on approximately 800 acres in White County near Searcy, Arkansas. The project, Searcy Solar facility, was being constructed by a subsidiary of NextEra Energy Resources. In April 2020 the APSC issued an order approving Entergy Arkansas's acquisition of the Searcy Solar facility as

being in the public interest. In May 2021, Entergy Arkansas filed with the APSC an application seeking to amend its certificate for the Searcy Solar facility to allow for the use of a tax equity partnership to acquire and own the facility. The tax equity partnership structure is expected to reduce costs and yield incremental net benefits to customers beyond those expected under the build-own-transfer structure alone. The APSC approved Entergy Arkansas's tax equity partnership request in September 2021. AR Searcy Partnership, LLC was formed for the tax equity partnership with Entergy Arkansas as its managing member. In November 2021 both Entergy Arkansas and the tax equity investor made capital contributions to the tax equity partnership that were then used to acquire the facility. Upon substantial completion of the facility in December 2021, the tax equity partnership completed the purchase of the Searcy Solar facility. The purchase price for the Searcy Solar facility was approximately \$133 million, which includes a final payment of approximately \$1 million to be made in 2022. See Note 1 to the financial statements for further discussion of the HLBV method of accounting used to account for the investment in AR Searcy Partnership, LLC.

Hardin County Peaking Facility

In June 2021, Entergy Texas purchased the Hardin County Peaking Facility, an existing 147 MW simple-cycle gas-fired peaking power plant in Kountze, Texas, from East Texas Electric Cooperative, Inc. In addition, also in June 2021, Entergy Texas sold a 7.56% partial interest in the Montgomery County Power Station to East Texas Electric Cooperative, Inc. for approximately \$68 million. The two interdependent transactions were approved by the PUCT in April 2021. The purchase price for the Hardin County Peaking Facility was approximately \$37 million.

Washington Parish Energy Center

In April 2017, Entergy Louisiana entered into an agreement with a subsidiary of Calpine Corporation for the construction and purchase of Washington Parish Energy Center, which consists of two natural gas-fired combustion turbine units with a total nominal capacity of approximately 361 MW. In November 2020, Entergy Louisiana completed the purchase, as approved by the LPSC, of the Washington Parish Energy Center. The total investment including transmission and other related costs, is approximately \$261 million, including a payment of \$222 million to purchase the plant.

Choctaw Generating Station

In October 2019, Entergy Mississippi purchased the Choctaw Generating Station, an 810 MW natural gas fired combined-cycle turbine plant located near French Camp, Mississippi, from a subsidiary of GenOn Energy Inc. The purchase price for the Choctaw Generating Station was approximately \$305 million.

Dispositions

Indian Point Energy Center

In April 2019, Entergy entered into an agreement to sell, directly or indirectly, 100% of the equity interests in the subsidiaries that own Indian Point 1, Indian Point 2, and Indian Point 3, after Indian Point 3 had been shut down and defueled, to a Holtec International subsidiary. In November 2020 the NRC approved the sale of the plant to Holtec. Indian Point 3 was shut down in April 2021 and defueled in May 2021. In May 2021 the New York State Public Service Commission approved the sale of the plant to Holtec. The transaction closed in May 2021. The sale included the transfer of the licenses, spent fuel, decommissioning liabilities, and nuclear decommissioning trusts for the three units. The transaction resulted in a charge of \$340 million (\$268 million net-of-tax) in the second quarter of 2021. The disposition-date fair value of the nuclear decommissioning trust funds was approximately \$2,387 million and the disposition-date fair value of the asset retirement obligations was \$1,996 million. The transaction also included materials and supplies and prepaid assets.

Pilgrim

In July 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in Entergy Nuclear Generation Company, the owner of the Pilgrim plant. In August 2019 the NRC approved the sale of the plant to Holtec. The transaction closed in August 2019 for a purchase price of \$1,000 (subject to adjustments for net liabilities and other amounts). The sale included the transfer of the Pilgrim nuclear decommissioning trust and the asset retirement obligation for spent fuel management and plant decommissioning. The transaction resulted in a loss of \$190 million (\$156 million net-of-tax) in the third quarter 2019. The disposition-date fair value of the nuclear decommissioning trust fund was approximately \$1,030 million and the disposition-date fair value of the asset retirement obligation was \$837 million. The transaction also included property, plant, and equipment with a net book value of zero, materials and supplies, and prepaid assets.

Vermont Yankee

In November 2016, Entergy entered into an agreement to sell 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. Entergy Nuclear Vermont Yankee was the owner of the Vermont Yankee plant. The sale of Entergy Nuclear Vermont Yankee to NorthStar included the transfer of the nuclear decommissioning trust fund and the asset retirement obligation for the spent fuel management and decommissioning of the plant.

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 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. In October 2018 the NRC issued an order approving the application to transfer Vermont Yankee's license to NorthStar for decommissioning. In December 2018 the Vermont Public Utility Commission issued an order approving the transaction consistent with the Memorandum of Understanding's terms. On January 11, 2019, Entergy and NorthStar closed the transaction.

Entergy Nuclear Vermont Yankee had an outstanding credit facility that was used to pay for dry fuel storage costs. This credit facility was guaranteed by Entergy Corporation. A subsidiary of Entergy assumed the obligations under the credit facility, which remains outstanding. At the closing of the sale transaction, NorthStar caused Entergy Nuclear Vermont Yankee, renamed NorthStar Vermont Yankee, to issue a \$139 million promissory note to the Entergy subsidiary that assumed the credit facility obligations. The amount of the note included the balance outstanding on the credit facility, as well as borrowing fees and costs incurred by Entergy in connection with the credit facility.

With the receipt of the NRC and Vermont Public Utility Commission approvals and the resolution among the parties of the significant conditions of the sale, Entergy concluded that as of December 31, 2018, Vermont Yankee was in held for sale status. Entergy accordingly evaluated the Vermont Yankee asset retirement obligation in light of the terms of the sale transaction and evaluated the remaining values of the Vermont Yankee assets. These evaluations resulted in an increase in the asset retirement obligation and \$173 million of asset impairment and related other charges in the fourth quarter 2018. Upon closing of the transaction in January 2019, the Vermont Yankee decommissioning trust, along with the decommissioning obligation for the plant, was transferred to NorthStar.

The Vermont Yankee spent fuel disposal contract was assigned to NorthStar as part of the transaction. The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter of 2019; accordingly, Entergy accrued a net tax expense of \$29 million on the disposition of Vermont Yankee. The transaction also resulted in other charges of \$5.4 million (\$4.2 million net-of-tax) in the first quarter 2019.

Impairment of Long-lived Assets

2019, 2020, and 2021 Impairments

Entergy continues to execute its strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet, with a planned shutdown of the only remaining operating plant, Palisades, by May 31, 2022. The other five Entergy Wholesale Commodities' nuclear plants, FitzPatrick, Vermont Yankee, Pilgrim, Indian Point 2, and Indian Point 3, have been sold. The FitzPatrick plant was classified as held-for-sale at December 31, 2016, and subsequently sold to Exelon in March 2017. The Vermont Yankee plant was classified as held-for-sale at December 31, 2018, and subsequently sold to NorthStar on January 11, 2019. The Pilgrim plant was sold to Holtec International on August 26, 2019. The Indian Point 2 and Indian Point 3 plants were sold to Holtec International on May 28, 2021.

Entergy Wholesale Commodities incurred \$7 million in 2021, \$19 million in 2020, and \$100 million in 2019 of impairment charges primarily related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets. These costs were charged to expense as incurred as a result of the impaired fair 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 exit the Entergy Wholesale Commodities merchant power business.

With respect to Palisades, Entergy and Consumers Energy had agreed to amend the existing PPA so that it would terminate early, on May 31, 2018. In September 2017, however, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy continues to operate Palisades under the current PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades plant permanently no later than May 31, 2022. As a result of the change in expected operating life of the Palisades plant, the expected probability-weighted undiscounted net cash flows as of September 30, 2017 exceeded the carrying value of the plant and related assets. Accordingly, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets incurred at Palisades after September 30, 2017 are no longer charged to expense as incurred, but recorded as assets and depreciated or amortized, subject to the typical periodic impairment reviews prescribed in the accounting rules.

The impairments and other related charges are recorded as a separate line item in Entergy's consolidated statements of operations and are included within the results of the Entergy Wholesale Commodities segment. In addition to the impairments and other related charges, Entergy expects to incur additional charges through mid-2022 associated with these strategic transactions. See Note 13 to the financial statements for further discussion of these additional charges.

NOTE 15. 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 entered into forward contracts with its customers and also sold energy and capacity in the day ahead or spot markets. In addition to its forward physical power and gas contracts, Entergy Wholesale Commodities used a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price fell, the combination of financial contracts was expected to settle in gains that offset lower revenue from generation, which resulted in a more predictable cash flow.

Consistent with management's strategy to shut down and sell all plants in the Entergy Wholesale Commodities merchant fleet, the Entergy Wholesale Commodities portfolio of derivative instruments expired in April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio.

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. 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 entered 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 settled against day-ahead power pool prices were used to manage price exposure for Entergy Wholesale Commodities generation. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 99% for 2022, all of which is sold under normal purchase/normal sale contracts. Total planned generation for 2022 is 2.8 TWh.

Entergy used standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitated the netting of cash flows associated with a single counterparty and may have included collateral requirements. Cash, letters of credit, and parental/affiliate guarantees were obtained as security from counterparties in order to mitigate credit risk. The collateral agreements required a counterparty to post cash or letters of credit in the event an exposure exceeded an established threshold. The threshold represented an unsecured credit limit, which may have been supported by a parental/affiliate guarantee, as determined in

accordance with Entergy's credit policy. In addition, collateral agreements allowed 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 contained provisions that required 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 was an Entergy Corporation guarantee. If the Entergy Corporation credit rating fell below investment grade, Entergy would have had to post collateral equal to the estimated outstanding liability under the contract at the applicable date. As of December 31, 2021, there were no outstanding derivative contracts held by Entergy Wholesale Commodities. As of December 31, 2021, \$8 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties. As of December 31, 2020, there were no derivative contracts with counterparties in a liability position. In addition to the corporate guarantee, \$5 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and \$39 million in letters of credit were required to be posted by its counterparties to the Entergy subsidiary.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Louisiana and Entergy New Orleans) and Entergy Mississippi through the purchase of natural gas swaps and options that financially settle against either the average Henry Hub Gas Daily prices or the NYMEX Henry Hub. These swaps and options 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 price volatility for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy New Orleans. The maximum length of time over which Entergy has executed natural gas swaps and options as of December 31, 2021 is 2.25 years for Entergy Louisiana and the maximum length of time over which Entergy has executed natural gas swaps as of December 31, 2021 is 10 months for Entergy Mississippi and 3 months for Entergy New Orleans. The total volume of natural gas swaps and options outstanding as of December 31, 2021 is 33,083,500 MMBtu for Entergy, including 16,420,000 MMBtu for Entergy Louisiana, 16,017,800 MMBtu for Entergy Mississippi, and 645,700 MMBtu for Entergy New Orleans. Credit support for these natural gas swaps and options is covered by master agreements that do not require Entergy to provide collateral based on mark-to-market value, but do carry adequate assurance language that may lead to requests for collateral.

During the second quarter 2021, Entergy participated in the annual financial transmission rights auction process for the MISO planning year of June 1, 2021 through May 31, 2022. Financial transmission rights are derivative instruments that 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 December 31, 2021 is 57,836 GWh for Entergy, including 12,561 GWh for Entergy Arkansas, 25,973 GWh for Entergy Louisiana, 6,429 GWh for Entergy Mississippi, 2,643 GWh for Entergy New Orleans, and 10,003 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 December 31, 2021 and 2020. Letters of credit posted with MISO covered the financial transmission rights exposure for Entergy Mississippi and Entergy Texas as of December 31, 2021 and for Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas as of December 31, 2020.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2021 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 not designated as hedging instruments					
Assets:					
Natural gas swaps and options	Prepayments and other (current portion)	\$6	\$—	\$6	Utility
Natural gas swaps and options	Other deferred debits and other assets (non-current portion)	\$5	\$—	\$5	Utility
Financial transmission rights	Prepayments and other	\$4	\$—	\$4	Utility and Entergy Wholesale Commodities
Liabilities:					
Natural gas swaps and options	Other current liabilities (current portion)	\$7	\$—	\$7	Utility

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2020 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					
Electricity swaps and options	Prepayments and other (current portion)	\$39	(\$1)	\$38	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	\$1	(\$1)	\$—	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Natural gas swaps and options	Prepayments and other (current portion)	\$1	\$—	\$1	Utility
Natural gas swaps and options	Other deferred debits and other assets (non-current portion)	\$1	\$—	\$1	Utility
Financial transmission rights	Prepayments and other	\$9	\$—	\$9	Utility and Entergy Wholesale Commodities
Liabilities:					
Natural gas swaps and options	Other current liabilities (current portion)	\$6	\$—	\$6	Utility
Natural gas swaps and options	Other non-current liabilities (non-current portion)	\$1	\$—	\$1	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 \$8 million posted as of December 31, 2021 and \$5 million posted as of December 31, 2020. Also excludes letters of credit in the amount of \$1 million posted and \$39 million held as of December 31, 2020.

The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the years ended December 31, 2021, 2020, and 2019 are as follows:

Instrument	Amount of gain (loss) recognized in other comprehensive income	Income Statement location	Amount of gain (loss) reclassified from accumulated other comprehensive income into income (a)
	(In Millions)		(In Millions)
2021			
Electricity swaps and options	\$2	Competitive business operating revenues	\$40
2020			
Electricity swaps and options	\$77	Competitive business operating revenues	\$148
2019			
Electricity swaps and options	\$232	Competitive business operating revenues	\$97

(a) Before taxes of \$8 million, \$31 million, and \$20 million, for the years ended December 31, 2021, 2020, and 2019, respectively

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.

The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the years ended December 31, 2021, 2020, and 2019 are as follows:

Instrument	Income Statement location	Amount of gain (loss) recorded in the income statement (In Millions)
2021		
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$32
Financial transmission rights	Purchased power expense (b)	\$179
Electricity swaps and options (c)	Competitive business operating revenues	(\$2)
2020		
Natural gas swaps and option	Fuel, fuel-related expenses, and gas purchased for resale (a)	(\$12)
Financial transmission rights	Purchased power expense (b)	\$92
Electricity swaps and options (c)	Competitive business operating revenues	\$1
2019		
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale (a)	(\$13)
Financial transmission rights	Purchased power expense (b)	\$94
Electricity swaps and options (c)	Competitive business operating revenues	\$12

- (a) Due to regulatory treatment, the natural gas swaps and options 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 and options 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) There were no gains (losses) recognized in accumulated other comprehensive income from electricity swaps and options.

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2021 and 2020 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)	Registrant
2021					
Assets:					
Natural gas swaps and options	Prepayments and other	\$5.7	\$—	\$5.7	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$5.3	\$—	\$5.3	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$2.3	\$—	\$2.3	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$0.6	\$—	\$0.6	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$0.3	\$—	\$0.3	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$0.1	\$—	\$0.1	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$0.8	\$—	\$0.8	Entergy Texas
Liabilities:					
Natural gas swaps	Other current liabilities	\$6.7	\$—	\$6.7	Entergy Mississippi
Natural gas swaps	Other current liabilities	\$0.5	\$—	\$0.5	Entergy New Orleans

Instrument	Balance Sheet Location	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Registrant
2020					
Assets:					
Natural gas swaps and options	Prepayments and other	\$0.8	\$—	\$0.8	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$0.5	\$—	\$0.5	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$2.9	(\$0.2)	\$2.7	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$4.3	(\$0.1)	\$4.2	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$0.6	\$—	\$0.6	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$0.2	(\$0.1)	\$0.1	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$1.6	\$—	\$1.6	Entergy Texas
Liabilities:					
Natural gas swaps and options	Other current liabilities	\$0.3	\$—	\$0.3	Entergy Louisiana
Natural gas swaps and options	Other non-current liabilities	\$1.3	\$—	\$1.3	Entergy Louisiana
Natural gas swaps	Other current liabilities	\$5.0	\$—	\$5.0	Entergy Mississippi
Natural gas swaps	Other current liabilities	\$0.3	\$—	\$0.3	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

(d) As of December 31, 2021 letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Mississippi and \$0.1 million for Entergy Texas. As of December 31, 2020, letters of credit posted with MISO covered financial transmission rights exposure of \$0.3 million for Entergy Louisiana, \$0.2 million for Entergy Mississippi, \$0.2 million for Entergy New Orleans, and \$0.5 million for Entergy Texas.

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the years ended December 31, 2021, 2020, and 2019 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement		Registrant
(In Millions)				
2021				
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$12.6	(a)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$19.8	(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	\$42.6	(b)	Entergy Arkansas
Financial transmission rights	Purchased power	\$31.6	(b)	Entergy Louisiana
Financial transmission rights	Purchased power	\$11.3	(b)	Entergy Mississippi
Financial transmission rights	Purchased power	\$4.3	(b)	Entergy New Orleans
Financial transmission rights	Purchased power	\$85.9	(b)	Entergy Texas
2020				
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$11.1)	(a)	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.8)	(a)	Entergy New Orleans
Financial transmission rights	Purchased power	\$26.7	(b)	Entergy Arkansas
Financial transmission rights	Purchased power	\$19.6	(b)	Entergy Louisiana
Financial transmission rights	Purchased power	\$3.0	(b)	Entergy Mississippi
Financial transmission rights	Purchased power	\$1.4	(b)	Entergy New Orleans
Financial transmission rights	Purchased power	\$40.4	(b)	Entergy Texas
2019				
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	(\$5.3)	(a)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$7.7)	(a)	Entergy Mississippi
Financial transmission rights	Purchased power	\$22.3	(b)	Entergy Arkansas
Financial transmission rights	Purchased power	\$46.7	(b)	Entergy Louisiana
Financial transmission rights	Purchased power	\$6.8	(b)	Entergy Mississippi
Financial transmission rights	Purchased power	\$2.7	(b)	Entergy New Orleans
Financial transmission rights	Purchased power	\$15.7	(b)	Entergy Texas

- (a) Due to regulatory treatment, the natural gas swaps and options 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 and options 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.

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 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 swaps traded on exchanges with active markets. 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 and gas swaps and options valued using observable inputs.

- 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.

Consistent with management's strategy to shut down and sell all plants in the Entergy Wholesale Commodities merchant fleet, the Entergy Wholesale Commodities portfolio of derivative instruments expired in April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio.

The values for power contract assets or liabilities prior to expiration in April 2021 were 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 were classified as Level 3 assets and liabilities. The valuations of these assets and liabilities were performed by the Office of Corporate Risk Oversight and the Entergy Wholesale Commodities Accounting group. The primary related functions of the Office of Corporate Risk Oversight included: 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 Office of Corporate Risk Oversight was also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Entergy Wholesale Commodities Accounting group performed functions related to market and counterparty settlements, revenue reporting and analysis, and financial accounting. The Office of Corporate Risk Oversight report to the Vice President and Treasurer while the Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The amounts reflected as the fair value of electricity swaps were based on the estimated amount that the contracts were 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 equaled the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts included cash flow hedges that swapped fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values were 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 were recorded as derivative contract assets or liabilities. For contracts that had unit contingent terms, a further discount was 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 were valued based on a Black Scholes model, and were calculated at the end of each month for accounting purposes. Inputs to the valuation included end of day forward market prices for the period when the transactions settled, 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 were reviewed and could be adjusted if it was determined that there was a better representation of fair value.

On a daily basis, the Office of Corporate Risk Oversight calculated the mark-to-market for electricity swaps and options. The Office of Corporate Risk Oversight also validated forward market prices by comparing them to

other sources of forward market prices or to settlement prices of actual market transactions. Significant differences were 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 were also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available and compared with other sources of market implied volatilities. Moreover, on a quarterly basis, the Office of Corporate Risk Oversight confirmed the mark-to-market calculations and prepared price scenarios and credit downgrade scenario analysis. The scenario analysis was communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis was completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities' portfolio. In particular, the credit and liquidity effects were calculated for this analysis. This analysis was 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 Office of Corporate Risk Oversight. The values are calculated internally and verified against the data published by MISO. Entergy's 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 assumptions used in the valuation. The Office of Corporate Risk Oversight reports to the Vice President and Treasurer. The 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 December 31, 2021 and December 31, 2020. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$398	\$—	\$—	\$398
Decommissioning trust funds (a):				
Equity securities	132	—	—	132
Debt securities (b)	770	1,407	—	2,177
Common trusts (c)				3,205
Securitization recovery trust account	29	—	—	29
Escrow accounts	49	—	—	49
Gas hedge contracts	6	5	—	11
Financial transmission rights	—	—	4	4
	<u>\$1,384</u>	<u>\$1,412</u>	<u>\$4</u>	<u>\$6,005</u>
Liabilities:				
Gas hedge contracts	<u>\$7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$7</u>

2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$1,630	\$—	\$—	\$1,630
Decommissioning trust funds (a):				
Equity securities	1,533	—	—	1,533
Debt securities	919	1,698	—	2,617
Common trusts (c)				3,103
Power contracts	—	—	38	38
Securitization recovery trust account	42	—	—	42
Escrow accounts	148	—	—	148
Gas hedge contracts	1	1	—	2
Financial transmission rights	—	—	9	9
	<u>\$4,273</u>	<u>\$1,699</u>	<u>\$47</u>	<u>\$9,122</u>
Liabilities:				
Gas hedge contracts	<u>\$6</u>	<u>\$1</u>	<u>\$—</u>	<u>\$7</u>

- (a) 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 for additional information on the investment portfolios.
- (b) The decommissioning trust funds fair value presented herein does not include the recognition pursuant to ASU 2016-13 of a credit loss valuation allowance of \$0.4 million as of December 31, 2021 and \$0.1 million as of December 31, 2020 on debt securities. See Note 16 to the financial statements for additional information on the allowance for expected credit losses.
- (c) 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 years ended December 31, 2021, 2020, and 2019:

	2021		2020		2019	
	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights
(In Millions)						
Balance as of January 1,	\$38	\$9	\$118	\$10	(\$31)	\$15
Total gains (losses) for the period (a)						
Included in earnings	(2)	—	1	1	12	—
Included in other comprehensive income	2	—	77	—	232	—
Included as a regulatory liability/asset	—	162	—	67	—	54
Issuances of financial transmission rights	—	12	—	23	—	35
Settlements	(38)	(179)	(158)	(92)	(95)	(94)
Balance as of December 31,	<u>\$—</u>	<u>\$4</u>	<u>\$38</u>	<u>\$9</u>	<u>\$118</u>	<u>\$10</u>

- (a) Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the reporting period is (\$0.3) million and (\$9.2) million for the years ended December 31, 2020 and 2019, respectively.

The fair values of the Level 3 financial transmission rights are based on unobservable inputs calculated internally and verified against historical pricing data published by MISO.

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 December 31, 2021 and December 31, 2020. 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.

Entergy Arkansas

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$4.8	\$—	\$—	\$4.8
Decommissioning trust funds (a):				
Equity securities	16.7	—	—	16.7
Debt securities	119.5	406.8	—	526.3
Common trusts (b)				895.4
Financial transmission rights	—	—	2.3	2.3
	<u>\$141.0</u>	<u>\$406.8</u>	<u>\$2.3</u>	<u>\$1,445.5</u>
2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$168.0	\$—	\$—	\$168.0
Decommissioning trust funds (a):				
Equity securities	1.3	—	—	1.3
Debt securities	98.2	349.7	—	447.9
Common trusts (b)				824.7
Financial transmission rights	—	—	2.7	2.7
	<u>\$267.5</u>	<u>\$349.7</u>	<u>\$2.7</u>	<u>\$1,444.6</u>

Entergy Louisiana

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$18.4	\$—	\$—	\$18.4
Decommissioning trust funds (a):				
Equity securities	20.2	—	—	20.2
Debt securities	262.6	531.6	—	794.2
Common trusts (b)				1,300.1
Gas hedge contracts	5.7	5.3	—	11.0
Financial transmission rights	—	—	0.6	0.6
	<u>\$306.9</u>	<u>\$536.9</u>	<u>\$0.6</u>	<u>\$2,144.5</u>
2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$726.7	\$—	\$—	\$726.7
Decommissioning trust funds (a):				
Equity securities	8.7	—	—	8.7
Debt securities	172.4	459.8	—	632.2
Common trusts (b)				1,153.1
Securitization recovery trust account	2.7	—	—	2.7
Gas hedge contracts	0.8	0.5	—	1.3
Financial transmission rights	—	—	4.2	4.2
	<u>\$911.3</u>	<u>\$460.3</u>	<u>\$4.2</u>	<u>\$2,528.9</u>
Liabilities:				
Gas hedge contracts	<u>\$0.3</u>	<u>\$1.3</u>	<u>\$—</u>	<u>\$1.6</u>

Entergy Mississippi

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$47.6	\$—	\$—	\$47.6
Escrow accounts	48.9	—	—	48.9
Financial transmission rights	—	—	0.3	0.3
	<u>\$96.5</u>	<u>\$—</u>	<u>\$0.3</u>	<u>\$96.8</u>
Liabilities:				
Gas hedge contracts	<u>\$6.7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$6.7</u>

2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Escrow accounts	\$64.6	\$—	\$—	\$64.6
Financial transmission rights	—	—	0.6	0.6
	<u>\$64.6</u>	<u>\$—</u>	<u>\$0.6</u>	<u>\$65.2</u>
Liabilities:				
Gas hedge contracts	<u>\$5.0</u>	<u>\$—</u>	<u>\$—</u>	<u>\$5.0</u>

Entergy New Orleans

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$42.8	\$—	\$—	\$42.8
Securitization recovery trust account	2.0	—	—	2.0
Financial transmission rights	—	—	0.1	0.1
	<u>\$44.8</u>	<u>\$—</u>	<u>\$0.1</u>	<u>\$44.9</u>
Liabilities:				
Gas hedge contracts	<u>\$0.5</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.5</u>

2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Securitization recovery trust account	\$3.4	\$—	\$—	\$3.4
Escrow accounts	83.0	—	—	83.0
Financial transmission rights	—	—	0.1	0.1
	<u>\$86.4</u>	<u>\$—</u>	<u>\$0.1</u>	<u>\$86.5</u>
Liabilities:				
Gas hedge contracts	<u>\$0.3</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.3</u>

Entergy Texas

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Securitization recovery trust account	\$26.6	\$—	\$—	\$26.6
Financial transmission rights	—	—	0.8	0.8
	<u>\$26.6</u>	<u>\$—</u>	<u>\$0.8</u>	<u>\$27.4</u>

2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$248.6	\$—	\$—	\$248.6
Securitization recovery trust account	36.2	—	—	36.2
Financial transmission rights	—	—	1.6	1.6
	<u>\$284.8</u>	<u>\$—</u>	<u>\$1.6</u>	<u>\$286.4</u>

System Energy

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$89.1	\$—	\$—	\$89.1
Decommissioning trust funds (a):				
Equity securities	12.9	—	—	12.9
Debt securities	273.0	251.5	—	524.5
Common trusts (b)				847.9
	<u>\$375.0</u>	<u>\$251.5</u>	<u>\$—</u>	<u>\$1,474.4</u>

2020	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$216.4	\$—	\$—	\$216.4
Decommissioning trust funds (a):				
Equity securities	3.8	—	—	3.8
Debt securities	177.3	250.4	—	427.7
Common trusts (b)				784.4
	<u>\$397.5</u>	<u>\$250.4</u>	<u>\$—</u>	<u>\$1,432.3</u>

- (a) 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 for additional information on the investment portfolios.
- (b) 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 for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the year ended December 31, 2021.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)					
Balance as of January 1, 2021	\$2.7	\$4.2	\$0.6	\$0.1	\$1.6
Issuances of financial transmission rights	2.8	4.1	1.7	0.4	2.7
Gains (losses) included as a regulatory liability/asset	39.4	23.9	9.3	3.9	82.4
Settlements	(42.6)	(31.6)	(11.3)	(4.3)	(85.9)
Balance as of December 31, 2021	<u>\$2.3</u>	<u>\$0.6</u>	<u>\$0.3</u>	<u>\$0.1</u>	<u>\$0.8</u>

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 year ended December 31, 2020.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)					
Balance as of January 1, 2020	\$3.3	\$4.5	\$0.8	\$0.3	\$0.9
Issuances of financial transmission rights	6.5	13.2	1.4	(0.1)	2.4
Gains (losses) included as a regulatory liability/asset	19.6	6.1	1.4	1.3	38.7
Settlements	(26.7)	(19.6)	(3.0)	(1.4)	(40.4)
Balance as of December 31, 2020	<u>\$2.7</u>	<u>\$4.2</u>	<u>\$0.6</u>	<u>\$0.1</u>	<u>\$1.6</u>

NOTE 16. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)

The NRC requires Entergy subsidiaries to maintain nuclear decommissioning trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, and Palisades. Entergy's nuclear decommissioning trust funds invest in equity securities, fixed-rate debt securities, and cash and cash equivalents.

As discussed in Note 14 to the financial statements, in May 2021, Entergy completed the transfer of Indian Point 1, Indian Point 2, and Indian Point 3 to Holtec. As part of the transaction, Entergy transferred the Indian Point 1, Indian Point 2, and Indian Point 3 decommissioning trust funds to Holtec. The disposition-date fair value of the decommissioning trust funds was approximately \$2,387 million.

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 unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants 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. A portion of Entergy's decommissioning trust funds were held in a wholly-owned registered investment company, and unrealized gains and losses on both the equity and debt securities held in the registered investment company were recognized in earnings. In December 2020, Entergy liquidated its interest in the registered investment company. 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 year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$605 million. The equity securities are generally held in funds that are designed 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 debt securities are generally held in individual government and credit issuances.

The available-for-sale securities held as of December 31, 2021 and 2020 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2021			
Debt Securities	\$2,177	\$65	\$12
2020			
Debt Securities	\$2,617	\$197	\$3

The unrealized gains/(losses) above are reported before deferred taxes of \$2 million as of December 31, 2021 and \$31 million as of December 31, 2020 for debt securities. The amortized cost of available-for-sale debt securities was \$2,125 million as of December 31, 2021 and \$2,423 million as of December 31, 2020. As of December 31, 2021, available-for-sale debt securities had an average coupon rate of approximately 2.74%, an average duration of approximately 6.94 years, and an average maturity of approximately 10.55 years.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$770	\$8	\$187	\$3
More than 12 months	99	4	2	—
Total	\$869	\$12	\$189	\$3

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Millions)	
Less than 1 year	\$—	(\$4)
1 year - 5 years	473	672
5 years - 10 years	655	852
10 years - 15 years	389	377
15 years - 20 years	130	144
20 years+	530	576
Total	\$2,177	\$2,617

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$1,465 million, \$1,024 million, and \$1,427 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$29 million, \$47 million, and \$25 million, respectively, and gross losses of \$17 million, \$4 million, and \$4 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

The fair value of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plant as of December 31, 2021 was \$576 million for Palisades. The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of December 31, 2020 were \$631 million for Indian Point 1, \$794 million for Indian Point 2, \$991 million for Indian Point 3, and \$554 million for Palisades. 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 December 31, 2021 and 2020 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2021			
Debt Securities	\$526.3	\$11.4	\$4.7
2020			
Debt Securities	\$447.9	\$27.7	\$0.3

The amortized cost of available-for-sale debt securities was \$519.6 million as of December 31, 2021 and \$420.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an average coupon rate of approximately 2.28%, an average duration of approximately 6.44 years, and an average maturity of approximately 7.58 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$163.2 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 available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In Millions)				
Less than 12 months	\$183.8	\$2.9	\$29.9	\$0.3
More than 12 months	39.5	1.8	—	—
Total	\$223.3	\$4.7	\$29.9	\$0.3

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2021 and 2020 are as follows:

	2021	2020
(In Millions)		
Less than 1 year	\$—	\$—
1 year - 5 years	91.7	113.1
5 years - 10 years	217.4	189.8
10 years - 15 years	146.0	81.4
15 years - 20 years	35.7	28.5
20 years+	35.5	35.1
Total	\$526.3	\$447.9

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$57.6 million, \$94.5 million, and \$110.6 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$2.5 million, \$8.8 million, and \$2.9 million, respectively, and gross losses of \$0.6 million, \$0.2 million, and \$0.1 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

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 December 31, 2021 and 2020 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
(In Millions)			
2021			
Debt Securities	\$794.2	\$31.3	\$3.3
2020			
Debt Securities	\$632.2	\$51.3	\$0.5

The amortized cost of available-for-sale debt securities was \$766.3 million as of December 31, 2021 and \$581.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an average coupon rate of approximately 3.30%, an average duration of approximately 6.83 years, and an average maturity of approximately 12.29 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$249.4 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 available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In Millions)				
Less than 12 months	\$206.9	\$1.4	\$36.4	\$0.5
More than 12 months	42.9	1.9	0.8	—
Total	\$249.8	\$3.3	\$37.2	\$0.5

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2021 and 2020 are as follows:

	2021	2020
(In Millions)		
Less than 1 year	\$—	\$—
1 year - 5 years	157.8	117.0
5 years - 10 years	173.0	159.4
10 years - 15 years	123.0	101.2
15 years - 20 years	80.2	66.9
20 years+	260.2	187.7
Total	\$794.2	\$632.2

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$303.4 million, \$159.7 million, and \$186 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$6.8 million, \$8.1 million, and \$4.8 million, respectively, and gross losses of \$4.1 million, \$0.7 million, and \$0.3 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 December 31, 2021 and 2020 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
(In Millions)			
2021			
Debt Securities	\$524.5	\$11.8	\$2.9
2020			
Debt Securities	\$427.7	\$30.0	\$0.8

The amortized cost of available-for-sale debt securities was \$515.6 million as of December 31, 2021 and \$398.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an average coupon rate of approximately 2.33%, an average duration of approximately 7.33 years, and an average maturity of approximately 10.15 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$155.1 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 available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$276.6	\$2.3	\$28.9	\$0.8
More than 12 months	11.3	0.6	—	—
Total	\$287.9	\$2.9	\$28.9	\$0.8

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Millions)	
Less than 1 year	\$—	(\$1.1)
1 year - 5 years	156.8	134.7
5 years - 10 years	161.8	141.5
10 years - 15 years	58.6	31.5
15 years - 20 years	1.9	5.3
20 years+	145.4	115.8
Total	\$524.5	\$427.7

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$513.8 million, \$252.2 million, and \$338.1 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$9.3 million, \$11.5 million, and \$5.4 million, respectively, and gross losses of \$4.0 million, \$0.6 million, and \$0.7 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

Allowance for expected credit losses

Entergy implemented ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, effective January 1, 2020. In accordance with the new standard, Entergy estimates the expected credit losses for its available for sale securities based on the current credit rating and remaining life of the securities. To the extent an individual security is determined to be uncollectible it is written off against this allowance. Entergy's available-for-sale securities are held in trusts managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Specifically, available-for-sale securities are subject to credit worthiness restrictions, with requirements for both the average credit rating of the portfolio and minimum credit ratings for individual debt

securities. As of December 31, 2021 and 2020, Entergy's allowance for expected credit losses related to available-for-sale securities were \$0.4 million and \$0.1 million, respectively. Entergy did not record any impairments of available-for-sale debt securities for the years ended December 31, 2021 and 2020.

Other-than-temporary impairments and unrealized gains and losses

Prior to the implementation of ASU 2016-13 on January 1, 2020, Entergy evaluated 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 had occurred. The assessment of whether an investment in a debt security suffered an other-than-temporary impairment was based on whether Entergy had the intent to sell or more likely than not would have been required to sell the debt security before recovery of its amortized costs. Further, if Entergy did not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment was considered to have occurred and it was measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the year ended December 31, 2019.

NOTE 17. VARIABLE INTEREST ENTITIES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Under applicable authoritative accounting guidance, a variable interest entity (VIE) is an entity that conducts a business or holds property that possesses any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest), or where equity holders do not receive expected losses or returns. An entity may have an interest in a VIE through ownership or other contractual rights or obligations, and is required to consolidate a VIE if it is the VIE's primary beneficiary. The primary beneficiary of a VIE is the entity that has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and has the obligation to absorb losses or has the right to residual returns that would potentially be significant to the entity.

Entergy Arkansas, Entergy Louisiana, and System Energy consolidate the respective companies from which they lease nuclear fuel, usually in a sale and leaseback transaction. This is because Entergy directs the nuclear fuel companies with respect to nuclear fuel purchases, assists the nuclear fuel companies in obtaining financing, and, if financing cannot be arranged, the lessee (Entergy Arkansas, Entergy Louisiana, or System Energy) is responsible to repurchase nuclear fuel to allow the nuclear fuel company (the VIE) to meet its obligations. During the term of the arrangements, none of the Entergy operating companies have been required to provide financial support apart from their scheduled lease payments. See Note 4 to the financial statements for details of the nuclear fuel companies' credit facility and commercial paper borrowings and long-term debt that are reported by Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy. These amounts also represent Entergy's and the respective Registrant Subsidiary's maximum exposure to losses associated with their respective interests in the nuclear fuel companies.

Entergy Gulf States Reconstruction Funding I, LLC, and Entergy Texas Restoration Funding, LLC, companies wholly-owned and consolidated by Entergy Texas, are variable interest entities and Entergy Texas is the primary beneficiary. In June 2007, Entergy Gulf States Reconstruction Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Rita reconstruction costs. Although the principal amount was not due until June 2022, Entergy Gulf States Reconstruction Funding made principal payments on the bonds in 2021, after which the bonds were fully repaid. In November 2009, Entergy Texas Restoration Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs. With the proceeds, the variable interest entities purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated

Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of the variable interest entities, including the transition property, and the creditors of the variable interest entities do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to the variable interest entities except to remit transition charge collections. See Note 5 to the financial statements for additional details regarding the securitization bonds.

Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, is a variable interest entity and Entergy Arkansas is the primary beneficiary. In August 2010, Entergy Arkansas Restoration Funding issued storm cost recovery bonds to finance Entergy Arkansas's January 2009 ice storm damage restoration costs. With the proceeds, Entergy Arkansas Restoration Funding purchased from Entergy Arkansas the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. Although the principal amount was not due until August 2021, Entergy Arkansas Restoration Funding made principal payments on the bonds in 2020, after which the bonds were fully repaid. Entergy Arkansas Restoration Funding, LLC was then legally dissolved in January 2021. See Note 5 to the financial statements for additional details regarding the storm cost recovery bonds.

Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, is a variable interest entity and Entergy Louisiana is the primary beneficiary. In September 2011, Entergy Louisiana Investment Recovery Funding issued investment recovery bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. With the proceeds, Entergy Louisiana Investment Recovery Funding purchased from Entergy Louisiana the investment recovery property, which is the right to recover from customers through an investment recovery charge amounts sufficient to service the bonds. Although the principal amount was not due until September 2023, Entergy Louisiana Investment Recovery Funding made principal payments on the bonds in 2021, after which the bonds were fully repaid. See Note 5 to the financial statements for additional details regarding the investment recovery bonds.

Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy New Orleans, is a variable interest entity, and Entergy New Orleans is the primary beneficiary. In July 2015, Entergy New Orleans Storm Recovery Funding issued storm cost recovery bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs, including carrying costs, the costs of funding and replenishing the storm recovery reserve, and up-front financing costs associated with the securitization. With the proceeds, Entergy New Orleans Storm Recovery Funding purchased from Entergy New Orleans the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy New Orleans balance sheet. The creditors of Entergy New Orleans do not have recourse to the assets or revenues of Entergy New Orleans Storm Recovery Funding, including the storm recovery property, and the creditors of Entergy New Orleans Storm Recovery Funding do not have recourse to the assets or revenues of Entergy New Orleans. Entergy New Orleans has no payment obligations to Entergy New Orleans Storm Recovery Funding except to remit storm recovery charge collections. See Note 5 to the financial statements for additional details regarding the securitization bonds.

System Energy is considered to hold a variable interest in the lessor from which it leases an undivided interest in the Grand Gulf nuclear plant. System Energy is the lessee under this arrangement, which is described in more detail in Note 5 to the financial statements. System Energy made payments on its lease, including interest, of \$17.2 million in 2021, \$17.2 million in 2020, and \$17.2 million in 2019. The lessor is a bank acting in the capacity of owner trustee for the benefit of equity investors in the transaction pursuant to trust agreement entered solely for the purpose of facilitating the lease transaction. It is possible that System Energy may be considered as the primary beneficiary of the lessor, but it is unable to apply the authoritative accounting guidance with respect to this VIE because the lessor is not required to, and could not, provide the necessary financial information to consolidate the lessor. Because System Energy accounts for this leasing arrangement as a capital financing, however, System Energy believes that consolidating the lessor would not materially affect the financial statements. In the unlikely event of default under a lease, remedies available to the lessor include payment by the lessee of the fair value of the

undivided interest in the plant, payment of the present value of the basic rent payments, or payment of a predetermined casualty value. System Energy believes, however, that the obligations recorded on the balance sheet materially represent its potential exposure to loss.

AR Searcy Partnership, LLC, is a tax equity partnership that qualifies as a variable interest entity, which Entergy Arkansas is required to consolidate as it is the primary beneficiary. See Note 14 to the financial statements for additional discussion on the establishment of AR Searcy Partnership, LLC and the acquisition of the Searcy Solar facility. The entity is a VIE because the membership interests do not give Entergy Arkansas or the third party tax equity investor substantive kick out rights typical of equity owners. Entergy Arkansas is the primary beneficiary of the partnership because it is the managing member and has the right to a majority of the operating income of the partnership. See Note 1 to the financial statements for further discussion on the presentation of the third party tax equity partner's noncontrolling interest and the HLBV method of accounting used to account for Entergy Arkansas's investment in AR Searcy Partnership, LLC. As of December 31, 2021, AR Searcy Partnership, LLC recorded assets equal to \$140 million, primarily consisting of property, plant, and equipment, and the carrying value of Entergy Arkansas's ownership interest in the partnership was approximately \$107 million.

Entergy has also reviewed various lease arrangements, power purchase agreements, including agreements for renewable power, and other agreements that represent variable interests in other legal entities which have been determined to be variable interest entities. In these cases, Entergy has determined that it is not the primary beneficiary of the related VIE because it does not have the power to direct the activities of the VIE that most significantly affect the VIE's economic performance, or it does not have the obligation to absorb losses or the right to residual returns that would potentially be significant to the entity, or both.

NOTE 18. TRANSACTIONS WITH AFFILIATES (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Each Registrant Subsidiary purchases electricity from or sells electricity to the other Registrant Subsidiaries, or both, under rate schedules filed with the FERC. The Registrant Subsidiaries receive management, technical, advisory, operating, and administrative services from Entergy Services; and receive management, technical, and operating services from Entergy Operations. These transactions are on an "at cost" basis.

As described in Note 1 to the financial statements, all of System Energy's operating revenues consist of billings to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.

As described in Note 4 to the financial statements, the Registrant Subsidiaries participate in Entergy's money pool and earn interest income from the money pool. As described in Note 2 to the financial statements, Entergy Louisiana receives preferred membership interest distributions from Entergy Holdings Company.

The tables below contain the various affiliate transactions of the Utility operating companies, System Energy, and other Entergy affiliates.

<u>Intercompany Revenues</u>						
	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
2021	\$109.8	\$289.9	\$1.4	\$—	\$64.3	\$545.6
2020	\$105.2	\$280.5	\$1.2	\$—	\$40.4	\$520.7
2019	\$117.5	\$277.8	\$1.4	\$—	\$51.6	\$584.1

<u>Intercompany Operating Expenses</u>						
	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
2021	\$559.7	\$755.2	\$299.8	\$287.8	\$275.0	\$190.8
2020	\$515.5	\$661.5	\$283.3	\$266.0	\$260.3	\$177.4
2019	\$534.0	\$665.4	\$306.7	\$292.1	\$255.0	\$156.2

<u>Intercompany Interest and Investment Income</u>						
	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
2021	\$—	\$127.6	\$—	\$—	\$—	\$—
2020	\$—	\$127.7	\$0.1	\$—	\$—	\$0.2
2019	\$0.4	\$128.5	\$0.4	\$—	\$0.4	\$1.0

Transactions with Equity Method Investees

EWO Marketing, LLC, an indirect wholly-owned subsidiary of Entergy, paid capacity charges and gas transportation to RS Cogen in the amounts of \$24 million in 2021, \$26 million in 2020, and \$24.5 million in 2019.

Entergy's operating transactions with its other equity method investees were not significant in 2021, 2020, or 2019.

NOTE 19. REVENUE (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

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 years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
	(In Thousands)		
Utility:			
Residential	\$3,981,846	\$3,550,317	\$3,531,500
Commercial	2,610,207	2,292,740	2,475,586
Industrial	2,942,370	2,331,170	2,541,287
Governmental	245,685	212,131	228,470
Total billed retail	9,780,108	8,386,358	8,776,843
Sales for resale (a)	601,895	295,810	285,722
Other electric revenues (b)	375,312	348,102	343,143
Revenues from contracts with customers	10,757,315	9,030,270	9,405,708
Other revenues (c)	116,680	16,373	24,270
Total electric revenues	10,873,995	9,046,643	9,429,978
Natural gas	170,610	124,008	153,954
Entergy Wholesale Commodities:			
Competitive businesses sales from contracts with customers (a)	672,493	771,360	1,164,552
Other revenues (c)	25,798	171,625	130,189
Total competitive businesses revenues	698,291	942,985	1,294,741
Total operating revenues	\$11,742,896	\$10,113,636	\$10,878,673

The Utility operating companies' total revenues for the year ended December 31, 2021 were as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$882,773	\$1,484,612	\$578,258	\$269,891	\$766,312
Commercial	480,401	1,055,825	439,950	208,104	425,927
Industrial	496,661	1,771,311	150,698	30,751	492,949
Governmental	19,112	82,503	46,248	71,584	26,238
Total billed retail	1,878,947	4,394,251	1,215,154	580,330	1,711,426
Sales for resale (a)	311,791	391,424	124,632	88,349	145,719
Other electric revenues (b)	130,443	148,304	58,357	1,813	41,805
Revenues from contracts with customers	2,321,181	4,933,979	1,398,143	670,492	1,898,950
Other revenues (c)	17,409	60,480	8,203	1,739	3,561
Total electric revenues	2,338,590	4,994,459	1,406,346	672,231	1,902,511
Natural gas	—	73,989	—	96,621	—
Total operating revenues	\$2,338,590	\$5,068,448	\$1,406,346	\$768,852	\$1,902,511

The Utility operating companies' total revenues for the year ended December 31, 2020 were as follows:

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$841,162	\$1,270,187	\$523,379	\$243,502	\$672,087
Commercial	466,273	886,548	395,875	179,406	364,638
Industrial	461,907	1,314,234	145,100	24,248	385,681
Governmental	18,011	68,901	41,955	59,819	23,445
Total billed retail	1,787,353	3,539,870	1,106,309	506,975	1,445,851
Sales for resale (a)	173,115	333,594	77,530	33,213	100,273
Other electric revenues (b)	109,642	141,004	54,590	8,294	39,981
Revenues from contracts with customers	2,070,110	4,014,468	1,238,429	548,482	1,586,105
Other revenues (c)	14,384	4,595	9,425	12,150	1,020
Total electric revenues	2,084,494	4,019,063	1,247,854	560,632	1,587,125
Natural gas	—	50,799	—	73,209	—
Total operating revenues	\$2,084,494	\$4,069,862	\$1,247,854	\$633,841	\$1,587,125

The Utility operating companies' total revenues for the year ended December 31, 2019 were as follows:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$795,269	\$1,270,478	\$562,219	\$245,081	\$658,453
Commercial	538,850	947,412	444,173	202,138	343,013
Industrial	520,958	1,450,966	164,491	31,824	373,048
Governmental	20,795	71,046	44,300	70,865	21,464
Total billed retail	1,875,872	3,739,902	1,215,183	549,908	1,395,978
Sales for resale (a)	257,864	333,395	39,295	38,626	59,074
Other electric revenues (b)	112,618	135,783	58,269	9,842	32,424
Revenues from contracts with customers	2,246,354	4,209,080	1,312,747	598,376	1,487,476
Other revenues (c)	13,240	13,947	10,296	(3,959)	1,479
Total electric revenues	2,259,594	4,223,027	1,323,043	594,417	1,488,955
Natural gas	—	62,148	—	91,806	—
Total operating revenues	\$2,259,594	\$4,285,175	\$1,323,043	\$686,223	\$1,488,955

- (a) 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 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) Other 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. Entergy's Utility operating companies provide power to customers 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 such as weather affect the calculation of unbilled revenues from one period to the other.

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 other revenues 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 New Orleans, Louisiana, 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' 2021 revenues were from the Palisades nuclear power plant located in Michigan. 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.

Almost all 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 April 2022. Prices under the original PPA range from \$43.50/MWh in 2007 to \$61.50/MWh in 2022, and the average price under the PPA is \$51/MWh. Entergy executed an additional PPA to cover the period from the expiration of the original PPA through final shutdown in May 2022, at a price of \$24.14/MWh. 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. The PPA was at below-market prices at the time of the acquisition and Entergy amortizes a liability to revenue over the life of the agreement. The amount amortized each period is based upon the present value, calculated at the date of acquisition, of each year's difference between revenue under the agreement and revenue based on estimated market prices. Amounts amortized to revenue were \$12 million in 2021, \$11 million in 2020, and \$10 million in 2019. Amounts to be amortized to revenue through the remaining life of the agreement will be approximately \$5 million in 2022.

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.

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.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects Entergy's best estimate of expected losses on its accounts receivable balances. Due to the essential nature of utility services, Entergy has historically experienced a low rate of default on its accounts receivables. Due to the effect of the COVID-19 pandemic on customer receivables, however, Entergy recorded an increase in 2020 in its allowance for doubtful accounts, as shown below. The following tables set forth a reconciliation of changes in the allowance for doubtful accounts for the years ended December 31, 2021 and 2020.

	Entergy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)					
Balance as of December 31, 2020	\$117.7	\$18.3	\$45.7	\$19.5	\$17.4	\$16.8
Provisions (a)	56.2	30.4	16.7	0.7	7.3	1.1
Write-offs	(118.2)	(38.9)	(38.3)	(15.7)	(12.3)	(13.0)
Recoveries	12.9	3.3	5.1	2.7	0.9	0.9
Balance as of December 31, 2021	<u>\$68.6</u>	<u>\$13.1</u>	<u>\$29.2</u>	<u>\$7.2</u>	<u>\$13.3</u>	<u>\$5.8</u>

	Entergy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)					
Balance as of December 31, 2019	\$7.4	\$1.2	\$1.9	\$0.6	\$3.2	\$0.5
Provisions (b)	109.0	16.2	43.7	18.8	14.1	16.2
Write-offs	(8.6)	(1.8)	(3.5)	(1.2)	(1.0)	(1.1)
Recoveries	9.9	2.7	3.6	1.3	1.1	1.2
Balance as of December 31, 2020	<u>\$117.7</u>	<u>\$18.3</u>	<u>\$45.7</u>	<u>\$19.5</u>	<u>\$17.4</u>	<u>\$16.8</u>

- (a) Provisions include estimated incremental bad debt expenses, and revisions to those estimates, resulting from the COVID-19 pandemic of \$30.4 million for Entergy, \$22.2 million for Entergy Arkansas, \$7.4 million for Entergy Louisiana, (\$2.4) million for Entergy Mississippi, \$4.3 million for Entergy New Orleans, and (\$1.1) million for Entergy Texas that have been deferred as regulatory assets. See Note 2 to the financial statements for discussion of the COVID-19 orders issued by retail regulators.
- (b) Provisions include estimated incremental bad debt expenses resulting from the COVID-19 pandemic of \$87.1 million for Entergy, \$10.5 million for Entergy Arkansas, \$36 million for Entergy Louisiana, \$15.5 million for Entergy Mississippi, \$12.2 million for Entergy New Orleans, and \$12.9 million for Entergy Texas that have been deferred as regulatory assets. See Note 2 to the financial statements for discussion of the COVID-19 orders issued by retail regulators.

The allowance for currently expected credit losses is calculated as the historical rate of customer write-offs multiplied by the current accounts receivable balance, taking into account the length of time the receivable balances have been outstanding. Although the rate of customer write-offs has historically experienced minimal variation, management monitors the current condition of individual customer accounts to manage collections and ensure bad debt expense is recorded in a timely manner.

Item 1. Business**RISK FACTORS SUMMARY**

Entergy's business is subject to numerous risks and uncertainties that could affect its ability to successfully implement its business strategy and affect its financial results. Carefully consider all of the information in this report and, in particular, the following principal risks and all of the other specific factors described in Item 1A. of this report, "Risk Factors," before deciding whether to invest in Entergy or the Registrant Subsidiaries.

Utility Regulatory Risks

- The impacts of the COVID-19 pandemic and responsive measures taken are highly uncertain and cannot be predicted.
- The terms and conditions of service, including electric and gas rates, of the Utility operating companies and System Energy are determined through regulatory approval proceedings that can be lengthy and subject to appeal, potentially resulting in lengthy litigation and uncertainty as to ultimate results.
- The Utility operating companies recover fuel, purchased power, and associated costs through rate mechanisms that are subject to risks of delay or disallowance in regulatory proceedings.
- Entergy's business could experience adverse effects related to changes to state or federal legislation or regulation.
- The Utility operating companies are subject to risks associated with participation in the MISO markets and the allocation of transmission upgrade costs.
- A delay or failure in recovering amounts for storm restoration costs incurred as a result of severe weather (including from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Hurricane Ida) could have material effects on Entergy and those Utility operating companies affected by severe weather.

Nuclear Operating, Shutdown, and Regulatory Risks

- The results of operations, financial condition, and liquidity of Entergy Arkansas, Entergy Louisiana, System Energy, and Entergy Wholesale Commodities could be materially affected by the following:
 - failure to consistently operate their nuclear power plants at high capacity factors;
 - refueling outages that last longer than anticipated or unplanned outages;
 - risks related to the purchase of uranium fuel (and its conversion, enrichment, and fabrication);
 - the risk that the NRC will change or modify its regulations, suspend or revoke their licenses, or increase oversight of their nuclear plants;
 - risks and costs related to operating and maintaining their nuclear power plants;
 - the costs associated with the storage of the spent nuclear fuel, as well as the costs of and their ability to fully decommission their nuclear power plants;
 - the potential requirement to pay substantial retrospective premiums imposed under the Price-Anderson Act and/or from Nuclear Electric Insurance Limited (NEIL) in the event of a nuclear incident, and losses not covered by insurance;
 - the risk that the decommissioning trust fund assets for the nuclear power plants may not be adequate to meet decommissioning obligations if market performance and other changes decrease the value of assets in the decommissioning trusts; and
 - new or existing safety concerns regarding operating nuclear power plants and nuclear fuel.
- The Entergy Wholesale Commodities business is subject to substantial governmental regulation and may be adversely affected by legislative, regulatory, or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

General Business Risks

- Entergy and the Utility operating companies depend on access to the capital markets and, at times, may face potential liquidity constraints, which could make it more difficult to handle future contingencies. Disruptions in the capital and credit markets may adversely affect Entergy's and its subsidiaries' ability to meet liquidity needs, access capital and operate and grow their businesses, and the cost of capital.
- A downgrade in Entergy Corporation's or its subsidiaries' credit ratings could, among other things, negatively affect Entergy Corporation's and its subsidiaries' ability to access capital.
- Changes in tax legislation and taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity.
- Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete capital projects, other capital improvements, and strategic transactions is subject to significant risks, and, as a result, they may be unable to achieve some or all of the anticipated results of such strategies.
- Failure to attract, retain, and manage an appropriately qualified workforce could negatively affect Entergy or its subsidiaries' results of operations.
- The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs (i) to fulfill their obligations related to environmental and other matters or (ii) related to reliability standards.
- Weather, economic conditions, technological developments, and other factors may have a material impact on electricity and gas usage and otherwise materially affect the Utility operating companies' results of operations.
- Entergy could be negatively affected by the effects of climate change, including transition and physical risks, and environmental and regulatory obligations intended to compel greenhouse gas emission reductions or increase clean or renewable energy requirements or to place a price on greenhouse gas emissions.
- Entergy is dependent on the continued and future availability and quality of water for cooling, process, and sanitary uses.
- Entergy and its subsidiaries may not be adequately hedged against changes in commodity prices.
- The Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties may not meet their obligations.
- Market performance and other changes may decrease the value of benefit plan assets, which then could require additional funding and result in increased benefit plan costs.
- The litigation environment in the states in which certain Entergy subsidiaries operate poses a significant risk to those businesses.
- Terrorist attacks, cyber attacks, system failures, or data breaches of Entergy's and its subsidiaries' or its suppliers' technology systems may adversely affect Entergy's results of operations.
- Significant increases in commodity prices, other materials and supplies, and operation and maintenance expenses may adversely affect Entergy's results of operations, financial condition, and liquidity.
- The effect of higher purchased gas cost charges to customers taking gas service may adversely affect Entergy New Orleans's results of operations and liquidity.
- System Energy owns and, through an affiliate, operates a single nuclear generating facility, and it is dependent on sales to affiliated companies for all of its revenues. Certain contractual arrangements relating to System Energy, the affiliated companies, and these revenues are the subject of ongoing litigation and regulatory proceedings.
- As a holding company, Entergy Corporation depends on cash distributions from its subsidiaries to meet its debt service and other financial obligations and to pay dividends on its common stock.

ENTERGY'S BUSINESS

Entergy is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 26,000 MW of electric generating capacity, including approximately 6,000 MW of nuclear power. Entergy delivers electricity to 3 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy had annual revenues of \$11.7 billion in 2021 and had more than 12,000 employees as of December 31, 2021.

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 “**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**” for discussion of the operation and planned shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants, including the planned shutdown of Palisades, the only remaining operating plant in Entergy Wholesale Commodities' merchant nuclear fleet.

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

Strategy

Entergy's strategy is to operate and grow its utility business, creating sustainable value for its customers, employees, communities, and owners. Entergy's strategy to achieve its stakeholder objectives has a few key aspects. First, Entergy invests in the Utility for the benefit of its customers, which supports steady, predictable growth in earnings and dividends. Second, Entergy manages risks by ensuring its Utility investments are customer-centric, supported by progressive regulatory constructs, and executed with disciplined project management. Third, Entergy is committed to delivering sustainable outcomes for all of its stakeholders by focusing on continually improving key elements of Environmental, Social, and Governance (ESG), including reducing carbon emissions for Entergy and its customers. Entergy is also executing the wind down of the Entergy Wholesale Commodities merchant nuclear generation business, which is expected to be effectively complete by the end of 2022.

Utility

The Utility business segment includes five retail electric utility subsidiaries: Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas. These companies generate, transmit, distribute, and sell electric power to retail and wholesale customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy Louisiana and Entergy New Orleans also provide natural gas utility services to customers in and around Baton Rouge, Louisiana, and New Orleans, Louisiana, respectively. Also included in the Utility is System Energy, a wholly-owned subsidiary of Entergy Corporation that owns or leases 90 percent of Grand Gulf. System Energy sells its power and capacity from Grand Gulf at wholesale to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The five retail utility subsidiaries are each regulated by the FERC and by state utility commissions, or, in the case of Entergy New Orleans, the City Council. System Energy is regulated by the FERC because all of its transactions are at wholesale. The overall generation portfolio of the Utility, which relies heavily on natural gas and nuclear generation, is consistent with Entergy's strong support for the environment.

Customers

As of December 31, 2021, the Utility operating companies provided retail electric and gas service to customers in Arkansas, Louisiana, Mississippi, and Texas, as follows:

	Area Served	Electric Customers		Gas Customers	
		(In Thousands)	(%)	(In Thousands)	(%)
Entergy Arkansas	Portions of Arkansas	728	24 %		
Entergy Louisiana	Portions of Louisiana	1,100	37 %	96	47 %
Entergy Mississippi	Portions of Mississippi	461	16 %		
Entergy New Orleans	City of New Orleans	209	7 %	110	53 %
Entergy Texas	Portions of Texas	486	16 %		
Total customers		2,984	100 %	206	100 %

Electric Energy Sales

The electric energy sales of the Utility operating companies are subject to seasonal fluctuations, with the peak sales period normally occurring during the third quarter of each year. On August 23, 2021, Entergy reached a 2021 peak demand of 22,051 MWh, compared to the 2020 peak of 21,340 MWh recorded on August 10, 2020. Selected electric energy sales data is shown in the table below:

Selected 2021 Electric Energy Sales Data

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy	Entergy (a)
	(In GWh)						
Sales to retail customers	22,280	54,634	12,745	5,406	19,679	—	114,744
Sales for resale:							
Affiliates	2,254	4,950	—	—	1,364	10,593	—
Others	6,151	2,764	4,364	2,369	1,008	—	16,656
Total	30,685	62,348	17,109	7,775	22,051	10,593	131,400
Average use per residential customer (kWh)	13,390	14,139	14,555	12,032	14,601	—	13,947

(a) Includes the effect of intercompany eliminations.

The following table illustrates the Utility operating companies' 2021 combined electric sales volume as a percentage of total electric sales volume, and 2021 combined electric revenues as a percentage of total 2021 electric revenue, each by customer class.

Customer Class	% of Sales Volume	% of Revenue
Residential	27.1	36.6
Commercial	20.4	24.0
Industrial (a)	37.9	27.0
Governmental	1.9	2.3
Wholesale/Other	12.7	10.1

(a) Major industrial customers are primarily in the petroleum refining and chemical industries.

Selected 2021 Natural Gas Sales Data

Entergy New Orleans and Entergy Louisiana provide both electric power and natural gas to retail customers. Entergy New Orleans and Entergy Louisiana sold 10,686,659 and 7,409,278 Mcf, respectively, of natural gas to retail customers in 2021. In 2021, 99% of Entergy Louisiana's operating revenue was derived from the electric utility business, and only 1% from the natural gas distribution business. For Entergy New Orleans, 87% of operating revenue was derived from the electric utility business and 13% from the natural gas distribution business in 2021.

Following is data concerning Entergy New Orleans's 2021 retail operating revenue sources.

Customer Class	Electric Operating Revenue	Natural Gas Operating Revenue
Residential	47%	50%
Commercial	36%	24%
Industrial	5%	19%
Governmental/Municipal	12%	7%

Retail Rate Regulation

General (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, System Energy)

Each Utility operating company regularly participates in retail rate proceedings. The status of material retail rate proceedings is described in Note 2 to the financial statements. Certain aspects of the Utility operating companies' retail rate mechanisms are discussed below.

	Rate base (in billions)	Current authorized return on common equity	Weighted average cost of capital (after-tax)	Equity ratio	Regulatory construct
					- forward test year formula rate plan
Entergy Arkansas	\$8.7 (a)	9.15% - 10.15%	5.17%	37.6%	- riders: MISO, capacity, Grand Gulf, tax adjustment, energy efficiency, fuel and purchased power
					- formula rate plan through 2022 test year
Entergy Louisiana (electric)	\$13.6 (b)	9.0% - 10.0%	6.74%	49.98%	- riders/specific recovery: MISO, capacity, transmission, fuel, distribution
					- gas rate stabilization plan
Entergy Louisiana (gas)	\$0.09 (c)	9.3% - 10.3%	6.97%	49.31%	- rider: gas infrastructure

Entergy Mississippi	\$3.6 (d)	9.03% - 11.08%	6.85%	48.63%	- formula rate plan with forward-looking features - riders: power management, Grand Gulf, fuel, MISO, unit power cost, storm damage, ad valorem tax adjustment, vegetation, grid modernization, restructuring credit
Entergy New Orleans (electric)	\$1.1 (e)	9.35%	6.89%	51%	- formula rate plan with forward-looking features - riders/specific recovery: fuel and purchased power, MISO, energy efficiency, environmental
Entergy New Orleans (gas)	\$0.2 (e)	9.35%	6.89%	51%	- formula rate plan with forward-looking features - rider: purchased gas
Entergy Texas	\$2.4 (f)	9.65%	7.73%	50.90%	- rate case - riders: fuel, capacity, cost recovery (distribution, transmission, and generation), rate case expenses, AMI surcharge, tax reform, among others
System Energy	\$1.55 (g)	10.94% (h)	8.26 %	65% (h)	- monthly cost of service

(a) Based on 2022 test year.

(b) Based on December 31, 2020 test year and excludes approximately \$800 million for the Lake Charles Power Station and \$300 million for the Washington Parish Energy Center, each included in the capacity rider, and \$400 million of transmission plant, included in the transmission rider.

(c) Based on September 30, 2020 test year.

(d) Based on 2021 forward test year.

(e) Based on December 31, 2020 test year and known and measurables through December 31, 2021.

(f) Based on December 31, 2017 test year and excludes \$1.4 billion in cost recovery riders.

(g) Based on calculation as of December 31, 2021.

(h) See Note 2 to the financial statements for discussion of ongoing proceedings at the FERC challenging System Energy's authorized return on common equity and capital structure.

*Entergy Arkansas*Formula Rate Plan

Between base rate cases, Entergy Arkansas is able to adjust base rates annually, subject to certain caps, through formula rate plans that utilize a forward test year. Entergy Arkansas is subject to a maximum rate change of 4% of the filing year total retail revenue. In addition, Entergy Arkansas is subject to a true-up of projection to actuals netted with future projection. In response to Entergy Arkansas's application for a general change in rates in 2015, the APSC approved the formula rate plan tariff proposed by Entergy Arkansas including its use of a projected year test period and an initial five-year term. The initial five-year term expired in 2021. Entergy Arkansas obtained APSC approval of the extension of the formula rate plan tariff for an additional five-year term, through 2026. If Entergy Arkansas's formula rate plan were terminated, Entergy Arkansas could file an application for a general change in rates that may include a request for continued regulation under a formula rate review mechanism.

Fuel and Purchased Power Cost Recovery

Entergy Arkansas's rate schedules include an energy cost recovery rider to recover fuel and purchased power costs in monthly bills. The rider utilizes prior calendar year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery, including carrying charges, of the energy cost for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs. In December 2007 the APSC issued an order stating that Entergy Arkansas's energy cost recovery rider will remain in effect, and any future termination of the rider would be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

Production Cost Allocation Rider

Entergy Arkansas has in place an APSC-approved production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of System Agreement proceedings.

*Entergy Louisiana*Formula Rate Plan

Entergy Louisiana historically sets electric base rates annually through a formula rate plan using a historic test year. The form of the formula rate plan, on a combined basis, was approved in connection with the business combination of Entergy Louisiana and Entergy Gulf States Louisiana and largely followed the formula rate plans that were approved by the LPSC in connection with the full electric base rate cases filed by those companies in February 2013. The formula rate plan was most recently extended through the test year 2022; certain modifications were made in that extension, including a decrease to the allowed return on equity, narrowing of the earnings "dead band" around the mid-point allowed return on equity, elimination of sharing above and below the earnings "dead band," and the addition of a distribution cost recovery mechanism. The formula rate plan continues to include exceptions from the rate cap and sharing requirements for certain large capital investment projects, including acquisition or construction of generating facilities and purchase power agreements approved by the LPSC, certain transmission investment, and most recently, certain distribution investments, among other items. In the event that the electric formula rate plan is not renewed or extended or otherwise replaced, Entergy Louisiana would revert to the more traditional rate case environment.

Fuel Recovery.

Entergy Louisiana's rate schedules include a fuel adjustment clause designed to recover the cost of fuel and purchased power costs. The fuel adjustment clause contains a surcharge or credit for deferred fuel expense and related carrying charges arising from the monthly reconciliation of actual fuel costs incurred with fuel cost revenues billed to customers, including carrying charges. See Note 2 to the financial statements for a discussion of proceedings related to audits of Entergy Louisiana's fuel adjustment clause filings.

To help stabilize electricity costs, Entergy Louisiana received approval from the LPSC to hedge its exposure to natural gas price volatility through the use of financial instruments. Entergy Louisiana historically hedged approximately one-third of the projected exposure to natural gas price changes for the gas used to serve its native electric load for all months of the year. The hedge quantity was reviewed on an annual basis. In January 2018, Entergy Louisiana filed an application with the LPSC to suspend these seasonal hedging programs and implement financial hedges with terms up to five years for a portion of its natural gas exposure, which was approved in November 2018.

Entergy Louisiana's gas rates include a purchased gas adjustment clause based on estimated gas costs for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

Retail Rates - Gas

In accordance with the settlement of Entergy Gulf States Louisiana's gas rate stabilization plan for the test year ended September 30, 2012, in August 2014, Entergy Gulf States Louisiana submitted for consideration a proposal for implementation of an infrastructure rider to recover expenditures associated with strategic plant investment and relocation projects mandated by local governments. After review by the LPSC staff and inclusion of certain customer safeguards required by the LPSC staff, in December 2014, Entergy Gulf States Louisiana and the LPSC staff submitted a joint settlement for implementation of an accelerated gas pipe replacement program providing for the replacement of approximately 100 miles of pipe over the next ten years, as well as relocation of certain existing pipe resulting from local government-related infrastructure projects, and for a rider to recover the investment associated with these projects. The rider allows for recovery of approximately \$65 million over ten years. The rider recovery will be adjusted on a quarterly basis to include actual investment incurred for the prior quarter and is subject to the following conditions, among others: a ten-year term; application of any earnings in excess of the upper end of the earnings band as an offset to the revenue requirement of the infrastructure rider; adherence to a specified spending plan, within plus or minus 20% annually; annual filings comparing actual versus planned rider spending with actual spending and explanation of variances exceeding 10%; and an annual true-up. The joint settlement was approved by the LPSC in January 2015. Implementation of the infrastructure rider commenced with bills rendered on and after the first billing cycle of April 2015.

Storm Cost Recovery.

See Note 2 to the financial statements for a discussion of Entergy Louisiana's filings to recover storm-related costs.

Other

In March 2016 the LPSC opened two dockets to examine, on a generic basis, issues that it identified in connection with its review of Cleco Corporation's acquisition by third party investors. The first docket is captioned "In re: Investigation of double leveraging issues for all LPSC-jurisdictional utilities," and the second is captioned "In re: Investigation of tax structure issues for all LPSC-jurisdictional utilities." In April 2016 the LPSC clarified that the concerns giving rise to the two dockets arose as a result of its review of the structure of the Cleco-Macquarie transaction and that the specific intent of the directives is to seek more information regarding intra-

corporate debt financing of a utility's capital structure as well as the use of investment tax credits to mitigate the tax obligation at the parent level of a consolidated entity. No schedule has been set for either docket, and limited discovery has occurred.

In December 2019 an LPSC commissioner issued an unopposed directive to staff to research customer-centered options for all customer classes, as well as other regulatory environments, and recommend a plan for how to ensure customers are the focus. There was no opposition to the directive from other commissioners but several remarked that the intent of the directive was not initiated to pursue retail open access. In furtherance of the directive, the LPSC issued a notice of the opening of a docket to conduct a rulemaking to research and evaluate customer-centered options for all electric customer classes as well as other regulatory environments in January 2020.

Entergy Mississippi

Formula Rate Plan

Since the conclusion in 2015 of Entergy Mississippi's most recent base rate case, Entergy Mississippi has set electric base rates annually through a formula rate plan. Between base rate cases, Entergy Mississippi is able to adjust base rates annually, subject to certain caps, through formula rate plans that utilize forward-looking features. In addition, Entergy Mississippi is subject to an annual "look-back" evaluation. Entergy Mississippi is allowed a maximum rate increase of 4% of each test year's retail revenue. Any increase above 4% requires a base rate case. If Entergy Mississippi's formula rate plan were terminated without replacement, it would revert to the more traditional rate case environment or seek approval of a new formula rate plan.

In August 2012 the MPSC opened inquiries to review whether the current formulaic methodology used to calculate the return on common equity in both Entergy Mississippi's formula rate plan and Mississippi Power Company's annual formula rate plan was still appropriate or could be improved to better serve the public interest. The intent of this inquiry and review was for informational purposes only; the evaluation of any recommendations for changes to the existing methodology would take place in a general rate case or in the existing formula rate plan proceeding. In March 2013 the Mississippi Public Utilities Staff filed its consultant's report which noted the return on common equity estimation methods used by Entergy Mississippi and Mississippi Power Company are commonly used throughout the electric utility industry. The report suggested ways in which the methods used by Entergy Mississippi and Mississippi Power Company might be improved, but did not recommend specific changes in the return on common equity formulas or calculations at that time. In June 2014 the MPSC expanded the scope of the August 2012 inquiry to study the merits of adopting a uniform formula rate plan that could be applied, where possible in whole or in part, to both Entergy Mississippi and Mississippi Power Company in order to achieve greater consistency in the plans. The MPSC directed the Mississippi Public Utilities Staff to investigate and review Entergy Mississippi's formula rate plan rider schedule and Mississippi Power Company's Performance Evaluation Plan by considering the merits and deficiencies and possibilities for improvement of each and then to propose a uniform formula rate plan that, where possible, could be applicable to both companies. No procedural schedule has been set. In October 2014 the Mississippi Public Utilities Staff conducted a public technical conference to discuss performance benchmarking and its potential application to the electric utilities' formula rate plans. The docket remains open.

Fuel Recovery

Entergy Mississippi's rate schedules include energy cost recovery riders to recover fuel and purchased power costs. The energy cost rate for each calendar year is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery of the energy costs as of the 12-month period ended September 30. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC. The energy cost recovery riders allow interim rate adjustments depending on the level over- or under-recovery of fuel and purchased energy costs.

To help stabilize electricity costs, Entergy Mississippi received approval from the MPSC to hedge its exposure to natural gas price volatility through the use of financial instruments. Entergy Mississippi hedges approximately one-third of the projected exposure to natural gas price changes for the gas used to serve its native electric load for all months of the year. The hedge quantity is reviewed on an annual basis.

Storm Cost Recovery

See Note 2 to the financial statements for a discussion of proceedings regarding recovery of Entergy Mississippi's storm-related costs.

Entergy New Orleans

Formula Rate Plan

As part of its determination of rates in the base rate case filed by Entergy New Orleans in 2018, in November 2019, the City Council issued a resolution resolving the rate case, with rates to become effective retroactive to August 2019. The resolution allows Entergy New Orleans to implement a three-year formula rate plan, beginning with the 2019 test year as adjusted for forward-looking known and measurable changes, with the filing for the first test year to be made in 2020. As part of a settlement of Entergy New Orleans' appeal of the Council's decision in its 2018 base rate case, Entergy New Orleans agreed to postpone the filing of its first test year formula rate plan to 2021 and, in return, to be provided an additional test year for the three-year cycle. Accordingly, in July 2021, Entergy New Orleans submitted its formula rate plan filing and rates were implemented in November 2021. See Note 2 to the financial statements for further discussion.

Fuel Recovery

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

To help stabilize gas costs, Entergy New Orleans seeks approval annually from the City Council to continue implementation of its natural gas hedging program consistent with the City Council's stated policy objectives. The program uses financial instruments to hedge exposure to volatility in the wholesale price of natural gas purchased to serve Entergy New Orleans gas customers. Entergy New Orleans hedges up to 25% of actual gas sales made during the winter months.

Storm Cost Recovery

See Note 2 to the financial statements for a discussion of Entergy New Orleans's efforts to recover storm-related costs.

Entergy Texas

Base Rates

The base rates of Entergy Texas are established largely in traditional base rate case proceedings. Between base rate proceedings, Entergy Texas has available rate riders to recover the revenue requirements associated with certain incremental costs. Entergy Texas is required to file full base rate case proceedings every four years and within eighteen months of utilizing its generation cost recovery rider for investments above \$200 million.

Fuel Recovery

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, that are not included in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT every three years, at a minimum. In the course of this reconciliation, the PUCT determines whether eligible fuel and fuel-related expenses and revenues are necessary and reasonable, and makes a prudence finding for each of the fuel-related contracts entered into during the reconciliation period. The PUCT fuel cost proceedings are discussed in Note 2 to the financial statements.

At the PUCT's April 2013 open meeting, the PUCT Commissioners discussed their view that a purchased power capacity rider was good public policy. The PUCT issued an order in May 2013 adopting the rule allowing for a purchased power capacity rider, subject to an offsetting adjustment for load growth. The rule, as adopted, also includes a process for obtaining pre-approval by the PUCT of purchased power agreements. No Texas utility, including Entergy Texas, has exercised the option to recover capacity costs under the new rider mechanism, but Entergy Texas will continue to evaluate the benefits of utilizing the rider to recover future capacity costs.

Other Cost Recovery

As discussed above, Entergy Texas has available rate riders to recover the revenue requirements associated with certain incremental costs. These riders include a transmission cost recovery factor rider mechanism for the recovery of transmission-related capital investments, a distribution cost recovery factor rider mechanism for the recovery of distribution-related capital investment, and a generation cost recovery rider mechanism for the recovery of generation-related capital investments.

In June 2009 a law was enacted in Texas containing provisions that allow Entergy Texas to take advantage of a cost recovery mechanism that permits annual filings for the recovery of reasonable and necessary expenditures for transmission infrastructure improvement and changes in wholesale transmission charges. This mechanism was previously available to other non-ERCOT Texas utility companies, but not to Entergy Texas.

In September 2011 the PUCT adopted a proposed rule implementing a distribution cost recovery factor to recover capital and capital-related costs related to distribution infrastructure. The distribution cost recovery factor permits utilities once per year to implement an increase or decrease in rates above or below amounts reflected in base rates to reflect distribution-related depreciation expense, federal income tax and other taxes, and return on investment. The distribution cost recovery factor rider may be changed a maximum of four times between base rate cases.

In September 2019 the PUCT initiated a rulemaking to promulgate a generation cost recovery rider rule, implementing legislation passed in the 2019 Texas legislative session intended to allow electric utilities to recover generation investments between base rate proceedings. The PUCT approved the final rule in July 2020.

Electric Industry Restructuring

In June 2009, a law was enacted in Texas that required Entergy Texas to cease all activities relating to Entergy Texas's transition to competition. The law allows Entergy Texas to remain a part of the SERC Reliability Corporation (SERC) Region, although it does not prevent Entergy Texas from joining another power region. The law provides that proceedings to certify a power region that Entergy Texas belongs to as a qualified power region can be initiated by the PUCT, or on motion by another party, when the conditions supporting such a proceeding exist. Under the law, the PUCT may not approve a transition to competition plan for Entergy Texas until the expiration of four years from the PUCT's certification of a qualified power region for Entergy Texas.

The law further amended already existing law that had required Entergy Texas to propose for PUCT approval a tariff to allow eligible customers the ability to contract for competitive generation. The amending language in the law provides, among other things, that: 1) the tariff shall not be implemented in a manner that harms the sustainability or competitiveness of manufacturers who choose not to participate in the tariff; 2) Entergy Texas shall "purchase competitive generation service, selected by the customer, and provide the generation at retail to the customer;" and 3) Entergy Texas shall provide and price transmission service and ancillary services under that tariff at a rate that is unbundled from its cost of service. The law directs that the PUCT may not issue an order on the tariff that is contrary to an applicable decision, rule, or policy statement of a federal regulatory agency having jurisdiction. The PUCT determined that unrecovered costs that may be recovered through the rider consist only of those costs necessary to implement and administer the competitive generation program and do not include lost revenues or embedded generation costs. The amount of customer load that may be included in the competitive generation service program is limited to 115 MW.

System Energy

Cost of Service

The rates of System Energy are established by the FERC, and the costs allowed to be charged pursuant to these rates are, in turn, passed through to the participating Utility operating companies through the Unit Power Sales Agreement, which has monthly billings that reflect the current operating costs of, and investment in, Grand Gulf. Retail regulators and other parties may seek to initiate proceedings at FERC to investigate the prudence of costs included in the rates charged under the Unit Power Sales Agreement and examine, among other things, the reasonableness or prudence of the operation and maintenance practices, level of expenditures, allowed rates of return and rate base, and previously incurred capital expenditures. The Unit Power Sales Agreement is currently the subject of several litigation proceedings at the FERC, including a challenge with respect to System Energy's uncertain tax positions, sale leaseback arrangement, authorized return on equity and capital structure, and a separate proceeding for a broader investigation of rates under the Unit Power Sales Agreement. In addition, certain of the Utility operating companies' retail regulators have filed a complaint at FERC challenging the 2012 extended power uprate of Grand Gulf and the operation and management of the plant, particularly during the time period 2016 - 2020. Entergy cannot predict the outcome of any of these proceedings, and an adverse outcome in any of them could have a material adverse effect on Entergy's or System Energy's results of operations, financial condition, or liquidity. See Note 2 to the financial statements for further discussion of the proceedings. Beginning in 2021, System Energy has implemented billing protocols to provide retail regulators with information regarding rates billed under the Unit Power Sales Agreement.

Franchises

Entergy Arkansas holds exclusive franchises to provide electric service in approximately 308 incorporated cities and towns in Arkansas. These franchises are unlimited in duration and continue unless the municipalities purchase the utility property. In Arkansas franchises are considered to be contracts and, therefore, are terminable pursuant to the terms of the franchise agreement and applicable statutes.

Entergy Louisiana holds non-exclusive franchises to provide electric service in approximately 175 incorporated municipalities and in the unincorporated areas of approximately 59 parishes of Louisiana. Entergy Louisiana holds non-exclusive franchises to provide natural gas service to customers in the City of Baton Rouge and in East Baton Rouge Parish. Municipal franchise agreement terms range from 25 to 60 years while parish franchise terms range from 25 to 99 years.

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

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to indeterminate permits set forth in city ordinances. These ordinances contain a continuing option for the City of New Orleans to purchase Entergy New Orleans's electric and gas utility properties.

Entergy Texas holds a certificate of convenience and necessity from the PUCT to provide electric service to areas within approximately 27 counties in eastern Texas, and holds non-exclusive franchises to provide electric service in approximately 69 incorporated municipalities. Entergy Texas typically obtains 25-year franchise agreements as existing agreements expire. Entergy Texas's electric franchises expire over the period 2022-2058.

The business of System Energy is limited to wholesale power sales. It has no distribution franchises.

Property and Other Generation Resources

Owned Generating Stations

The total capability of the generating stations owned and leased by the Utility operating companies and System Energy as of December 31, 2021, is indicated below:

Company	Owned and Leased Capability MW(a)					
	Total	Gas/Oil	Nuclear	Coal	Hydro	Solar
Entergy Arkansas	5,175	2,091	1,819	1,193	72	—
Entergy Louisiana	10,741	8,261	2,140	340	—	—
Entergy Mississippi	3,252	2,938	—	312	—	2
Entergy New Orleans	666	639	—	—	—	27
Entergy Texas	3,256	3,004	—	252	—	—
System Energy	1,263	—	1,263	—	—	—
Total	24,353	16,933	5,222	2,097	72	29

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

Summer peak load for the Utility has averaged 21,557 MW over the previous decade.

The Utility operating companies' load and capacity projections are reviewed periodically to assess the need and timing for additional generating capacity and interconnections. These reviews consider existing and projected demand, the availability and price of power, the location of new load, the economy, Entergy's clean energy and other public policy goals, environmental regulations, and the age and condition of Entergy's existing infrastructure.

The Utility operating companies' long-term resource strategy (Portfolio Transformation Strategy) calls for the bulk of capacity needs to be met through long-term resources, whether owned or contracted. Over the past decade, the Portfolio Transformation Strategy has resulted in the addition of about 9,243 MW of new long-term resources and the deactivation of about 4,353 MW of legacy generation. As MISO market participants, the Utility operating companies also participate in MISO's Day Ahead and Real Time Energy and Ancillary Services markets to economically dispatch generation and purchase energy to serve customers reliably and at the lowest reasonable cost.

Other Generation Resources

RFP Procurements

The Utility operating companies from time to time issue requests for proposals (RFP) to procure supply-side resources from sources other than the spot market to meet the unique regional needs of the Utility operating companies. The RFPs issued by the Utility operating companies have sought resources needed to meet near-term MISO reliability requirements as well as long-term requirements through a broad range of wholesale power products, including long-term contractual products and asset acquisitions. The RFP process has resulted in selections or acquisitions, including, among other things:

- Entergy Louisiana's construction of the 980 MW, combined-cycle, gas turbine J. Wayne Leonard Power Station (previously referred to as the St. Charles generating facility) at its existing Little Gypsy electric generating station. The facility began commercial operation in May 2019;
- Entergy Louisiana's construction of the 994 MW, combined-cycle, gas turbine Lake Charles generating facility at its existing Nelson electric generating station site. The facility began commercial operation in March 2020;
- Entergy Texas's construction of the 993 MW, combined-cycle, gas turbine Montgomery County Power Station at its existing Lewis Creek electric generating station. The facility began commercial operation in January 2021;
- In December 2020, Entergy Texas selected the self-build alternative, Orange County Advanced Power Station, out of the 2020 Entergy Texas combined-cycle, gas turbine RFP. The self-build alternative will be constructed upon receipt of regulatory approvals. The facility is expected to be in service by mid-2026;
- Entergy New Orleans received regulatory approval in August 2019 to construct the New Orleans Solar Station (a 20 MW self-build solar project) located at the NASA Michoud Facility. The facility was placed in service in December 2020;
- In March 2019, Entergy Arkansas signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 800 acres in White County near Searcy, Arkansas. Entergy Arkansas received regulatory approval from the APSC in April 2020, and closed on the acquisition, through use of a tax equity partnership, in December 2021. The facility was placed in service in January 2022;
- In October 2018, Entergy Mississippi signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. Entergy Mississippi received regulatory approval from the MPSC in April 2020, and the facility is scheduled to be in service by mid-2022;
- In June 2020, Entergy Arkansas signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 1,000 acres in Lee County, Arkansas. In July 2021, the APSC issued an order approving the acquisition of the facility. Closing was targeted to occur in 2022. The counter-party has notified Entergy Arkansas that it is seeking changes to certain terms of the build-own-transfer agreement, including both cost and schedule. Negotiations are ongoing, but at this time the project is not expected to achieve commercial operation in 2022;
- In September 2020, Entergy Arkansas signed an agreement for the purchase of an approximately 180 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 1,500 acres in

Crittenden County, Arkansas. In October 2021, the APSC issued an order approving the acquisition of the facility. Closing is expected to occur in 2023; and

- In November 2021, Entergy Louisiana signed an agreement for the purchase of an approximately 150 MW to-be-constructed solar photovoltaic energy facility that will be sited in St. James Parish near Vacherie, Louisiana. In November 2021, Entergy Louisiana filed a petition with the LPSC seeking a finding that the transaction is in the public interest and requesting all necessary approvals. Closing is expected to occur in 2024.

The RFP process has also resulted in the selection, or confirmation of the economic merits of, long-term purchased power agreements (PPAs), including, among others:

- River Bend's 30% life-of-unit PPA between Entergy Louisiana and Entergy New Orleans for 100 MW related to Entergy Louisiana's unregulated portion of the River Bend nuclear station, which portion was formerly owned by Cajun;
- Entergy Arkansas's wholesale base load capacity life-of-unit PPAs executed in 2003 totaling approximately 220 MW between Entergy Arkansas and Entergy Louisiana (110 MW) and between Entergy Arkansas and Entergy New Orleans (110 MW) related to the sale of a portion of Entergy Arkansas's coal and nuclear base load resources (which had not been included in Entergy Arkansas's retail rates);
- In May 2011, Entergy Texas and Calpine Energy Services, L.P. executed a 10-year agreement for 485 MW from the Carville Energy Center located in St. Gabriel, Louisiana. Entergy Louisiana purchases 50% of the facility's capacity and energy from Entergy Texas. In November 2019, LS Power sold and transferred the Carville Energy Center and facility to Argo Infrastructure Partners, which included the power purchase agreement;
- In September 2012, Entergy Gulf States Louisiana executed a 20-year agreement for 28 MW, with the potential to purchase an additional 9 MW when available, from Rain CII Carbon LLC's petroleum coke calcining facility in Sulphur, Louisiana. The facility began commercial operation in May 2013. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, now holds the agreement with the facility;
- In March 2013, Entergy Gulf States Louisiana executed a 20-year agreement for 8.5 MW from Agrilectric Power Partners, LP's refurbished rice hull-fueled electric generation facility located in Lake Charles, Louisiana. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, now holds the agreement with Agrilectric;
- In September 2013, Entergy Louisiana executed a 10-year agreement with TX LFG Energy, LP, a wholly-owned subsidiary of Montauk Energy Holdings, LLC, to purchase approximately 3 MW from its landfill gas-fueled power generation facility located in Cleveland, Texas;
- Entergy Mississippi's cost-based purchase, beginning in January 2013, of 90 MW from Entergy Arkansas's share of Grand Gulf (only 60 MW of this PPA came through the RFP process). Cost recovery for the 90 MW was approved by the MPSC in January 2013;
- In April 2015, Entergy Arkansas and Stuttgart Solar, LLC executed a 20-year agreement for 81 MW from a solar photovoltaic electric generation facility located near Stuttgart, Arkansas. The APSC approved the project and deliveries pursuant to that agreement commenced in June 2018;
- In November 2016, Entergy Louisiana and LS Power executed a 10-year agreement for 485 MW from the Carville Energy Center located in St. Gabriel, Louisiana. In November 2019, LS Power sold and transferred the Carville Energy Center and facility to Argo Infrastructure Partners, which included the power purchase agreement;
- In November 2016, Entergy Louisiana and Occidental Chemical Corporation executed a 10-year agreement for 500 MW from the Taft Cogeneration facility located in Hahnville, Louisiana. The transaction received regulatory approval and began in June 2018;
- In June 2017, Entergy Arkansas and Chicot Solar, LLC executed a 20-year agreement for 100 MW from a solar photovoltaic electric generating facility located in Chicot County, Arkansas. The transaction received regulatory approval and the PPA began in November 2020;

- In February 2018, Entergy Louisiana and LA3 West Baton Rouge, LLC (Capital Region Solar project) executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in West Baton Rouge Parish, Louisiana. The transaction received regulatory approval in February 2019 and the PPA began in October 2020;
- In July 2018, Entergy New Orleans and St. James Solar, LLC executed a 20-year agreement for 20 MW from a solar photovoltaic electric generating facility located in St. James Parish, Louisiana. The transaction received regulatory approval in July 2019 and is targeting commercial operation in October 2022;
- In August 2018, Entergy Louisiana and South Alexander Development I, LLC executed a 5-year agreement for 5 MW from a solar photovoltaic electric generating facility located in Livingston Parish, Louisiana. The PPA began in December 2020 and received regulatory approval in January 2021;
- In February 2019, Entergy New Orleans and Iris Solar, LLC executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in Washington Parish, Louisiana. The transaction received regulatory approval in July 2019 and is targeting commercial operation in August 2022;
- In August 2020, Entergy Texas and Umbriel Solar, LLC executed a 20-year agreement for 150 MW from a solar photovoltaic electric generating facility located in Polk County, Texas. The PPA is expected to start when the facility reaches commercial operation in 2023;
- In June 2021, Entergy Louisiana and Sunlight Road Solar, LLC executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in Washington Parish, Louisiana. In November 2021, Entergy Louisiana signed an amended and re-stated PPA and filed a petition with the LPSC requesting all necessary approvals. The facility is expected to reach commercial operation in February 2024;
- In June 2021, Entergy Louisiana and St. James Solar II, LLC and Vacherie Solar Energy Center, LLC executed a 20-year agreement for 150 MW from a solar photovoltaic electric generating facility located in St. James Parish, Louisiana. In November 2021, Entergy Louisiana signed the PPA and filed a petition with the LPSC requesting all necessary approvals. The facility is expected to reach commercial operation in May 2024; and
- In November 2021, Entergy Louisiana signed a PPA for approximately 125 MW from a to-be-constructed solar photovoltaic energy facility in Allen, Louisiana. Following execution of the agreement, Entergy Louisiana filed a petition with the LPSC requesting all necessary approvals. The facility is expected to reach commercial operation in February 2024.

In March 2021, Entergy Services, on behalf of Entergy Louisiana, issued an RFP for solar photovoltaic resources. The RFP is seeking up to 600 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Louisiana customers.

In July 2021, Entergy Services, on behalf of Entergy Texas, issued an RFP for solar generation resources. The RFP is seeking a target of 400 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Texas customers. Evaluations are currently in progress.

In August 2021, Entergy Services, on behalf of Entergy Arkansas, issued an RFP for solar photovoltaic and wind resources. The RFP is seeking up to 500 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Arkansas customers.

In January 2022, Entergy Mississippi issued an RFP for solar photovoltaic and wind resources. The RFP is seeking up to 500 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Mississippi customers.

Other Procurements From Third Parties

The Utility operating companies have also made resource acquisitions outside of the RFP process, including Entergy Mississippi's January 2006 acquisition of the 480 MW, combined-cycle, gas-fired Attala power plant; Entergy Gulf States Louisiana's March 2008 acquisition of the 322 MW, simple-cycle, gas-fired Calcasieu Generating Facility; Entergy Louisiana's April 2011 acquisition of the 580 MW, combined-cycle, gas-fired Acadia Energy Center Unit 2; Entergy Arkansas's (Power Block 2), Entergy Louisiana's (Power Blocks 3 and 4), and Entergy New Orleans's (Power Block 1) March 2016 acquisitions of the 1,980 MW (summer rating), natural gas-fired, combined-cycle gas turbine Union Power Station power blocks, each rated at 495 MW (summer rating); and Entergy Mississippi's October 2019 acquisition of the 810 MW, combined-cycle, natural gas-fired Choctaw Generating Station. The Utility operating companies have also entered into various limited- and long-term contracts in recent years as a result of bilateral negotiations.

The Washington Parish Energy Center is a 361 MW natural gas-fired peaking power plant approximately 60 miles north of New Orleans on a site Entergy Louisiana purchased from Calpine in 2019. In May 2018, Entergy Louisiana received LPSC approval of its certification application for this simple-cycle power plant to be developed pursuant to an agreement between Calpine and Entergy Louisiana. Calpine began construction on the plant in early 2019 and Entergy Louisiana purchased the plant upon completion in November 2020.

The Hardin County Peaking Facility, an existing 147 MW simple-cycle gas-fired peaking power plant in Kountze, Texas, previously owned by East Texas Electric Cooperative, was acquired by Entergy Texas in June 2021. The facility has been in operation since January 2010.

Power Through Programs

In December 2020, Entergy Texas filed an application with the PUCT to amend its certificate of convenience and necessity to own and operate up to 75 MW of natural gas-fired distributed generation to be installed at commercial and industrial customer premises. If approved, Entergy Texas would own and operate a fleet of generators ranging from 100 kW to 10 MW that would supply a portion of Entergy Texas's long-term resource needs and enhance the resiliency of Entergy Texas's electric grid. This fleet of generators would also be available to customers during outages to supply backup electric service as part of a program known as "Power Through." In its 2021 session, the Texas legislature modified the Texas Utilities Code to exempt generators under 10 megawatts from the requirement to obtain a certificate of convenience and necessity. In addition, the PUCT announced an intent to conduct a broad rulemaking related to distributed generation and recommended that utilities with pending applications addressing distributed generation withdraw them. Accordingly, Entergy Texas withdrew its application for a certificate of convenience and necessity and associated tariff from the PUCT without prejudice to refiling. Entergy Texas continues to deploy certain customer-sited distributed generators under an existing PUCT-approved tariff and is evaluating when to file a new application for a distributed generation-related tariff.

In August 2021, Entergy Arkansas filed with the APSC an application for authority to deploy natural gas-fired distributed generation. The application was supported by a number of letters of interest from Entergy Arkansas customers. In December 2021 the APSC general staff requested briefing, which Entergy Arkansas opposed. In January 2022, Entergy Arkansas filed to support the establishment of a procedural schedule with a hearing in April 2022. Also in January 2022, the APSC granted the general staff's request for briefing but on an expedited schedule; briefing concluded in February 2022.

In July 2021, Entergy Louisiana filed with the LPSC an application for authority to deploy natural gas-fired distributed generation. The application was supported by a number of letters of interest from Entergy Louisiana customers. In October 2021, a procedural schedule was established with a hearing in April 2022. Staff and certain intervenors filed direct testimony in December 2021, and cross-answering testimony was filed in January 2022. Entergy Louisiana filed rebuttal testimony in February 2022.

Interconnections

The Utility operating companies' generating units are interconnected to a transmission system operating at various voltages up to 500 kV. These generating units consist of steam-electric production facilities, combustion-turbine generators, reciprocating internal combustion engine generators, pressurized and boiling water nuclear reactors, and inverter-based technologies integrating both solar resources and energy storage devices that operate in the MISO energy and ancillary services market. Entergy's Utility operating companies are MISO market participants and the companies' transmission systems are interconnected with those of many neighboring utilities. MISO is an essential link in the safe, cost-effective delivery of electric power across all or parts of 15 U.S. states and the Canadian province of Manitoba. In addition, the Utility operating companies are members of SERC Reliability Corporation (SERC), the Regional Entity with delegated authority from the North American Electric Reliability Corporation (NERC) for the purpose of proposing and enforcing Bulk Electric System reliability standards within 16 central and southeastern states.

Gas Property

As of December 31, 2021, Entergy New Orleans distributed and transported natural gas for distribution within New Orleans, Louisiana, through approximately 2,600 miles of gas pipeline. As of December 31, 2021, the gas properties of Entergy Louisiana, which are located in and around Baton Rouge, Louisiana, were not material to Entergy Louisiana's financial position.

Title

The Utility operating companies' generating stations are generally located on properties owned in fee simple. Most of the substations and transmission and distribution lines are constructed on private property or public rights-of-way pursuant to easements, servitudes, or appropriate franchises. Some substation properties are owned in fee simple. The Utility operating companies generally have the right of eminent domain, whereby they may perfect title to, or secure easements or servitudes on, private property for their utility operations.

Substantially all of the physical properties and assets owned by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are subject to the liens of mortgages securing bonds issued by those companies. The Lewis Creek generating station of Entergy Texas was acquired by merger with a subsidiary of Entergy Texas and is currently not subject to the lien of the Entergy Texas indenture.

Fuel Supply

The sources of generation and average fuel cost per kWh for the Utility operating companies and System Energy for the years 2019-2021 were:

Year	Natural Gas		Nuclear		Coal		Purchased Power		MISO Purchases	
	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh
2021	46	3.75	30	0.56	6	2.48	6	5.82	12	4.08
2020	47	1.92	29	0.57	3	2.54	8	4.36	13	2.48
2019	40	2.33	28	0.73	6	2.31	8	4.86	18	2.71

Actual 2021 and projected 2022 sources of generation for the Utility operating companies and System Energy, including certain power purchases from affiliates under life of unit power purchase agreements, including the Unit Power Sales Agreement, are:

	Natural Gas		Nuclear		Coal		Solar		Purchased Power (c)		MISO Purchases (d)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Entergy Arkansas (a)	26 %	17 %	52 %	60 %	16 %	20 %	—	1 %	1 %	2 %	5 %	—
Entergy Louisiana	50 %	48 %	27 %	33 %	2 %	5 %	—	—	8 %	14 %	13 %	—
Entergy Mississippi	61 %	56 %	24 %	31 %	6 %	11 %	—	2 %	—	—	9 %	—
Entergy New Orleans	45 %	42 %	43 %	50 %	2 %	3 %	—	1 %	1 %	4 %	9 %	—
Entergy Texas	48 %	57 %	10 %	17 %	4 %	10 %	—	—	16 %	16 %	22 %	—
System Energy (b)	—	—	100 %	100 %	—	—	—	—	—	—	—	—
Utility (a)	46 %	42 %	30 %	39 %	6 %	10 %	—	—	6 %	9 %	12 %	—

- (a) Hydroelectric power provided less than 1% of Entergy Arkansas’s generation in 2021 and is expected to provide less than 1% of its generation in 2022.
- (b) Capacity and energy from System Energy’s interest in Grand Gulf is allocated as follows under the Unit Power Sales Agreement: Entergy Arkansas - 36%; Entergy Louisiana - 14%; Entergy Mississippi - 33%; and Entergy New Orleans - 17%. Pursuant to purchased power agreements, Entergy Arkansas is selling a portion of its owned capacity and energy from Grand Gulf to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.
- (c) Excludes MISO purchases.
- (d) In December 2013, Entergy integrated its transmission system into the MISO RTO. Entergy offers all of its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the MISO energy market to serve the demand of its customers, with MISO making dispatch decisions. The MISO purchases metric provided for 2021 is not projected for 2022.

Some of the Utility’s gas-fired plants are also capable of using fuel oil, if necessary. Although based on current economics the Utility does not expect fuel oil use in 2022, it is possible that various operational events including weather or pipeline maintenance may require the use of fuel oil.

Natural Gas

The Utility operating companies have long-term firm and short-term interruptible gas contracts for both supply and transportation. Over 50% of the Utility operating companies’ power plants maintain some level of long-term firm transportation. Short-term contracts and spot-market purchases satisfy additional gas requirements. Entergy Texas owns a gas storage facility and Entergy Louisiana has a firm storage service agreement that provide reliable and flexible natural gas service to certain generating stations.

Many factors, including wellhead deliverability, storage, pipeline capacity, and demand requirements of end users, influence the availability and price of natural gas supplies for power plants. Demand is primarily tied to weather conditions as well as to the prices and availability of other energy sources. Pursuant to federal and state regulations, gas supplies to power plants may be interrupted during periods of shortage. To the extent natural gas supplies are disrupted or natural gas prices significantly increase, the Utility operating companies may in some instances use alternate fuels, such as oil when available, or rely to a larger extent on coal, nuclear generation, and purchased power.

Coal

Entergy Arkansas has committed to six one- to three-year contracts that will supply approximately 85% of the total coal supply needs in 2022. These contracts are staggered in term so that not all contracts have to be renewed the same year. The remaining 15% of total coal requirements will be satisfied by contracts with a term of less than one year. Based on continued improved Powder River Basin (PRB) coal deliveries by rail and the high cost of alternate sources and modes of transportation, no alternative coal consumption is expected at Entergy Arkansas during 2022. Coal will be transported to Arkansas via a Union Pacific transportation agreement that is expected to provide all of Entergy Arkansas's rail transportation requirements for the first half of 2022. A new long-term transportation agreement is anticipated to be executed to meet Entergy Arkansas's rail transportation requirements for the second half of 2022.

Entergy Louisiana has committed to two one- to three-year contracts that will supply approximately 90% of Nelson Unit 6 coal needs in 2022. If needed, additional PRB coal will be purchased through contracts with a term of less than one year to provide the remaining supply needs. For the same reasons as for Entergy Arkansas's plants, no alternative coal consumption is expected at Nelson Unit 6 during 2022. Coal will be transported to Nelson primarily via an existing transportation agreement that is expected to provide all of Entergy Louisiana's rail transportation requirements for 2022.

For the year 2021, coal transportation delivery rates to Entergy Arkansas- and Entergy Louisiana-operated coal-fired units became constrained and were unable to fully meet supply needs and obligations beginning in August 2021. The rate of deliveries has begun to improve and is expected to normalize later in 2022. Both Entergy Arkansas and Entergy Louisiana control a sufficient number of railcars to satisfy the rail transportation requirement.

The operator of Big Cajun 2 - Unit 3, Louisiana Generating, LLC, has advised Entergy Louisiana and Entergy Texas that it has adequate rail car and barge capacity to meet the volumes of PRB coal requested for 2022. Entergy Louisiana's and Entergy Texas's coal nomination requests to Big Cajun 2 - Unit 3 are made on an annual basis.

Nuclear Fuel

The nuclear fuel cycle consists of the following:

- mining and milling of uranium ore to produce a concentrate;
- conversion of the concentrate to uranium hexafluoride gas;
- enrichment of the uranium hexafluoride gas;
- fabrication of nuclear fuel assemblies for use in fueling nuclear reactors; and
- disposal of spent fuel.

The Registrant Subsidiaries that own nuclear plants, Entergy Arkansas, Entergy Louisiana, and System Energy, are responsible through a shared regulated uranium pool for contracts to acquire nuclear material to be used in fueling Entergy's Utility nuclear units. These companies own the materials and services in this shared regulated uranium pool on a pro rata fractional basis determined by the nuclear generation capability of each company. Any liabilities for obligations of the pooled contracts are on a several but not joint basis. The shared regulated uranium pool maintains inventories of nuclear materials during the various stages of processing. The Registrant Subsidiaries purchase enriched uranium hexafluoride for their nuclear plant reload requirements at the average inventory cost from the shared regulated uranium pool. Entergy Operations, Inc. contracts separately for the fabrication of nuclear fuel as agent on behalf of each of the Registrant Subsidiaries that owns a nuclear plant. All contracts for the disposal of spent nuclear fuel are between the DOE and the owner of a nuclear power plant.

Based upon currently planned fuel cycles, the Utility nuclear units have a diversified portfolio of contracts and inventory that provides substantially adequate nuclear fuel materials and conversion and enrichment services at

what Entergy believes are reasonably predictable or fixed prices through most of 2027. Entergy’s ability to purchase nuclear fuel at reasonably predictable prices, however, depends upon the performance reliability of uranium miners, including their ability to work through supply disruptions caused by global events, such as the COVID-19 pandemic, or national events, such as political disruption. There are a number of possible supply alternatives that may be accessed to mitigate any supplier performance failure, including potentially drawing upon Entergy’s inventory intended for later generation periods depending upon its risk management strategy at that time, although the pricing of any alternate uranium supply from the market will be dependent upon the market for uranium supply at that time. In addition, some nuclear fuel contracts are on a non-fixed price basis subject to prevailing prices at the time of delivery.

The effects of market price changes may be reduced and deferred by risk management strategies, such as negotiation of floor and ceiling amounts for long-term contracts, buying for inventory or entering into forward physical contracts at fixed prices when Entergy believes it is appropriate and useful. Entergy buys uranium from a diversified mix of sellers located in a diversified mix of countries, and from time to time purchases from nearly all qualified reliable major market participants worldwide that sell into the U.S.

Entergy’s ability to assure nuclear fuel supply also depends upon the performance reliability of conversion, enrichment, and fabrication services providers. There are fewer of these providers than for uranium. For conversion and enrichment services, like uranium, Entergy diversifies its supply by supplier and country and may take special measures as needed to ensure supply of enriched uranium for the reliable fabrication of nuclear fuel. For fabrication services, each plant is dependent upon the effective performance of the fabricator of that plant’s nuclear fuel, therefore, Entergy provides additional monitoring, inspection, and oversight for the fabrication process to assure reliability and quality.

Entergy Arkansas, Entergy Louisiana, and System Energy each have made arrangements to lease nuclear fuel and related equipment and services. The lessors, which are consolidated in the financial statements of Entergy and the applicable Registrant Subsidiary, finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These credit facilities are subject to periodic renewal, and the notes are issued periodically, typically for terms between three and seven years.

Natural Gas Purchased for Resale

Entergy New Orleans has several suppliers of natural gas. Its system is interconnected with one interstate and three intrastate pipelines. Entergy New Orleans has a “no-notice” service gas purchase contract with Symmetry Energy Solutions which guarantees Entergy New Orleans gas delivery at specific delivery points and at any volume within the minimum and maximum set forth in the contract amounts. The Symmetry Energy Solutions gas supply is transported to Entergy New Orleans pursuant to a transportation service agreement with Gulf South Pipeline Co. This service is subject to FERC-approved rates. Entergy New Orleans also makes interruptible spot market purchases.

Entergy Louisiana purchased natural gas for resale in 2021 under a firm contract from Sequent Energy Management L.P. The gas is delivered through a combination of intrastate and interstate pipelines.

As a result of the implementation of FERC-mandated interstate pipeline restructuring in 1993, curtailments of interstate gas supply could occur if Entergy Louisiana’s or Entergy New Orleans’s suppliers failed to perform their obligations to deliver gas under their supply agreements. Gulf South Pipeline Co. could curtail transportation capacity only in the event of pipeline system constraints.

Federal Regulation of the Utility

State or local regulatory authorities, as described above, regulate the retail rates of the Utility operating companies. The FERC regulates wholesale sales of electricity rates and interstate transmission of electricity,

including System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. See Note 2 to the financial statements for further discussion of federal regulation proceedings.

System Agreement (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Prior to each operating company's termination of participation in the System Agreement (Entergy Arkansas in December 2013, Entergy Mississippi in November 2015, and Entergy Louisiana, Entergy New Orleans, and Entergy Texas each in August 2016), the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which was a rate schedule approved by the FERC. Under the terms of the System Agreement, generating capacity and other power resources were jointly operated by the Utility operating companies that were participating in the System Agreement. The System Agreement provided, among other things, that parties having generating reserves greater than their allocated share of reserves (long companies) would receive payments from those parties having generating reserves that were less than their allocated share of reserves (short companies). Such payments were at amounts sufficient to cover certain of the long companies' costs for intermediate and peaking oil/gas-fired generation, including operating expenses, fixed charges on debt, dividend requirements on preferred equity, and a fair rate of return on common equity investment. Under the System Agreement, the rates used to compensate long companies were based on costs associated with the long companies' steam electric generating units fueled by oil or gas and having an annual average heat rate above 10,000 Btu/kWh. In addition, for all energy exchanged among the Utility operating companies under the System Agreement, the companies purchasing exchange energy were required to pay the cost of fuel consumed in generating such energy plus a charge to cover other associated costs.

Although the System Agreement has terminated, certain of the Utility operating companies' and their retail regulators are pursuing litigation involving the System Agreement at the FERC and in federal courts. The proceedings include challenges to the allocation of costs as defined by the System Agreement and other matters. See Note 2 to the financial statements for discussion of legal proceedings at the FERC and in federal courts involving the System Agreement.

Transmission and MISO Markets

In December 2013 the Utility operating companies integrated into the MISO RTO. Although becoming a member of MISO did not affect the ownership by the Utility operating companies of their transmission facilities or the responsibility for maintaining those facilities, MISO maintains functional control over the combined transmission systems of its members and administers wholesale energy and ancillary services markets for market participants in the MISO region, including the Utility operating companies. MISO also exercises functional control of transmission planning and congestion management and provides schedules and pricing for the commitment and dispatch of generation that is offered into MISO's markets, as well as pricing for load that bids into the markets. The Utility operating companies sell capacity, energy, and ancillary services on a bilateral basis to certain wholesale customers and offer available electricity production of their generating facilities into the MISO day-ahead and real-time energy markets pursuant to the MISO tariff and market rules. Each Utility operating company has its own transmission pricing zone and a formula rate template (included as Attachment O to the MISO tariff) used to establish transmission rates within MISO. The terms and conditions of the MISO tariff, including provisions related to the design and implementation of wholesale markets and the allocation of transmission upgrade costs, are subject to regulation by the FERC.

System Energy and Related Agreements

System Energy recovers costs related to its interest in Grand Gulf through rates charged to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans for capacity and energy under the Unit Power Sales Agreement (described below). In July 2001 a rate proceeding commenced by System Energy at the

FERC in 1995 became final, with the FERC approving a prospective 10.94% return on equity. In 1998 the FERC approved requests by Entergy Arkansas and Entergy Mississippi to accelerate a portion of their Grand Gulf purchased power obligations. Entergy Arkansas's and Entergy Mississippi's acceleration of Grand Gulf purchased power obligations ceased effective July 2001 and July 2003, respectively, as approved by the FERC. See Note 2 to the financial statements for discussion of complaints filed with the FERC regarding System Energy's return on equity.

Unit Power Sales Agreement

The Unit Power Sales Agreement allocates capacity, energy, and the related costs from System Energy's ownership and leasehold interests in Grand Gulf to Entergy Arkansas (36%), Entergy Louisiana (14%), Entergy Mississippi (33%), and Entergy New Orleans (17%). Each of these companies is obligated to make payments to System Energy for its entitlement of capacity and energy on a full cost-of-service basis regardless of the quantity of energy delivered. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenue. The financial condition of System Energy depends upon the continued commercial operation of Grand Gulf and the receipt of such payments. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans generally recover payments made under the Unit Power Sales Agreement through rates charged to their customers.

In the case of Entergy Arkansas and Entergy Louisiana, payments are also recovered through sales of electricity from their respective retained shares of Grand Gulf. Under a settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas retains 22% of its 36% share of Grand Gulf-related costs and recovers the remaining 78% of its share in rates. In the event that Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided cost, which is currently less than Entergy Arkansas's cost from its retained share. Entergy Arkansas has life-of-resources purchased power agreements with Entergy Louisiana and Entergy New Orleans that sell a portion of the output of Entergy Arkansas's retained share of Grand Gulf to those companies, with the remainder of the retained share being sold to Entergy Mississippi through a separate life-of-resources purchased power agreement. In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted cost recovery with respect to costs associated with Entergy Louisiana's share of capacity and energy from Grand Gulf, subject to certain terms and conditions. Entergy Louisiana retains and does not recover from retail ratepayers 18% of its 14% share of the costs of Grand Gulf capacity and energy and recovers the remaining 82% of its share in rates. Entergy Louisiana is allowed to recover through the fuel adjustment clause at 4.6 cents per kWh for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to non-affiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval. Entergy Arkansas also has a life-of-resources purchased power agreement with Entergy Mississippi to sell a portion of the output of Entergy Arkansas's non-retained share of Grand Gulf. Entergy Mississippi was granted cost recovery for those purchases by the MPSC through its annual unit power cost rate mechanism.

Availability Agreement

The Availability Agreement among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans was entered into in 1974 in connection with the financing by System Energy of Grand Gulf. The Availability Agreement provides that System Energy make available to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans all capacity and energy available from System Energy's share of Grand Gulf.

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

The allocation percentages under the Availability Agreement are fixed as follows: Entergy Arkansas - 17.1%; Entergy Louisiana - 26.9%; Entergy Mississippi - 31.3%; and Entergy New Orleans - 24.7%. The allocation percentages under the Availability Agreement would remain in effect and would govern payments made under such agreement in the event of a shortfall of funds available to System Energy from other sources, including payments under the Unit Power Sales Agreement.

System Energy has assigned its rights to payments and advances from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Availability Agreement as security for its two outstanding series of first mortgage bonds. In these assignments, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans further agreed that, in the event they were prohibited by governmental action from making payments under the Availability Agreement (for example, if the FERC reduced or disallowed such payments as constituting excessive rates), they would then make subordinated advances to System Energy in the same amounts and at the same times as the prohibited payments. System Energy would not be allowed to repay these subordinated advances so long as it remained in default under the related indebtedness or in other similar circumstances.

Each of the assignment agreements relating to the Availability Agreement provides that Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans will make payments directly to System Energy. However, if there is an event of default, those payments must be made directly to the holders of indebtedness that are the beneficiaries of such assignment agreements. The payments must be made pro rata according to the amount of the respective obligations secured.

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

Since commercial operation of Grand Gulf began, payments under the Unit Power Sales Agreement to System Energy have exceeded the amounts payable under the Availability Agreement and, therefore, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments because their Availability Agreement obligations exceed their Unit Power Sales Agreement obligations.

The Availability Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, without further consent of any assignees or other creditors.

Service Companies

Entergy Services, a limited liability company wholly-owned by Entergy Corporation, provides management, administrative, accounting, legal, engineering, and other services primarily to the Utility operating companies, but also provides services to Entergy Wholesale Commodities. Entergy Operations is also wholly-owned by Entergy Corporation and provides nuclear management, operations and maintenance services under contract for ANO, River Bend, Waterford 3, and Grand Gulf, subject to the owner oversight of Entergy Arkansas, Entergy Louisiana, and System Energy, respectively. Entergy Services and Entergy Operations provide their

services to the Utility operating companies and System Energy on an “at cost” basis, pursuant to cost allocation methodologies for these service agreements that were approved by the FERC.

Jurisdictional Separation of Entergy Gulf States, Inc. into Entergy Gulf States Louisiana and Entergy Texas

Effective December 31, 2007, Entergy Gulf States, Inc. completed a jurisdictional separation into two vertically integrated utility companies, one operating under the sole retail jurisdiction of the PUCT, Entergy Texas, and the other operating under the sole retail jurisdiction of the LPSC, Entergy Gulf States Louisiana. Entergy Texas owns all Entergy Gulf States, Inc. distribution and transmission assets located in Texas, the gas-fired generating plants located in Texas, undivided 42.5% ownership shares of Entergy Gulf States, Inc.’s 70% ownership interest in Nelson Unit 6 and 42% ownership interest in Big Cajun 2, Unit 3, which are coal-fired generating plants located in Louisiana, and other assets and contract rights to the extent related to utility operations in Texas. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, owns all of the remaining assets that were owned by Entergy Gulf States, Inc. On a book value basis, approximately 58.1% of the Entergy Gulf States, Inc. assets were allocated to Entergy Gulf States Louisiana and approximately 41.9% were allocated to Entergy Texas.

Entergy Texas purchases from Entergy Louisiana pursuant to a life-of-unit purchased power agreement a 42.5% share of capacity and energy from the 70% of River Bend subject to retail regulation. Entergy Texas was allocated a share of River Bend’s nuclear and environmental liabilities that is identical to the share of the plant’s output purchased by Entergy Texas under the purchased power agreement. In connection with the termination of the System Agreement effective August 31, 2016, the purchased power agreements that were put in place for certain legacy units at the time of the jurisdictional separation were also terminated at that time. See Note 2 to the financial statements for additional discussion of the purchased power agreements.

Entergy Louisiana and Entergy Gulf States Louisiana Business Combination

On October 1, 2015, the businesses formerly conducted by Entergy Louisiana (Old Entergy Louisiana) and Entergy Gulf States Louisiana (Old Entergy Gulf States Louisiana) were combined into a single public utility. In order to effect the business combination, under the Texas Business Organizations Code (TXBOC), Old Entergy Louisiana allocated substantially all of its assets to a new subsidiary, Entergy Louisiana Power, LLC, a Texas limited liability company (New Entergy Louisiana), and New Entergy Louisiana assumed the liabilities of Old Entergy Louisiana, in a transaction regarded as a merger under the TXBOC. Under the TXBOC, Old Entergy Gulf States Louisiana allocated substantially all of its assets to a new subsidiary (New Entergy Gulf States Louisiana) and New Entergy Gulf States Louisiana assumed the liabilities of Old Entergy Gulf States Louisiana, in a transaction regarded as a merger under the TXBOC. New Entergy Gulf States Louisiana then merged into New Entergy Louisiana with New Entergy Louisiana surviving the merger. Thereupon, Old Entergy Louisiana changed its name from “Entergy Louisiana, LLC” to “EL Investment Company, LLC” and New Entergy Louisiana changed its name from “Entergy Louisiana Power, LLC” to “Entergy Louisiana, LLC” (Entergy Louisiana). With the completion of the business combination, Entergy Louisiana holds substantially all of the assets, and has assumed the liabilities, of Old Entergy Louisiana and Old Entergy Gulf States Louisiana.

Entergy New Orleans Internal Restructuring

In November 2017, pursuant to the agreement in principle, Entergy New Orleans, Inc. undertook a multi-step restructuring, including the following:

- Entergy New Orleans, Inc. redeemed its outstanding preferred stock at a price of approximately \$21 million, which included a call premium of approximately \$819,000, plus any accumulated and unpaid dividends.
- Entergy New Orleans, Inc. converted from a Louisiana corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy New Orleans, Inc. allocated substantially all of its assets to a new subsidiary, Entergy New Orleans Power, LLC, a Texas limited liability company (Entergy New Orleans Power), and Entergy New Orleans Power assumed substantially all of the liabilities

of Entergy New Orleans, Inc. in a transaction regarded as a merger under the TXBOC. Entergy New Orleans, Inc. remained in existence and held the membership interests in Entergy New Orleans Power.

- Entergy New Orleans, Inc. contributed the membership interests in Entergy New Orleans Power 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 New Orleans Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2017, Entergy New Orleans, Inc. changed its name to Entergy Utility Group, Inc., and Entergy New Orleans Power then changed its name to Entergy New Orleans, LLC. Entergy New Orleans, LLC holds substantially all of the assets, and has assumed substantially all of the liabilities, of Entergy New Orleans, Inc. The restructuring was accounted for as a transaction between entities under common control.

Entergy Arkansas Internal Restructuring

In November 2018, Entergy Arkansas undertook a multi-step restructuring, including the following:

- Entergy Arkansas, Inc. redeemed its outstanding preferred stock at the aggregate redemption price of approximately \$32.7 million.
- Entergy Arkansas, Inc. converted from an Arkansas corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Arkansas, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Arkansas Power, LLC, a Texas limited liability company (Entergy Arkansas Power), and Entergy Arkansas Power assumed substantially all of the liabilities of Entergy Arkansas, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Arkansas, Inc. remained in existence and held the membership interests in Entergy Arkansas Power.
- Entergy Arkansas, Inc. contributed the membership interests in Entergy Arkansas Power 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 Arkansas Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Arkansas, Inc. changed its name to Entergy Utility Property, Inc., and Entergy Arkansas Power then changed its name to Entergy Arkansas, LLC. Entergy Arkansas, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Arkansas, Inc. The transaction was accounted for as a transaction between entities under common control.

Entergy Mississippi Internal Restructuring

In November 2018, Entergy Mississippi undertook a multi-step restructuring, including the following:

- Entergy Mississippi, Inc. redeemed its outstanding preferred stock, at the aggregate redemption price of approximately \$21.2 million.
- Entergy Mississippi, Inc. converted from a Mississippi corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Mississippi, Inc. allocated 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 assumed substantially all of the liabilities of Entergy Mississippi, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Mississippi, Inc. remained in existence and held the membership interests in Entergy Mississippi Power and Light.
- Entergy Mississippi, Inc. contributed 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 is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Mississippi, Inc. changed its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light then changed its name to Entergy Mississippi, LLC. Entergy Mississippi, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Mississippi, Inc. The restructuring was accounted for as a transaction between entities under common control.

Entergy Wholesale Commodities

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 plant, Palisades, to wholesale customers. Entergy Wholesale Commodities also provides operations and management services, including decommissioning-related services, to nuclear power plants owned by non-affiliated entities in the United States. Entergy Wholesale Commodities also includes the ownership of 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**” in Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion of the operation and planned shutdown and sale of each of the remaining Entergy Wholesale Commodities nuclear power plants.

Property

Nuclear Generating Stations

Entergy Wholesale Commodities includes the ownership of the following nuclear power plant as of December 31, 2021:

Power Plant	Market	In Service Year	Acquired	Location	Capacity - Reactor Type	License Expiration Date
Palisades (a)	MISO	1971	April 2007	Covert, MI	811 MW - Pressurized Water	2031 (a)

- (a) The Palisades plant is expected to cease operations on May 31, 2022. Entergy and Holtec jointly filed a license transfer application with the NRC in December 2020, requesting approval for the transfer of the Palisades and Big Rock Point licenses from Entergy to Holtec. The NRC approved the license transfer application in December 2021.

Entergy Wholesale Commodities also includes the ownership of one non-operating nuclear facility, Big Rock Point in Michigan, that was acquired when Entergy purchased the Palisades plant. Big Rock Point is under contract to be sold with Palisades to Holtec.

See “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” in Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion of the operation and planned shutdown and sale of each of the remaining Entergy Wholesale Commodities nuclear power plants.

Non-nuclear Generating Stations

Entergy Wholesale Commodities includes the ownership, or interests in joint ventures that own, the following non-nuclear power plants:

Plant	Location	Ownership	Net Owned Capacity (a)	Type
Independence Unit 2; 842 MW	Newark, AR	14%	121 MW(b)	Coal
RS Cogen; 425 MW (c)	Lake Charles, LA	50%	213 MW	Gas/Steam
Nelson Unit 6; 550 MW	Westlake, LA	11%	60 MW(b)	Coal

- (a) “Net Owned Capacity” refers to the nameplate rating on the generating unit.
- (b) The owned MW capacity is the portion of the plant capacity owned by Entergy Wholesale Commodities. For a complete listing of Entergy’s jointly-owned generating stations, refer to “**Jointly-Owned Generating Stations**” in Note 1 to the financial statements.
- (c) Indirectly owned through an interest in an unconsolidated joint venture. In December 2020, Entergy’s wholly-owned subsidiary with a direct interest in RS Cogen, LLC entered into a membership interest purchase agreement with a subsidiary of the other 50% equity partner to sell its 50% membership interest in the joint venture to the equity partner. The targeted closing date for the transaction is October 2022.

Independent System Operator

The Palisades plant falls under the authority of the MISO. The primary purpose of MISO is to direct the operations of the major generation and transmission facilities in their region; ensure grid reliability; administer and monitor wholesale electricity markets; and plan for their region’s energy needs.

Energy and Capacity Sales

As a wholesale generator, Entergy Wholesale Commodities’ core business is selling energy, measured in MWh, to its customers. As part of the purchase of the Palisades plant in 2007, Entergy executed a 15-year PPA with the seller, Consumers Energy, for 100% of the plant’s output, excluding any future uprates. Under the purchased power agreement, Consumers Energy received the value of any new environmental credits for the first fourteen years of the agreement. Palisades and Consumers Energy will share on a 50/50 basis the value of any new environmental credits for the last year of the agreement. The environmental credits are defined as benefits from a change in law that causes capability of the plant as of the purchase date to become a tradable attribute (e.g., emission credit, renewable energy credit, environmental credit, “green” credit, etc.) or otherwise to have a market value. Entergy intends to shut down the Palisades plant permanently on May 31, 2022 and transfer to Holtec thereafter.

Customers

Entergy Wholesale Commodities’ customers for the sale of both energy and capacity from its nuclear plants include retail power providers, utilities, electric power co-operatives, power trading organizations, and other power generation companies. These customers include Consumers Energy, the company from which Entergy purchased the Palisades plant, and MISO. Substantially all the credit exposure associated with the planned energy output under contract for Palisades is with counterparties or their guarantors that have public investment grade credit ratings.

Competition

MISO does not have a centralized clearing capacity market, but load serving entities do meet most of their capacity needs through bilateral contracts and self-supply with a smaller portion coming through voluntary MISO

auctions. Almost all of Palisades' current output is contracted to Consumers Energy through May 2022. Entergy Wholesale Commodities does not expect to be materially affected by competition in the MISO market in the near term.

Seasonality

Entergy Wholesale Commodities' revenues and operating income are subject to fluctuations during the year due to seasonal factors, weather conditions, and contract pricing. When outdoor and cooling water temperatures are low, generally during colder months, Entergy Wholesale Commodities' nuclear power plants operate more efficiently, and consequently, generates more electricity. Entergy Wholesale Commodities' contracts provide for shaped pricing over the course of the year. As a result of these factors, Entergy Wholesale Commodities' revenues are typically higher in the first and third quarters than in the second and fourth quarters.

Fuel Supply

Nuclear Fuel

See “**Fuel Supply** - Nuclear Fuel” in the Utility portion of Part I, Item 1 for a discussion of the nuclear fuel cycle and markets. Entergy Nuclear Fuels Company, a wholly-owned subsidiary, was responsible for contracts to acquire nuclear materials, except for fuel fabrication, for Entergy Wholesale Commodities nuclear power plants, while Entergy Nuclear Operations, Inc. acted as the agent for the purchase of nuclear fuel assembly fabrication services. All contracts for the disposal of spent nuclear fuel were between the DOE and each of the nuclear power plant owners. The nuclear fuel supply portfolio for the Entergy Wholesale Commodities segment has been adjusted to reflect reduced overall requirements related to the planned permanent shutdown of the Palisades plant. Fuel procurement for the Entergy Wholesale Commodities segment ceased after the Palisades plant's final refueling in 2020.

Other Business Activities

Entergy Nuclear Power Marketing, LLC (ENPM) was formed in 2005 to centralize the power marketing function for Entergy Wholesale Commodities nuclear plants. Upon its formation, ENPM entered into long-term power purchase agreements with the Entergy Wholesale Commodities subsidiaries that owned nuclear power plants (generating subsidiaries). As part of a series of agreements, ENPM agreed to assume and/or otherwise service the existing power purchase agreements that were in effect between the generating subsidiaries and their customers. ENPM's functions include origination of new energy and capacity transactions and generation scheduling.

Services provided by either Entergy Nuclear, Inc. or other Entergy Wholesale Commodities subsidiaries include engineering, operations and maintenance, fuel procurement, management and supervision, technical support and training, administrative support, and other managerial or technical services required to operate, maintain, and decommission nuclear electric power facilities.

TLG Services, a subsidiary in the Entergy Wholesale Commodities segment, offers decommissioning, engineering, and related services to nuclear power plant owners.

Entergy provides plant operation support services for the 800 MW Cooper Nuclear Station located near Brownville, Nebraska. In 2010 an Entergy subsidiary signed an agreement to extend the management support services to Cooper Nuclear Station by 15 years, through January 2029.

Regulation of Entergy's Business

Federal Power Act

The Federal Power Act provides the FERC the authority to regulate:

- the transmission and wholesale sale of electric energy in interstate commerce;
- the reliability of the high voltage interstate transmission system through reliability standards;
- sale or acquisition of certain assets;
- securities issuances;
- the licensing of certain hydroelectric projects;
- certain other activities, including accounting policies and practices of electric and gas utilities; and
- changes in control of FERC jurisdictional entities or rate schedules.

The Federal Power Act gives the FERC jurisdiction over the rates charged by System Energy for Grand Gulf capacity and energy provided to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans and over the rates charged by Entergy Arkansas and Entergy Louisiana to unaffiliated wholesale customers. The FERC also regulates wholesale power sales between the Utility operating companies. In addition, the FERC regulates the MISO RTO, an independent entity that maintains functional control over the combined transmission systems of its members and administers wholesale energy, capacity, and ancillary services markets for market participants in the MISO region, including the Utility operating companies. FERC regulation of the MISO RTO includes regulation of the design and implementation of the wholesale markets administered by the MISO RTO, as well as the rates, terms, and conditions of open access transmission service over the member systems and the allocation of costs associated with transmission upgrades.

Entergy Arkansas holds a FERC license that expires in 2053 for two hydroelectric projects totaling 65 MW of capacity.

State Regulation

Utility

Entergy Arkansas is subject to regulation by the APSC as to the following:

- utility service;
- utility service areas;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the energy cost recovery rider;
- terms and conditions of service;
- service standards;
- the acquisition, sale, or lease of any public utility plant or property constituting an operating unit or system;
- certificates of convenience and necessity and certificates of environmental compatibility and public need, as applicable, for generating and transmission facilities;
- avoided cost payments to non-exempt Qualifying Facilities;
- net energy metering;
- integrated resource planning;
- utility mergers and acquisitions and other changes of control; and
- the issuance and sale of certain securities.

Additionally, Entergy Arkansas serves a limited number of retail customers in Tennessee. Pursuant to legislation enacted in Tennessee, Entergy Arkansas is subject to complaints before the Tennessee Regulatory Authority only if it fails to treat its retail customers in Tennessee in the same manner as its retail customers in Arkansas.

Additionally, Entergy Arkansas maintains limited facilities in Missouri but does not provide retail electric service to customers in Missouri. Although Entergy Arkansas obtained a certificate with respect to its Missouri facilities, Entergy Arkansas is not subject to retail ratemaking or other regulatory jurisdiction in Missouri.

Entergy Louisiana's electric and gas business is subject to regulation by the LPSC as to the following:

- utility service;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the fuel adjustment clause and purchased gas adjustment charge;
- terms and conditions of service;
- service standards;
- certification of certain transmission projects;
- certification of capacity acquisitions, both for owned capacity and for purchase power contracts that exceed either 5 MW or one year in term;
- procurement process to acquire capacity over 50 MW;
- audits of the environmental adjustment charge, avoided cost payment to non-exempt Qualifying Facilities, and energy efficiency rider;
- integrated resource planning;
- net energy metering; and
- utility mergers and acquisitions and other changes of control.

Entergy Mississippi is subject to regulation by the MPSC as to the following:

- utility service;
- utility service areas;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the energy cost recovery mechanism;
- terms and conditions of service;
- service standards;
- certification of generating facilities and certain transmission projects;
- avoided cost payments to non-exempt Qualifying Facilities;
- integrated resource planning;
- net energy metering; and
- utility mergers, acquisitions, and other changes of control.

Entergy Mississippi is also subject to regulation by the APSC as to the certificate of environmental compatibility and public need for the Independence Station, which is located in Arkansas.

Entergy New Orleans is subject to regulation by the City Council as to the following:

- utility service;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the fuel adjustment charge and purchased gas adjustment charge;
- terms and conditions of service;
- service standards;
- audit of the environmental adjustment charge;
- certification of the construction or extension of any new plant, equipment, property, or facility that comprises more than 2% of the utility's rate base;
- integrated resource planning;
- net energy metering;
- avoided cost payments to non-exempt Qualifying Facilities;
- issuance and sale of certain securities; and

- utility mergers and acquisitions and other changes of control.

To the extent authorized by governing legislation, Entergy Texas is subject to the original jurisdiction of the municipal authorities of a number of incorporated cities in Texas with appellate jurisdiction over such matters residing in the PUCT. Entergy Texas is also subject to regulation by the PUCT as to the following:

- retail rates and charges, including depreciation rates, and terms and conditions of service in unincorporated areas of its service territory, and in municipalities that have ceded jurisdiction to the PUCT;
- fuel recovery, including reconciliations (audits) of the fuel adjustment charges;
- service standards;
- certification of certain transmission and generation projects;
- utility service areas, including extensions into new areas;
- avoided cost payments to non-exempt Qualifying Facilities;
- net energy metering; and
- utility mergers, sales/acquisitions/leases of plants over \$10 million, sales of greater than 50% voting stock of utilities, and transfers of controlling interest in or operation of utilities.

Regulation of the Nuclear Power Industry

Atomic Energy Act of 1954 and Energy Reorganization Act of 1974

Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, the operation of nuclear plants is heavily regulated by the NRC, which has broad power to impose licensing and safety-related requirements. The NRC has broad authority to impose civil penalties or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Entergy Arkansas, Entergy Louisiana, and System Energy, as owners of all or portions of ANO, River Bend and Waterford 3, and Grand Gulf, respectively, and Entergy Operations, as the licensee and operator of these units, are subject to the jurisdiction of the NRC. Entergy subsidiaries in the Entergy Wholesale Commodities segment are subject to the NRC's jurisdiction as the owners and operators of Palisades and Big Rock Point.

Nuclear Waste Policy Act of 1982

Spent Nuclear Fuel

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy Arkansas is the only one of the Utility operating companies that generated electric power with nuclear fuel prior to that date and has a recorded liability as of December 31, 2021 of \$192.1 million for the one-time fee. Entergy accepted assignment of the Palisades and Big Rock Point spent fuel disposal contracts with the DOE held by their previous owner. The owner of these plants prior to Entergy has paid or retained liability for the fees for all generation prior to the purchase dates of the plants. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Entergy's total spent fuel fees to date, including the one-time fee liability of Entergy Arkansas, have surpassed \$1.6 billion (exclusive of amounts relating to Entergy plants that were paid or are owed by prior owners of those plants).

The permanent spent fuel repository in the U.S. has been legislated to be Yucca Mountain, Nevada. The DOE is required by law to proceed with the licensing (the DOE filed the license application in June 2008) and, after the license is granted by the NRC, proceed with the repository construction and commencement of receipt of spent fuel. Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. The DOE continues to delay meeting its obligation. Specific steps were taken to discontinue the Yucca Mountain project, including a motion to the NRC to withdraw the license application with prejudice and the establishment of a commission to develop recommendations for alternative spent fuel storage solutions. In August 2013 the U.S. Court of Appeals for the D.C. Circuit ordered the NRC to continue with the Yucca Mountain license review, but only to the extent of funds previously appropriated by Congress for that purpose and not yet used. Although the NRC completed the safety evaluation report for the license review in 2015, the previously appropriated funds are not sufficient to complete the review, including required hearings. The government has taken no effective action to date related to the recommendations of the appointed spent fuel study commission. Accordingly, large uncertainty remains regarding the time frame under which the DOE will begin to accept spent fuel from Entergy's facilities for storage or disposal. As a result, continuing future expenditures will be required to increase spent fuel storage capacity at Entergy's nuclear sites.

Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014.

As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. These subsidiaries have been, and continue to be, involved in litigation to recover the damages caused by the DOE's delay in performance. See Note 8 to the financial statements for discussion of final judgments recorded by Entergy in 2019, 2020, and 2021 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE. Through 2021, Entergy's subsidiaries won and collected on judgments against the government totaling approximately \$900 million.

Pending DOE acceptance and disposal of spent nuclear fuel, the owners of nuclear plants are providing their own spent fuel storage. Storage capability additions using dry casks began operations at Palisades in 1993, at ANO in 1996, at River Bend in 2005, at Grand Gulf in 2006, and at Waterford 3 in 2011. These facilities will be expanded as needed.

Nuclear Plant Decommissioning

Entergy Arkansas, Entergy Louisiana, and System Energy are entitled to recover from customers through electric rates the estimated decommissioning costs for ANO, Waterford 3, and Grand Gulf, respectively. In addition, Entergy Louisiana and Entergy Texas are entitled to recover from customers through electric rates the estimated decommissioning costs for the portion of River Bend subject to retail rate regulation. The collections are deposited in trust funds that can only be used in accordance with NRC and other applicable regulatory requirements. Entergy periodically reviews and updates the estimated decommissioning costs to reflect inflation and changes in regulatory requirements and technology, and then makes applications to the regulatory authorities to reflect, in rates, the changes in projected decommissioning costs.

In December 2018 the APSC ordered collections in rates for decommissioning ANO 2 and found that ANO 1's decommissioning was adequately funded without additional collections. In October 2020, Entergy Arkansas filed a revised decommissioning cost recovery tariff for ANO indicating that both ANO 1 and ANO 2

decommissioning trusts were adequately funded without further collections, and in December 2020, the APSC ordered zero collections for ANO 1 and ANO 2 decommissioning.

In July 2010 the LPSC approved increased decommissioning collections for Waterford 3 and the Louisiana regulated share of River Bend to address previously identified funding shortfalls. This LPSC decision contemplated that the level of decommissioning collections could be revisited should the NRC grant license extensions for both Waterford 3 and River Bend. In July 2019, following the NRC approval of license extensions for Waterford 3 and River Bend, Entergy Louisiana made a filing with the LPSC seeking to adjust decommissioning and depreciation rates for those plants, including one proposed scenario that would adjust Louisiana-jurisdictional decommissioning collections to zero for both plants (including an offsetting increase in depreciation rates). Because of the ongoing public health emergency arising from the COVID-19 pandemic and accompanying economic uncertainty, Entergy Louisiana determined that the relief sought in the filing was no longer appropriate, and in November 2020, filed an unopposed motion to dismiss the proceeding. Following that filing, in a December 2020 order, the LPSC dismissed the proceeding without prejudice. In July 2021, Entergy Louisiana made a filing with the LPSC to adjust Waterford 3 and River Bend decommissioning collections based on the latest site-specific decommissioning cost estimates for those plants. The filing seeks to increase Waterford 3 decommissioning collections, and decrease River Bend decommissioning collections. Management cannot predict the outcome of this filing. A hearing in the case has been scheduled for September 2022.

In December 2010 the PUCT approved increased decommissioning collections for the Texas share of River Bend to address previously identified funding shortfalls. In December 2018 the PUCT approved a settlement that eliminated River Bend decommissioning collections for the Texas jurisdictional share of the plant based on a determination by Entergy Texas that the existing decommissioning fund was adequate following license renewal.

In December 2016 the NRC issued a 20-year operating license renewal for Grand Gulf. In a 2017 filing at the FERC, System Energy stated that with the renewed operating license, Grand Gulf's decommissioning trust was sufficiently funded, and proposed, among other things, to cease decommissioning collections for Grand Gulf effective October 1, 2017. The FERC accepted a settlement including the proposed decommissioning revenue requirement by letter order in August 2018.

Entergy currently believes its decommissioning funding will be sufficient for its nuclear plants subject to retail rate regulation, although decommissioning cost inflation and trust fund performance will ultimately determine the adequacy of the funding amounts.

In March 2021 filings with the NRC were made reporting on decommissioning funding for all of Entergy subsidiaries' nuclear plants. Those reports showed that decommissioning funding for each of the nuclear plants met the NRC's financial assurance requirements.

Additional information with respect to Entergy's decommissioning costs and decommissioning trust funds is found in Note 9 and Note 16 to the financial statements.

Price-Anderson Act

The Price-Anderson Act requires that reactor licensees purchase and maintain the maximum amount of nuclear liability insurance available and participate in an industry assessment program called Secondary Financial Protection in order to protect the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act limits the contingent liability for a single nuclear incident to a maximum assessment of approximately \$137.6 million per reactor (with 95 nuclear industry reactors currently participating). In the case of a nuclear event in which Entergy Arkansas, Entergy Louisiana, System Energy, or an Entergy Wholesale Commodities company is liable, protection is afforded through a combination of private insurance and the Secondary Financial Protection program. In addition to this, insurance for property damage, costs

of replacement power, and other risks relating to nuclear generating units is also purchased. The Price-Anderson Act and insurance applicable to the nuclear programs of Entergy are discussed in more detail in Note 8 to the financial statements.

NRC Reactor Oversight Process

The NRC's Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC's inspection program and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC's Reactor Oversight Process Action Matrix columns: "licensee response column," or Column 1, "regulatory response column," or Column 2, "degraded cornerstone column," or Column 3, and "multiple/repetitive degraded cornerstone column," or Column 4, and "unacceptable performance," or Column 5. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC. Continued plant operation is not permitted for plants in Column 5. The nuclear generating plants owned and operated by Entergy's Utility and Entergy Wholesale Commodities businesses are currently in Column 1.

In March 2021 the NRC placed Grand Gulf in Column 3 based on the incidence of five unplanned plant scrams during calendar year 2020, some of which were related to upgrades made to the plant's turbine control system during the spring 2020 refueling outage. The NRC conducted a supplemental inspection of Grand Gulf in accordance with its inspection procedures for nuclear plants in Column 3 and, in October 2021, notified Entergy that all inspection objectives were met. The NRC issued its report in November 2021 and Grand Gulf was returned to Column 1.

Environmental Regulation

Entergy's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy's businesses are in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted below. Because environmental regulations are subject to change, future compliance requirements and costs cannot be precisely estimated. Except to the extent discussed below, at this time compliance with federal, state, and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of Entergy's businesses and is not expected to have a material effect on their competitive position, results of operations, cash flows, or financial position.

Clean Air Act and Subsequent Amendments

The Clean Air Act and its amendments establish several programs that currently or in the future may affect Entergy's fossil-fueled generation facilities and, to a lesser extent, certain operations at nuclear and other facilities. Individual states also operate similar independent state programs or delegated federal programs that may include requirements more stringent than federal regulatory requirements. These programs include:

- New source review and preconstruction permits for new sources of criteria air pollutants, greenhouse gases, and significant modifications to existing facilities;
- Acid rain program for control of sulfur dioxide (SO₂) and nitrogen oxides (NO_x);
- Nonattainment area programs for control of criteria air pollutants, which could include fee assessments for air pollutant emission sources under Section 185 of the Clean Air Act if attainment is not reached in a timely manner;
- Hazardous air pollutant emissions reduction programs;
- Interstate Air Transport;

- Operating permit programs and enforcement of these and other Clean Air Act programs;
- Regional Haze programs; and
- New and existing source standards for greenhouse gas and other air emissions.

National Ambient Air Quality Standards

The Clean Air Act requires the EPA to set National Ambient Air Quality Standards (NAAQS) for ozone, carbon monoxide, lead, nitrogen dioxide, particulate matter, and sulfur dioxide, and requires periodic review of those standards. When an area fails to meet an ambient standard, it is considered to be in nonattainment and is classified as “marginal,” “moderate,” “serious,” or “severe.” When an area fails to meet the ambient air standard, the EPA requires state regulatory authorities to prepare state implementation plans meant to cause progress toward bringing the area into attainment with applicable standards.

Ozone Nonattainment

Entergy Texas operates two fossil-fueled generating facilities (Lewis Creek and Montgomery County Power Station) in a geographic area that is not in attainment with the applicable NAAQS for ozone. The ozone nonattainment area that affects Entergy Texas is the Houston-Galveston-Brazoria area. Both Lewis Creek and the Montgomery County Power Station hold all necessary permits for construction and operation and comply with applicable air quality program regulations. Measures enacted to return the area to ozone attainment could make these program regulations more stringent. Entergy will continue to work with state environmental agencies on appropriate methods for assessing attainment and nonattainment with the ozone NAAQS.

Potential SO₂ Nonattainment

The EPA issued a final rule in June 2010 adopting an SO₂ 1-hour national ambient air quality standard of 75 parts per billion. In Entergy’s utility service territory, only St. Bernard Parish and Evangeline Parish in Louisiana are designated as nonattainment. In August 2017 the EPA issued a letter indicating that East Baton Rouge and St. Charles parishes would be designated by December 31, 2020, as monitors were installed to determine compliance. In March 2021 the EPA published a final rule designating East Baton Rouge, St. Charles, St. James, and West Baton Rouge parishes in Louisiana as attainment/unclassifiable, and, in Texas, Jefferson County as attainment/unclassifiable and Orange County as unclassifiable. No challenges to these final designations were filed within the 60 day deadline. Entergy continues to monitor this situation.

Hazardous Air Pollutants

The EPA released the final Mercury and Air Toxics Standard (MATS) rule in December 2011, which had a compliance date, with a widely granted one-year extension, of April 2016. The required controls have been installed and are operational at all affected Entergy units. In May 2020 the EPA finalized a rule that finds that it is not “appropriate and necessary” to regulate hazardous air pollutants from electric steam generating units under the provisions of section 112(n) of the Clean Air Act. This is a reversal of the EPA’s previous finding requiring such regulation. The final appropriate and necessary finding does not revise the underlying MATS rule. Several lawsuits have been filed challenging the appropriate and necessary finding. In February 2021 the D.C. Circuit granted the EPA’s motion to hold the litigation in abeyance pending the agency’s review of the appropriate and necessary rule. The EPA must file status reports with the court every 120 days. Entergy will continue to monitor this situation.

Cross-State Air Pollution

In March 2005 the EPA finalized the Clean Air Interstate Rule (CAIR), which was intended to reduce SO₂ and NO_x emissions from electric generation plants in order to improve air quality in twenty-nine eastern states. The rule required a combination of capital investment to install pollution control equipment and increased operating

costs through the purchase of emission allowances. Entergy began implementation in 2007, including installation of controls at several facilities and the development of an emission allowance procurement strategy.

Based on several court challenges, CAIR and its subsequent versions, now known as the Cross-State Air Pollution Rule (CSAPR), have been remanded to and modified by the EPA on multiple occasions. In September 2016 the EPA finalized the CSAPR Update Rule to address interstate transport for the 2008 ozone NAAQS. Starting in 2017 the final rule requires reductions in summer nitrogen oxides (NO_x) emissions. Several states, including Arkansas and Texas, filed a challenge to the Update Rule. In September 2019 the D.C. Circuit upheld the EPA's underlying approach to the Update Rule, but determined that it was inconsistent with the Clean Air Act because it failed to include deadlines consistent with downwind states' deadlines for attainment. The court remanded the rule to the EPA for further consideration, but did not vacate it so the rule remains in effect pending the EPA's further review. In April 2021, addressing the D.C. Circuit's remand, the EPA finalized revisions to the Update Rule, which became effective June 29, 2021. The rule finalizes interstate transport obligations for 21 states. For 12 states, including Louisiana, the EPA further reduced the number of NO_x emission allowances allocated to each state. Entergy is currently analyzing the potential impact on its facilities in Louisiana. Early indications are that the cost of Group 3 allowances will increase significantly (approximately \$3,000 per allowance) in the near-term, which could impact the cost to dispatch Entergy's legacy gas units located in Louisiana. However, Entergy's 2021 ozone season NO_x emissions were below 2020 levels and it does not appear that additional allowances will be needed to satisfy Entergy's 2021 obligations. The final determination will be made in March 2022.

Regional Haze

In June 2005 the EPA issued its final Clean Air Visibility Rule (CAVR) regulations that potentially could result in a requirement to install SO₂ and NO_x pollution control technology as Best Available Retrofit Control Technology (BART) to continue operating certain of Entergy's fossil generation units. The rule leaves certain CAVR determinations to the states. This rule establishes a series of 10-year planning periods, with states required to develop State Implementation Plans (SIPs) for each planning period, with each SIP including such air pollution control measures as may be necessary to achieve the ultimate goal of the CAVR by the year 2064. The various states are currently in the process of developing SIPs to implement the second planning period of the CAVR, which addresses the 2018-2028 planning period.

In January and February 2018, Entergy Arkansas, Entergy Mississippi, Entergy Power, and other co-owners received 60-day notice of intent to sue letters from the Sierra Club and the National Parks Conservation Association concerning allegations of violations of new source review and permitting provisions of the Clean Air Act at the Independence and White Bluff coal-burning units, respectively. In November 2018, following extensive negotiations, Entergy Arkansas, Entergy Mississippi, and Entergy Power entered a proposed settlement resolving those claims and reducing the risk that Entergy Arkansas, as operator of Independence and White Bluff, might be compelled under the Clean Air Act's regional haze program to install costly emissions control technologies. Consistent with the terms of the settlement, Entergy Arkansas, along with co-owners, agreed to begin using only low-sulfur coal at Independence and White Bluff by mid-2021; agreed to cease using coal at White Bluff and Independence by the end of 2028 and 2030, respectively; agreed to cease operation of the remaining gas unit at Lake Catherine by the end of 2027; reserved the option to develop new generating sources at each plant site; and committed to installing or proposing to regulators at least 800 MWs of renewable generation by the end of 2027, with at least half installed or proposed by the end of 2022 (which includes two existing Entergy Arkansas projects) and with all qualifying co-owner projects counting toward satisfaction of the obligation. Under the settlement, the Sierra Club and the National Parks Conservation Association also waived certain potential existing claims under federal and state environmental law with respect to specified generating plants. The settlement, which formally resolves a complaint filed by the Sierra Club and the National Parks Conservation Association, was subject to approval by the U.S. District Court for the Eastern District of Arkansas. In November 2020 the court denied motions by the Arkansas Attorney General and the Arkansas Affordable Energy Coalition to intervene and to stay the proceedings. The proposed intervenors did not appeal the ruling. The District Court approved and entered the proposed settlement in March 2021. Entergy met the settlement deadline to use low-sulfur coal and is on target to

meet the other requirements of the settlement.

The second planning period (2018-2028) for the regional haze program requires states to examine sources for impacts on visibility and to prepare SIPs by July 31, 2021 to ensure reasonable progress is being made to attain visibility improvements. Entergy has received information collection requests from the Arkansas and Louisiana Departments of Environmental Quality requesting an evaluation of technical and economic feasibility of various NO_x and SO₂ control technologies for Independence, Nelson 6, Nelson Industrial Steam Company (NISCO), and Ninemile. Responses to the information collection requests have been submitted to the respective state agencies. Louisiana has issued its draft SIP which, at this time, does not propose any additional air emissions controls for the affected Entergy units in Louisiana. Some public commenters, however, believe additional air controls are cost-effective. It is not yet clear how the Louisiana Department of Environmental Quality (LDEQ) will respond in its final SIP, and the agency, like many other state agencies, did not meet the July 31, 2021 deadline to submit a SIP to the EPA for review. The LDEQ is now expected to finalize its Regional Haze SIP in early 2022.

Similar to the LDEQ, the Arkansas Department of Energy and Environment, Division of Environmental Quality (ADEQ) did not meet the July 31, 2021 SIP submission deadline and is expected to issue a proposed SIP for the second planning period in the first quarter of 2022.

Greenhouse Gas Emissions

In July 2019 the EPA released the Affordable Clean Energy Rule (ACE), which applies only to existing coal-fired electric generating units. The ACE determines that heat rate improvements are the best system of emission reductions and lists six candidate technologies for consideration by states at each coal unit. The rule and associated rulemakings by the EPA replace the Obama administration's Clean Power Plan, which established national emissions performance rates for existing fossil-fuel fired steam electric generating units and combustion turbines. The ACE rule provides states discretion in determining how the best system for emission reductions applies to individual units, including through the consideration of technical feasibility and the remaining useful life of the facility. The ADEQ and the LDEQ have issued information collection requests to Entergy facilities to help the states collect the information needed to determine the best system of emission reductions for each facility. Entergy responded to the requests. In January 2021 the U.S. Court of Appeals for the D.C. Circuit vacated ACE. The court held that ACE relied on an incorrect interpretation of the Clean Air Act that the statute expressly forecloses emission reduction approaches, such as emissions trading and generating shifting, that cannot be applied at and to the individual source. The court remanded ACE to the EPA for further consideration and also vacated the repeal of the Clean Power Plan. In March 2021 the D.C. Circuit issued a partial mandate vacating the ACE rule, but withheld the mandate vacating the repeal of the Clean Power Plan pending the EPA's new rulemaking to regulate greenhouse gas emissions. Thus, the Clean Power Plan will not take effect during the rulemaking process and there currently is no regulation in place with respect to greenhouse gas emissions from existing electric generating units and states are not expected to take further action to develop and submit plans at this time. In October 2021, the United States Supreme Court agreed to hear a challenge to the already vacated ACE rule. The court's decision could impact whether and to what extent the EPA may regulate greenhouse gases. Despite the pending decision, the EPA appears to be moving forward with a new proposal to regulate greenhouse gas emissions from new and existing electric generating units.

In April 2021, President Biden announced a target for the United States in connection with the United Nations' "Paris Agreement" on climate change. The target consists of a 50-52 percent reduction in economy-wide net greenhouse gas emissions from 2005 levels by 2030. President Biden has also stated that a goal of his administration is for the electric power industry to decarbonize fully by 2035. The details surrounding implementation of these targets are not finalized, and the impacts to Entergy of any potential related legislation cannot be predicted.

Entergy continues to support national legislation that would most efficiently reduce economy-wide greenhouse gas emissions and increase planning certainty for electric utilities. By virtue of its proportionally large

investment in low-emitting generation technologies, Entergy has a low overall carbon dioxide emission “intensity,” or rate of carbon dioxide emitted per megawatt-hour of electricity generated. In anticipation of the imposition of carbon dioxide emission limits on the electric industry, Entergy initiated actions designed to reduce its exposure to potential new governmental requirements related to carbon dioxide emissions. These voluntary actions included a formal program to stabilize owned power plant carbon dioxide emissions at 2000 levels through 2005, and Entergy succeeded in reducing emissions below 2000 levels. In 2006, Entergy started including emissions from controllable power purchases in addition to its ownership share of generation and established a second formal voluntary program to stabilize power plant carbon dioxide emissions and emissions from controllable power purchases, cumulatively over the period, at 20% below 2000 levels through 2010. In 2011, Entergy extended this commitment through 2020, which it ultimately outperformed by approximately 8% both cumulatively and on an annual basis. In 2019, in connection with a climate scenario analysis following the recommendations of the Task Force on Climate-related Financial Disclosures describing climate-related governance, strategy, risk management, and metrics and targets, Entergy announced a 2030 carbon dioxide emission rate goal focused on a 50% reduction from Entergy’s base year - 2000. Entergy now anticipates achieving this reduction several years early. In September 2020, Entergy announced a commitment to achieve net-zero greenhouse gas emissions by 2050 inclusive of all businesses, all gases, and all emissions. Entergy’s comprehensive, third-party verified greenhouse gas inventory and progress against its voluntary goals are published on its website.

Entergy participates in the M.J. Bradley & Associates’ Annual Benchmarking Air Emissions Report, an annual analysis of the 100 largest U.S. electric power producers. The report is available on the M.J. Bradley website. Entergy participates annually in the Dow Jones Sustainability Index and in 2021 was listed on the North American Index. Entergy has been listed on the World or North American Index, or both, for twenty consecutive years. Entergy also participated in the 2021 CDP Climate Change and CDP Water Security evaluations, receiving a ‘B’ for both responses.

Potential Legislative, Regulatory, and Judicial Developments

In addition to the specific instances described above, there are a number of legislative and regulatory initiatives that are under consideration at the federal, state, and local level. Because of the nature of Entergy’s business, the imposition of any of these initiatives could affect Entergy’s operations. Entergy continues to monitor these initiatives and activities in order to analyze their potential operational and cost implications. These initiatives include:

- reconsideration and revision of ambient air quality standards downward which could lead to additional areas of nonattainment;
- designation by the EPA and state environmental agencies of areas that are not in attainment with national ambient air quality standards;
- introduction of bills in Congress and development of regulations by the EPA proposing further limits on NO_x, SO₂, mercury, carbon dioxide and other air emissions. New legislation or regulations applicable to stationary sources could take the form of market-based cap-and-trade programs, direct requirements for the installation of air emission controls onto air emission sources, or other or combined regulatory programs;
- efforts in Congress or at the EPA to establish a federal carbon dioxide emission tax, control structure, or unit performance standards;
- revisions to the estimates of the Social Cost of Carbon and its use for regulatory impact analysis of federal laws and regulations;
- implementation of the regional cap and trade programs to limit carbon dioxide and other greenhouse gases;
- efforts on the local, state, and federal level to codify renewable portfolio standards, clean energy standards, or a similar mechanism requiring utilities to produce or purchase a certain percentage of their power from defined renewable energy sources or energy sources with lower emissions;
- efforts to develop more stringent state water quality standards, effluent limitations for Entergy’s industry sector, stormwater runoff control regulations, and cooling water intake structure requirements;

- efforts to restrict the previously-approved continued use of oil-filled equipment containing certain levels of polychlorinated biphenyls (PCBs);
- efforts by certain external groups to encourage reporting and disclosure of environmental, social, and governance risk;
- the listing of additional species as threatened or endangered, the protection of critical habitat for these species, and developments in the legal protection of eagles and migratory birds;
- the regulation of the management, disposal, and beneficial reuse of coal combustion residuals; and
- the regulation of the management and disposal and recycling of equipment associated with renewable and clean energy sources such as used solar panels, wind turbine blades, hydrogen usage, or battery storage.

Clean Water Act

The 1972 amendments to the Federal Water Pollution Control Act (known as the Clean Water Act) provide the statutory basis for the National Pollutant Discharge Elimination System permit program, section 402, and the basic structure for regulating the discharge of pollutants from point sources to waters of the United States. The Clean Water Act requires virtually all discharges of pollutants to waters of the United States to be permitted. Section 316(b) of the Clean Water Act regulates cooling water intake structures, section 401 of the Clean Water Act requires a water quality certification from the state in support of certain federal actions and approvals, and section 404 regulates the dredge and fill of waters of the United States, including jurisdictional wetlands.

Steam Electric Effluent Guidelines

The 2015 Steam Electric Effluent Limitations Guidelines (ELG) rule required, among other things, that there be no discharge of bottom ash transport water. In October 2020 the EPA issued its final rule revision on bottom ash transport water allowing the discharge of up to 10% system volume for certain purge waters, including storm events and non-routine operations. The final rule requires compliance as soon as possible beginning October 31, 2021, but no later than December 31, 2025. Several challenges to the final rule have been filed. Additionally, the Fifth Circuit Court of Appeals previously vacated and remanded the provisions of the rule related to legacy wastewater and leachate, which the EPA plans to address in a separate rulemaking. Despite the final rule and pending challenges, Entergy has implemented projects at its White Bluff and Independence plants to convert to zero-discharge systems to comply with the ELG rule and the coal combustion residuals restrictions on impoundments. Additionally, the Nelson Unit 6 facility is implementing operational and maintenance measures to minimize the potential for discharge of bottom ash transport water from the existing bottom ash handling system at the site, and is reviewing the effectiveness of these changes for compliance with the requirements of the October 2020 final rule.

Federal Jurisdiction of Waters of the United States

In June 2020 the EPA's revised definition of waters of the United States in the Navigable Waters Protection Rule (NWPR) became effective, narrowing the scope of Clean Water Act jurisdiction, as compared to a 2015 definition which had been stayed by several federal courts. In August 2021 a federal district court vacated and remanded the NWPR for further consideration. The EPA and the U.S. Army Corps of Engineers (Corps) subsequently issued a statement that the agencies would revert to pre-2015 regulations pending a new rulemaking. In December 2021, the EPA and the Corps proposed a revised definition of waters of the United States by repealing the NWPR and codifying a definition that reflects the pre-2015 regulatory regime as interpreted by several United States Supreme Court decisions. Comments on the proposed rule were due in February 2022. In January 2022, despite pending rulemaking, the United States Supreme Court agreed to hear a case regarding the proper test under previous Supreme Court decisions for determining jurisdiction of waters of the United States. This case likely will impact the current rulemaking process but it still is unclear whether the final rulemaking will be delayed to await guidance from the Supreme Court or the agencies will finalize the rule prior to the Supreme Court's consideration of the matter.

Groundwater at Certain Nuclear Sites

The NRC requires nuclear power plants to monitor and report regularly the presence of radioactive material in the environment. Entergy joined other nuclear utilities and the Nuclear Energy Institute in 2006 to develop a voluntary groundwater monitoring and protection program. This initiative began after detection of very low levels of radioactive material, primarily tritium, in groundwater at several plants in the United States. Tritium is a radioactive form of hydrogen that occurs naturally and is also a byproduct of nuclear plant operations. In addition to tritium, other radionuclides have been found in site groundwater at nuclear plants.

As part of the groundwater monitoring and protection program, Entergy has: (1) performed reviews of plant groundwater characteristics (hydrology) and historical records of past events on site that may have potentially impacted groundwater; (2) implemented fleet procedures on how to handle events that could impact groundwater; and (3) installed groundwater monitoring wells and began periodic sampling. The program also includes protocols for notifying local officials if contamination is found. To date, radionuclides such as tritium have been detected at Arkansas Nuclear One, Palisades, Grand Gulf, and River Bend. Each of these sites has installed groundwater monitoring wells and implemented a program for testing groundwater at the sites for the presence of tritium and other radionuclides. Based on current information, the concentrations and locations of radionuclides detected at these plants pose no threat to public health or safety, but each site continues to evaluate the results from its groundwater monitoring program.

Comprehensive Environmental Response, Compensation, and Liability Act of 1980

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), authorizes the EPA to mandate clean-up by, or to collect reimbursement of clean-up costs from, owners or operators of sites at which hazardous substances may be or have been released. Certain private parties also may use CERCLA to recover response costs. Parties that transported hazardous substances to these sites or arranged for the disposal of the substances are also deemed liable by CERCLA. CERCLA has been interpreted to impose strict, joint, and several liability on responsible parties. Many states have adopted programs similar to CERCLA. Entergy subsidiaries in the Utility and Entergy Wholesale Commodities businesses have sent waste materials to various disposal sites over the years, and releases have occurred at Entergy facilities including nuclear facilities that have been or will be sold to decommissioning companies. In addition, environmental laws now regulate certain of Entergy's operating procedures and maintenance practices that historically were not subject to regulation. Some disposal sites used by Entergy subsidiaries have been the subject of governmental action under CERCLA or similar state programs, resulting in site clean-up activities. Entergy subsidiaries have participated to various degrees in accordance with their respective potential liabilities in such site clean-ups and have developed experience with clean-up costs. The affected Entergy subsidiaries have established provisions for the liabilities for such environmental clean-up and restoration activities. Details of potentially material CERCLA and similar state program liabilities are discussed in the "Other Environmental Matters" section below.

Coal Combustion Residuals

In June 2010 the EPA issued a proposed rule on coal combustion residuals (CCRs) that contained two primary regulatory options: (1) regulating CCRs destined for disposal in landfills or received (including stored) in surface impoundments as so-called "special wastes" under the hazardous waste program of Resource Conservation and Recovery Act (RCRA) Subtitle C; or (2) regulating CCRs destined for disposal in landfills or surface impoundments as non-hazardous wastes under Subtitle D of RCRA. Under both options, CCRs that are beneficially reused in certain processes would remain excluded from hazardous waste regulation. In April 2015 the EPA published the final CCR rule with the material being regulated under the second scenario presented above - as non-hazardous wastes regulated under RCRA Subtitle D.

The final regulations create new compliance requirements including modified storage, new notification and reporting practices, product disposal considerations, and CCR unit closure criteria. Entergy believes that on-site disposal options will be available at its facilities, to the extent needed for CCR that cannot be transferred for beneficial reuse. As of December 31, 2021, Entergy has recorded asset retirement obligations related to CCR management of \$21 million.

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.

Pursuant to the EPA Rule, Entergy operates groundwater monitoring systems surrounding its coal combustion residual landfills located at White Bluff, Independence, and Nelson. Monitoring to date has detected concentrations of certain listed constituents in the area, but has not indicated that these constituents originated at the active landfill cells. Reporting has occurred as required, and detection monitoring will continue as the rule requires. In late-2017, Entergy determined that certain in-ground wastewater treatment system recycle ponds at its White Bluff and Independence facilities require management under the new EPA regulations. Consequently, in order to move away from using the recycle ponds, White Bluff and Independence each have installed a new permanent bottom ash handling system that does not fall under the CCR rule. As of November 2020, both sites are operating the new system and no longer are sending waste to the recycle ponds. Each site has commenced closure of its two recycle ponds (four ponds total), prior to the April 11, 2021 deadline under the finalized CCR rule for unlined recycle ponds. Any potential requirements for corrective action or operational changes under the new CCR rule continue to be assessed. Notably, ongoing litigation has resulted in the EPA's continuing review of the rule. Consequently, the nature and cost of additional corrective action requirements may depend, in part, on the outcome of the EPA's review.

Other Environmental Matters

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas

The EPA notified Entergy that the EPA believes Entergy is a PRP concerning PCB contamination at the F.J. Doyle Salvage facility in Leonard, Texas. The facility operated as a scrap salvage business during the 1970s to the 1990s. In May 2018 the EPA investigated the site surface and sub-surface soils and, in November 2018 the EPA conducted a removal action, including disposal of PCB contaminated soils. Entergy responded to the EPA's information requests in May and July 2019. In November 2020 the EPA sent Entergy and other PRPs a demand letter seeking reimbursement for response costs totaling \$4 million expended at the site. The demand letter is being evaluated and liability and PRP allocation of response costs are yet to be determined. In December 2020, Entergy responded to the demand letter, without admitting liability or waiving any rights, indicating that it would engage in good faith negotiations with the EPA with respect to the demand. An initial meeting between the EPA and the PRPs took place in June 2021. Negotiations between the PRPs and the EPA are ongoing.

Litigation

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

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

See Note 8 to the financial statements for a discussion of this litigation.

Employment and Labor-related Proceedings (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 8 to the financial statements for a discussion of these proceedings.

Human Capital

Employees

Employees are an integral part of Entergy's commitment to serving customers. As of December 31, 2021, Entergy subsidiaries employed 12,369 people.

Utility:

Entergy Arkansas	1,220
Entergy Louisiana	1,656
Entergy Mississippi	741
Entergy New Orleans	299
Entergy Texas	669
System Energy	—
Entergy Operations	3,380
Entergy Services	3,798
Entergy Nuclear Operations	571
Other subsidiaries	35
Total Entergy	12,369

Approximately 3,400 employees are represented by the International Brotherhood of Electrical Workers, the Utility Workers Union of America, the United Government Security Officers of America, and the International Union, Security, Police, and Fire Professionals of America.

Below is the breakdown of Entergy's employees by gender and race/ethnicity:

Gender (%)	2021	2020
Female	21.4	20.7
Male	78.6	79.3

Race/Ethnicity (%)	2021	2020
White	76.4	77.6
Black/African American	16.4	15.3
Hispanic/Latino	2.7	2.7
Asian	2.0	2.0
Other	2.5	2.4

Entergy's Approach to Human Resources

Entergy's people and culture enable its success; that is why acquiring, retaining, and developing talent are important components of Entergy's human resources strategy. Entergy focuses on an approach that includes, among other things, governance and oversight; safety; organizational health, including diversity, inclusion and belonging; and talent management.

Governance and Oversight

Ensuring that workplace processes support the desired culture and strategy begins with the Board of Directors and the Office of the Chief Executive. The Personnel Committee establishes priorities and each quarter reviews strategies and results on a range of topics covering the workforce, the workplace, and the marketplace. It oversees Entergy's incentive plan design and administers its executive compensation plans to incentivize the behaviors and outcomes that support achievement of Entergy's corporate objectives. Annually, it reviews executive performance, development, succession plans, and talent pipeline to align a high performing executive team with Entergy's priorities. The Personnel Committee also oversees Entergy's performance through regular briefings on a wide variety of human resources topics including Entergy's safety culture and performance; organizational health; and diversity, inclusion, and belonging initiatives and performance.

The Personnel Committee's Charter was revised in 2021 to acknowledge the committee's responsibility for overseeing and monitoring the effectiveness of Entergy's human capital strategies, including its workforce diversity, inclusion, and organizational health and safety strategies, programs, and initiatives. In recognition of the importance that organizational health and diversity, inclusion, and belonging play in enabling Entergy to achieve its business strategies, the committee receives periodic reports on Entergy's organization health and diversity, inclusion, and belonging programs, strategies, and performance, including briefings at each of its regular meetings. The committee also receives updates on Entergy's performance to date on key workforce, workplace, and marketplace measures, including progress in the representation of women and underrepresented minorities, both in the total workforce and in director level and above placements, progress in key diversity, inclusion, and belonging initiatives and diverse supplier spend.

Other committees of the Board oversee other key aspects of Entergy's culture. For example, the Audit Committee reviews reports on enterprise risks, ethics and compliance training and performance, as well as regular reports on calls made to Entergy's ethics line and related investigations. To maximize the sharing of information and facilitate the participation of all Board members in these discussions, the Board schedules its regular committee meetings in a manner such that all directors can attend.

The Office of the Chief Executive, which includes the Senior Vice President and Chief Human Resources Officer, ensures annual business plans are designed to support Entergy's talent objectives, reviews workforce-related metrics, and regularly discusses the development, succession planning, and performance of their direct reports and other company officers.

Safety

Entergy's safety objective is: Everyone Safe. All Day. Every Day. The continuation of the COVID-19 pandemic and another historic hurricane season presented significant challenges. Entergy employees achieved a total recordable incident rate of 0.46 in 2021, compared to 0.40 in 2020 and 0.56 in 2019. The results of 2021 unfortunately included an employee fatality. Entergy has enhanced dramatically leadership efforts and field presence to further its objective of zero fatalities. The recordable incident rate equals the number of recordable incidents per 100 full-time equivalents. Recordable incidents include fatalities, lost-time accidents, restricted-duty accidents, and medical attentions and is not inclusive of potential work-related COVID-19 cases.

Organizational Health, including Diversity, Inclusion and Belonging (DIB)

Entergy believes that organizational health fosters an engaged and productive culture that positions Entergy to deliver sustainable value to its stakeholders. Entergy measures its progress through an organizational health survey coordinated by an external third party. Since initially administering the survey in 2014, Entergy improved from an initial score of 49 (fourth quartile) to a score in 2019 of 66 (second quartile), in 2020 of 72 (second quartile), and in 2021 of 63 (third quartile). Although the score declined in 2021 as compared to 2020, it improved from the 2014 baseline. Management uses the results of the annual survey to design and implement strategies to positively influence organizational health. Initial employee participation of 66 percent in 2014 rose to and remains at 90 percent in 2018-2021.

Entergy believes that creating a culture of diversity, inclusion, and belonging drives foundational engagement. Entergy is committed to developing and retaining a workforce that reflects the rich diversity of the communities it serves. In 2019, Entergy embarked on a three-year phased approach to enhance inclusion for individuals and teams. Among other actions, the primary focus of its 2021 actions was implementing customized DIB interventions to engage a diverse workforce, infusing DIB into hiring policies, practices and procedures, aligning Employee Resource Group goals to DIB goals, growing its DIB Champion network, integrating DIB into Entergy's leadership development programs, and facilitating training from the executive leadership ranks down to the frontline. Through these efforts, Entergy aspires to create greater understanding and accountability regarding the behaviors and outcomes that are indicative of a premier utility.

Talent Management

Entergy's focus on talent management is organized in three areas: developing and attracting a diverse pool of talent, equipping its leaders to develop the organization, and building premier utility capability through employee performance management and succession programs. Entergy believes that developing a diverse pool of local talent equipped with the skills needed, today and in the future, and reflecting the communities Entergy serves will give it a long-term competitive advantage. The focus of Entergy's leadership development programs is to equip managers with the skills needed to effectively develop their teams and improve the leader-employee relationship. Entergy's talent development infrastructure, which includes a combination of business function-specific and enterprise-wide learning and development programs, is designed to ensure Entergy has qualified staff with the skills, experiences, and behaviors needed to perform today and prepare for the future. Entergy strives to achieve its strategic priorities by aligning and enhancing team and individual performance with business objectives, effectively deploying talent through succession planning, and managing workforce transitions.

Availability of SEC filings and other information on Entergy's website

Entergy electronically files reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies, and amendments to such reports. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. Copies of the reports that Entergy files with the SEC can be obtained at the SEC's website.

Entergy uses its website, <http://www.entergy.com>, as a routine channel for distribution of important information, including news releases, analyst presentations and financial information. Filings made with the SEC are posted and available without charge on Entergy's website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. These filings include annual and quarterly reports on Forms 10-K and 10-Q (including related filings in Inline XBRL format) and current reports on Form 8-K; proxy statements; and any amendments to those reports or statements. All such postings and filings are available on Entergy's Investor Relations website free of charge. Entergy is providing the address to its internet site solely for the

information of investors and does not intend the address to be an active link. The contents of the website are not incorporated into this report.

Item 1A. RISK FACTORS

See “**RISK FACTOR SUMMARY**” in Part I Item 1 for a summary of Entergy’s and the Registrant Subsidiaries’ risk factors.

Investors should review carefully the following risk factors and the other information in this Form 10-K. The risks that Entergy faces are not limited to those in this section. There may be additional risks and uncertainties (either currently unknown or not currently believed to be material) that could adversely affect Entergy’s financial condition, results of operations, and liquidity. See “**FORWARD-LOOKING INFORMATION.**”

Utility Regulatory Risks

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

The impacts of the COVID-19 pandemic and responsive measures taken on Entergy’s and its Utility operating companies’ business, results of operations, and financial condition are highly uncertain and cannot be predicted.

In December 2019 a novel strain of coronavirus was reported to have surfaced in Wuhan, China. Since then, several variants of the COVID-19 virus have spread throughout the world, including the United States. To mitigate the spread of COVID-19, public health officials in the United States have at various times both recommended and mandated wearing of masks and other precautions, including prohibitions on congregating in heavily-populated areas, closure or limitations on the functions of non-essential business, and shelter-in-place orders or similar measures, including throughout Entergy’s service areas. While many of these mitigation measures have been lifted following the wide availability of COVID-19 vaccines, there is a risk that certain of these measures could be reinstated and/or continued or that customers could elect to curtail operations to reduce the spread of an outbreak, and that such measures could have an adverse effect on the general economy, Entergy’s customers, and its operations.

Entergy and its Utility operating companies experienced a decline in commercial and industrial sales and an increase in arrearages and bad debt expense due to non-payment by customers. Much of the commercial and industrial sales have recovered, and the arrearages have begun to decline, although management cannot predict the timing of the completion of collections of such arrearages. The Utility operating companies have resumed disconnecting customers for non-payment of bills, but such disconnects could again be suspended at the Utility operating companies by their various regulators, for various reasons, including should another shelter-in-place order or similar measure occur. While they are working with regulators to ensure ultimate recovery for those and other COVID-19 related costs, the amount, method, and timing of such recovery is subject to approval by the retail regulators.

Entergy and its Registrant Subsidiaries also could experience, and in some cases have experienced, among other challenges, supply chain, vendor, and contractor disruptions, including shortages or delays in the availability of key components, parts and supplies such as electronic components and solar panels; delays in completion of capital or other construction projects, maintenance, and other operations activities, including prolonged or delayed refueling and maintenance outages; delays in regulatory proceedings; workforce availability challenges, including from COVID-19 infections, quarantining, or concerns with vaccination or testing mandates, health or safety issues; increased storm recovery costs; increased cybersecurity risks as a result of many employees telecommuting; risks or uncertainties associated with the return for many employees from telecommuting to on-site work on a full-time or hybrid basis; volatility in the credit or capital markets (and any related increased cost of capital or any inability to access the capital markets or draw on available credit facilities); or other adverse impacts on their ability to execute on business strategies and initiatives.

Although the economy has been recovering, another economic decline could adversely impact Entergy's and the Utility operating companies' liquidity and cash flows, including through declining sales, reduced revenues, delays in receipts of customer payments, or increased bad debt expense. The Utility operating companies also may experience regulatory outcomes that require them to postpone planned investment and otherwise reduce costs due to the impact of the COVID-19 pandemic on their customers, especially in an increasingly inflationary environment. In addition, if the COVID-19 pandemic creates additional disruptions or turmoil in the credit or financial markets, or adversely impacts Entergy's credit metrics or ratings, such developments could adversely affect its ability to access capital on favorable terms and continue to meet its liquidity needs or cause a decrease in the value of its defined benefit pension trust funds, as well as its nuclear decommissioning trust funds, all of which are highly uncertain and cannot be predicted.

Entergy cannot predict the extent or duration of the outbreak, the impact of new or existing variants of COVID-19, the effectiveness of mitigation efforts, vaccines, anti-viral or other treatments for COVID-19, governmental responsive measures, or the extent of the effects or ultimate impacts on the global, national or local economy, the capital markets, or its customers, suppliers, operations, financial condition, results of operations, or cash flows.

The terms and conditions of service, including electric and gas rates, of the Utility operating companies and System Energy are determined through regulatory approval proceedings that can be lengthy and subject to appeal, potentially resulting in delays in effecting rate changes, lengthy litigation and uncertainty as to ultimate results.

The Utility operating companies are regulated on a cost-of-service and rate of return basis and are subject to statutes and regulatory commission rules and procedures. The rates that the Utility operating companies and System Energy charge reflect their capital expenditures, operations and maintenance costs, allowed rates of return, financing costs, and related costs of service. These rates significantly influence the financial condition, results of operations, and liquidity of Entergy and each of the Utility operating companies and System Energy. These rates are determined in regulatory proceedings and are subject to periodic regulatory review and adjustment, including adjustment upon the initiative of a regulator or, in some cases, affected stakeholders.

In addition, regulators may initiate proceedings to investigate the prudence of costs in the Utility operating companies' and System Energy's base rates and examine, among other things, the reasonableness or prudence of the companies' operation and maintenance practices, level of expenditures (including storm costs and costs associated with capital projects), allowed rates of return and rate base, proposed resource acquisitions, and previously incurred capital expenditures that the operating companies seek to place in rates. The regulators may disallow costs subject to their jurisdiction found not to have been prudently incurred or found not to have been incurred in compliance with applicable tariffs, creating some risk to the ultimate recovery of those costs. Regulatory proceedings relating to rates and other matters typically involve multiple parties seeking to limit or reduce rates. Traditional base rate proceedings, as opposed to formula rate plans, generally have long timelines, are primarily based on historical costs, and may or may not be limited in scope or duration by statute. The length of these base rate proceedings can cause the Utility operating companies and System Energy to experience regulatory lag in recovering costs through rates, such that the Utility operating companies may not fully recover all costs during the rate effective period and may, therefore, earn less than their allowed returns. Decisions are typically subject to appeal, potentially leading to additional uncertainty associated with rate case proceedings.

The Utility operating companies have large customer and stakeholder bases and, as a result, could be the subject of public criticism or adverse publicity focused on issues including the operation and maintenance of their assets and infrastructure, their preparedness for major storms or other extreme weather events and/or the time it takes to restore service after such events, or the quality of their service. Criticism or adverse publicity of this nature could render legislatures and other governing bodies, public service commissions and other regulatory authorities, and government officials less likely to view the applicable operating company in a favorable light and could

potentially negatively affect legislative or regulatory processes or outcomes, as well as lead to increased regulatory oversight or more stringent legislative or regulatory requirements or other legislation or regulatory actions that adversely affect the Utility operating companies.

The Utility operating companies and System Energy, and the energy industry as a whole, have experienced a period of rising costs and investments, and an upward trend in spending, especially with respect to infrastructure investments, which is likely to continue in the foreseeable future and could result in more frequent rate cases and requests for, and the continuation of, cost recovery mechanisms, all of which could face resistance from customers and other stakeholders especially in a rising cost environment. For information regarding rate case proceedings and formula rate plans applicable to the Utility operating companies, see Note 2 to the financial statements.

Changes to state or federal legislation or regulation affecting electric generation, electric and natural gas transmission, distribution, and related activities could adversely affect Entergy and the Utility operating companies' financial position, results of operations, or cash flows and their utility businesses.

If legislative and regulatory structures evolve in a manner that erodes the Utility operating companies' exclusive rights to serve their regulated customers, they could lose customers and sales and their results of operations, financial position, or cash flows could be materially affected. Additionally, technological advances in energy efficiency and distributed energy resources are reducing the costs of these technologies and together with ongoing state and federal subsidies, the increasing penetration of these technologies could result in reduced sales by the Utility operating companies. Such loss of sales could put upward pressure on rates, possibly resulting in adverse regulatory actions to mitigate such effects on rates. Further, the failure of regulatory structures to evolve to accommodate the changing needs and desires of customers with respect to the sourcing and use of electricity also could diminish sales by the operating companies. Entergy and the Utility operating companies cannot predict if or when they may be subject to changes in legislation or regulation, or the extent and timing of reductions of the cost of distributed energy resources, nor can they predict the impact of these changes on their results of operations, financial position, or cash flows.

The Utility operating companies recover fuel, purchased power, and associated costs through rate mechanisms that are subject to risks of delay or disallowance in regulatory proceedings.

The Utility operating companies recover their fuel, purchased power, and associated costs from their customers through rate mechanisms subject to periodic regulatory review and adjustment. Because regulatory review can result in the disallowance of incurred costs found not to have been prudently incurred, including the cost of replacement power purchased when generators experience outages or when planned outages are extended, with the possibility of refunds to ratepayers, there exists some risk to the ultimate recovery of those costs, particularly when there are substantial or sudden increases in such costs. Regulators also may initiate proceedings to investigate the continued usage or the adequacy and operation of the fuel and purchased power recovery clauses of the Utility operating companies and, therefore, there can be no assurance that existing recovery mechanisms will remain unchanged or in effect at all.

The Utility operating companies' cash flows can be negatively affected by the time delays between when gas, power, or other commodities are purchased and the ultimate recovery from customers of the costs in rates. On occasion, when the level of incurred costs for fuel and purchased power rises very dramatically, some of the Utility operating companies may agree to defer recovery of a portion of that period's fuel and purchased power costs for recovery at a later date, which could increase the near-term working capital and borrowing requirements of those companies. For a description of fuel and purchased power recovery mechanisms and information regarding the regulatory proceedings for fuel and purchased power costs recovery, see Note 2 to the financial statements.

The Utility operating companies are subject to economic risks associated with participation in the MISO markets and the allocation of transmission upgrade costs. The operation of the Utility operating companies'

transmission system pursuant to the MISO RTO tariff and their participation in the MISO RTO's wholesale markets may be adversely affected by regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

On December 19, 2013, the Utility operating companies integrated into the MISO RTO. MISO maintains functional control over the combined transmission systems of its members and administers wholesale energy and ancillary services markets for market participants in the MISO region, including the Utility operating companies. The Utility operating companies sell capacity, energy, and ancillary services on a bilateral basis to certain wholesale customers and offer available electricity production of their generating facilities into the MISO day-ahead and real-time energy markets pursuant to the MISO tariff and market rules. The Utility operating companies are subject to economic risks associated with participation in the MISO markets. MISO tariff rules and system conditions, including transmission congestion, could affect the Utility operating companies' ability to sell capacity, energy, and/or ancillary services in certain regions and/or the economic value of such sales, or the cost of serving the Utility operating companies' respective loads. MISO market rules may change or be interpreted in ways that cause additional cost and risk, including compliance risk.

The Utility operating companies participate in the MISO regional transmission planning process and are subject to risks associated with planning decisions that MISO makes in the exercise of control over the planning of the Utility operating companies' transmission assets that are under MISO's functional control. The Utility operating companies pay transmission rates that reflect the cost of transmission projects that the Utility operating companies do not own, which could increase cash or financing needs. Further, FERC policies and regulation addressing cost responsibility for transmission projects, including transmission projects to interconnect new generation facilities, may potentially give rise to cash and financing-related risks as well as result in upward pressure on the retail rates of the Utility operating companies, which, in turn, may result in adverse actions by the Utility operating companies' retail regulators. In addition to the cash and financing-related risks arising from the potential additional cost allocation to the Utility operating companies from transmission projects of others or changes in FERC policies or regulation related to cost responsibility for transmission projects, there is a risk that the Utility operating companies' business and financial position could be harmed as a result of lost investment opportunities and other effects that flow from an increased number of competitive projects being approved and constructed that are interconnected with their transmission systems.

Further, the terms and conditions of the MISO tariff, including provisions related to the design and implementation of wholesale markets, the allocation of transmission upgrade costs, the MISO-wide allowed base rate of return on equity, and any required MISO-related charges and credits are subject to regulation by the FERC. The operation of the Utility operating companies' transmission system pursuant to the MISO tariff and their participation in the MISO wholesale markets, and the resulting costs, may be adversely affected by regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

In addition, orders from each of the Utility operating companies' respective retail regulators generally require that the Utility operating companies make periodic filings, or generally allow the retail regulator to direct the making of such filings, setting forth the results of analysis of the costs and benefits realized from MISO membership as well as the projected costs and benefits of continued membership in MISO and/or requesting approval of their continued membership in MISO. These filings have been submitted periodically by each of the Utility operating companies as required by their respective retail regulators, and the outcome of the resulting proceedings may affect the Utility operating companies' continued membership in MISO.

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

A delay or failure in recovering amounts for storm restoration costs incurred as a result of severe weather (including from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Hurricane Ida), or the impact on customer bills of permitted storm cost recovery, could have material effects on Entergy and its Utility operating companies.

Entergy's and its Utility operating companies' results of operations, liquidity, and financial condition can be materially affected by the destructive effects of severe weather. Severe weather can also result in significant outages for the customers of the Utility operating companies and, therefore, reduced revenues for the Utility operating companies during the period of the outages. A delay or failure in recovering amounts for storm restoration costs incurred or revenues lost as a result of severe weather could have a material effect on Entergy and those Utility operating companies affected by severe weather. In addition, the recovery of major storm restoration costs from customers could effectively limit our ability to make planned capital or other investments due to the impact of such storm cost recovery on customer bills.

In August and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of the Utility's service areas in Louisiana, including New Orleans, Texas, and to a lesser extent, in Arkansas and Mississippi. The storms resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Laura, Hurricane Delta, and Hurricane Zeta were approximately \$2.4 billion.

In August 2021, Hurricane Ida caused extensive damage to the Entergy distribution and, to a lesser extent, transmission systems across Louisiana resulting in widespread power outages. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida for Entergy Louisiana and Entergy New Orleans are currently estimated to be approximately \$2.7 billion. Most of the storm costs were incurred by Entergy Louisiana and Entergy New Orleans. Also, Utility revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

Because Entergy has not completed the regulatory processes regarding these storm costs, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs that it may ultimately recover, or the timing of such recovery.

Nuclear Operating, Shutdown, and Regulatory Risks**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)**

Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities must consistently operate their nuclear power plants at high capacity factors in order to be successful, and lower capacity factors could materially affect Entergy's and their results of operations, financial condition, and liquidity.

Nuclear capacity factors significantly affect the results of operations of certain Utility operating companies, System Energy, and Entergy Wholesale Commodities. Nuclear plant operations involve substantial fixed operating costs. Consequently, there is pressure on plant owners to operate nuclear power plants at higher capacity factors, though such operations always must be consistent with safety, reliability, and nuclear regulatory requirements. For the Utility operating companies that own nuclear plants, lower nuclear plant capacity factors can increase production costs by requiring the affected companies to generate additional energy, sometimes at higher costs, from

their owned or contractually controlled facilities or purchase additional energy in the spot or forward markets in order to satisfy their supply needs. For the Entergy Wholesale Commodities nuclear plant, lower capacity factors directly affect revenues and cash flow from operations.

Certain of the Utility operating companies and System Energy periodically shut down their nuclear power plants to replenish fuel. Plant maintenance and upgrades are often scheduled during such refueling outages. If refueling outages last longer than anticipated or if unplanned outages arise, Entergy's and their results of operations, financial condition, and liquidity could be materially affected.

Outages at nuclear power plants to replenish fuel require the plant to be “turned off.” Refueling outages generally are planned to occur once every 18 to 24 months. Plant maintenance and upgrades are often scheduled during such planned outages, which may extend the planned outage duration beyond that required for only refueling activities. When refueling outages last longer than anticipated or a plant experiences unplanned outages, capacity factors decrease, and maintenance costs may increase.

Certain of the Utility operating companies and System Energy face risks related to the purchase of uranium fuel (and its conversion, enrichment, and fabrication). These risks could materially affect Entergy's and their results of operations, financial condition, and liquidity.

Based upon currently planned fuel cycles, Entergy's nuclear units have a diversified portfolio of contracts and inventory that provides substantially adequate nuclear fuel materials and conversion and enrichment services at what Entergy believes are reasonably predictable prices through 2021 and beyond. Entergy's ability to purchase nuclear fuel at reasonably predictable prices, however, depends upon the performance reliability of uranium miners. While there are a number of possible alternate suppliers that may be accessed to mitigate any supplier performance failure, the pricing of any such alternate uranium supply from the market will be dependent upon the market for uranium supply at that time. Entergy buys uranium from a diversified mix of sellers located in a diversified mix of countries, and from time to time purchases from nearly all qualified reliable major market participants worldwide that sell into the U.S. Market prices for nuclear fuel have been extremely volatile from time to time in the past and may be subject to increased volatility due to the imposition of tariffs, domestic purchase requirements or limitations on importation of uranium or uranium products from foreign countries, or shifting trade arrangements between countries. Although Entergy's nuclear fuel contract portfolio provides a degree of hedging against market risks for several years, costs for nuclear fuel in the future cannot be predicted with certainty due to normal inherent market uncertainties, and price changes could materially affect the liquidity, financial condition, and results of operations of certain of the Utility operating companies and System Energy.

Entergy's ability to assure nuclear fuel supply also depends upon the performance and reliability of conversion, enrichment, and fabrication services providers. These service providers are fewer in number than uranium suppliers. For conversion and enrichment services, Entergy diversifies its supply by supplier and country and may take special measures to ensure a reliable supply of enriched uranium for fabrication into nuclear fuel. For fabrication services, each plant is dependent upon the performance of the fabricator of that plant's nuclear fuel; therefore, Entergy relies upon additional monitoring, inspection, and oversight of the fabrication process to assure reliability and quality of its nuclear fuel. Certain of the suppliers and service providers are located in or dependent upon foreign countries, such as Russia, and international sanctions or tariffs impacting trade with such countries could further restrict the ability of such suppliers to continue to supply fuel or provide such services at acceptable prices or at all. The inability of such suppliers or service providers to perform such obligations could materially affect the liquidity, financial condition, and results of operations of certain of the Utility operating companies and System Energy.

Entergy Arkansas, Entergy Louisiana, System Energy, and the Entergy Wholesale Commodities business face the risk that the NRC will change or modify its regulations, suspend or revoke their licenses, or increase oversight of their nuclear plants, which could materially affect Entergy's and their results of operations, financial condition, and liquidity.

Under the Atomic Energy Act and Energy Reorganization Act, the NRC regulates the operation of nuclear power plants. The NRC may modify, suspend, or revoke licenses, shut down a nuclear facility and impose civil penalties for failure to comply with the Atomic Energy Act, related regulations, or the terms of the licenses for nuclear facilities. Interested parties may also intervene which could result in prolonged proceedings. A change in the Atomic Energy Act, other applicable statutes, or the applicable regulations or licenses, or the NRC's interpretation thereof, may require a substantial increase in capital expenditures or may result in increased operating or decommissioning costs and could materially affect the results of operations, liquidity, or financial condition of Entergy (through Entergy Wholesale Commodities), its Utility operating companies, or System Energy. A change in the classification of a plant owned by one of these companies under the NRC's Reactor Oversight Process, which is the NRC's program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response, also could cause the owner of the plant to incur material additional costs as a result of the increased oversight activity and potential response costs associated with the change in classification. For additional information concerning the current classification of the plants owned by Entergy Arkansas, Entergy Louisiana, System Energy, and the Entergy Wholesale Commodities business, see "**Regulation of Entergy's Business - Regulation of the Nuclear Power Industry - NRC Reactor Oversight Process**" in Part I, Item 1.

Events at nuclear plants owned by one of these companies, as well as those owned by others, may lead to a change in laws or regulations or the terms of the applicable licenses, or the NRC's interpretation thereof, or may cause the NRC to increase oversight activity or initiate actions to modify, suspend, or revoke licenses, shut down a nuclear facility, or impose civil penalties. As a result, if an incident were to occur at any nuclear generating unit, whether an Entergy nuclear generating unit or not, it could materially affect the financial condition, results of operations, and liquidity of Entergy, certain of the Utility operating companies, System Energy, or Entergy Wholesale Commodities.

Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities are exposed to risks and costs related to operating and maintaining their nuclear power plants, and their failure to maintain operational efficiency at their nuclear power plants could materially affect Entergy's and their results of operations, financial condition, and liquidity.

The nuclear generating units owned by certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business began commercial operations in the 1970s-1980s. Older equipment may require more capital expenditures to keep each of these nuclear power plants operating safely and efficiently. This equipment is also likely to require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages, or any unanticipated capital expenditures, could result in increased costs, some of which costs may not be fully recoverable by the Utility operating companies and System Energy in regulatory proceedings should there be a determination of imprudence. Operations at any of the nuclear generating units owned and operated by Entergy's subsidiaries could degrade to the point where the affected unit needs to be shut down or operated at less than full capacity. If this were to happen, identifying and correcting the causes may require significant time and expense. A decision may be made to close a unit rather than incur the expense of restarting it or returning the unit to full capacity. For the Utility operating companies and System Energy, this could result in certain costs being stranded and potentially not fully recoverable in regulatory proceedings. In addition, the operation and maintenance of Entergy's nuclear facilities require the commitment of substantial human resources that can result in increased costs.

The nuclear industry continues to address susceptibility to the effects of stress corrosion cracking and other corrosion mechanisms on certain materials within plant systems. The issue is applicable at all nuclear units to

varying degrees and is managed in accordance with industry standard practices and guidelines that include in-service examinations, replacements, and mitigation strategies. Developments in the industry or identification of issues at the nuclear units could require unanticipated remediation efforts that cannot be quantified in advance.

Moreover, Entergy is becoming more dependent on fewer suppliers for key parts of Entergy's nuclear power plants that may need to be replaced or refurbished, and in some cases, parts are no longer available and have to be reverse-engineered for replacement. In addition, certain major parts have long lead-times to manufacture if an unplanned replacement is needed. This dependence on a reduced number of suppliers and long lead-times on certain major parts for unplanned replacements could result in delays in obtaining qualified replacement parts and, therefore, greater expense for Entergy.

The costs associated with the storage of the spent nuclear fuel of certain of the Utility operating companies, System Energy, and the owners of the Entergy Wholesale Commodities nuclear power plants, as well as the costs of and their ability to fully decommission their nuclear power plants, could be significantly affected by the timing of the opening of a spent nuclear fuel disposal facility, as well as interim storage and transportation requirements.

Certain of the Utility operating companies, System Energy, and the Palisades plant owner incur costs for the on-site storage of spent nuclear fuel. The approval of a license for a national repository for the disposal of spent nuclear fuel, such as the one proposed for Yucca Mountain, Nevada, or any interim storage facility, and the timing of such facility opening, will significantly affect the costs associated with on-site storage of spent nuclear fuel. For example, while the DOE is required by law to proceed with the licensing of Yucca Mountain and, after the license is granted by the NRC, to construct the repository and commence the receipt of spent fuel, the NRC licensing of the Yucca Mountain repository is effectively at a standstill. These actions are prolonging the time before spent fuel is removed from Entergy's plant sites. Because the DOE has not accomplished its objectives, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts, and Entergy has sued the DOE for such breach. Furthermore, Entergy is uncertain as to when the DOE will commence acceptance of spent fuel from its facilities for storage or disposal. As a result, continuing future expenditures will be required to increase spent fuel storage capacity at the companies' nuclear sites and maintenance costs on existing storage facilities, including aging management of fuel storage casks, may increase. The costs of on-site storage are also affected by regulatory requirements for such storage. In addition, the availability of a repository or other off-site storage facility for spent nuclear fuel may affect the ability to fully decommission the nuclear units and the costs relating to decommissioning. For further information regarding spent fuel storage, see the "**Critical Accounting Estimates – Nuclear Decommissioning Costs – Spent Fuel Disposal**" section of Management's Financial Discussion and Analysis for Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy and Note 8 to the financial statements.

Certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities nuclear plant owners may be required to pay substantial retrospective premiums imposed under the Price-Anderson Act and/or from Nuclear Electric Insurance Limited (NEIL) in the event of a nuclear incident, and losses not covered by insurance could have a material effect on Entergy's and their results of operations, financial condition, or liquidity.

Accidents and other unforeseen problems at nuclear power plants have occurred both in the United States and elsewhere. As required by the Price-Anderson Act, the Utility operating companies, System Energy, and Entergy Wholesale Commodities carry the maximum available amount of primary nuclear off-site liability insurance with American Nuclear Insurers, which is \$450 million for each operating site. Claims for any nuclear incident exceeding that amount are covered under Secondary Financial Protection. The Price-Anderson Act limits each reactor owner's public liability (off-site) for a single nuclear incident to the payment of retrospective premiums into a secondary insurance pool, which is referred to as Secondary Financial Protection, up to approximately \$137.6 million per reactor. With 95 reactors currently participating, this translates to a total public liability cap of approximately \$13 billion per incident. The limit is subject to change to account for the effects of inflation, a

change in the primary limit of insurance coverage, and changes in the number of licensed reactors. As a result, in the event of a nuclear incident that causes damages (off-site) in excess of the primary insurance coverage, each owner of a nuclear plant reactor, including Entergy's Utility operating companies, System Energy, and the Palisades plant owner, regardless of fault or proximity to the incident, will be required to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary insurance level, up to a maximum of approximately \$137.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$826 million). The retrospective premium payment is currently limited to approximately \$21 million per year per incident per reactor until the aggregate public liability for each licensee is paid up to the \$137.6 million cap.

NEIL is a utility industry mutual insurance company, owned by its members, including the Utility operating companies, System Energy, and the owners of the Palisades plant. NEIL provides onsite property and decontamination coverage. All member plants could be subject to an annual assessment (retrospective premium of up to 10 times current annual premium for all policies) should the NEIL surplus (reserve) be significantly depleted due to insured losses. As of December 31, 2021, the maximum annual assessment amounts total approximately \$98 million for the Utility plants. Retrospective premium insurance available through NEIL's reinsurance treaty can cover the potential assessments and the Palisades plant owner currently maintains the retrospective premium insurance to cover those potential assessments.

As mentioned above, as an owner of nuclear power plants, Entergy participates in industry self-insurance programs and could be liable to fund claims should a plant owned by a different company experience a major event. Any resulting liability from a nuclear accident may exceed the applicable primary insurance coverage and require contribution of additional funds through the industry-wide program that could significantly affect the results of operations, financial condition, or liquidity of Entergy, certain of the Utility operating companies, System Energy, or the Entergy Wholesale Commodities subsidiaries.

The decommissioning trust fund assets for the nuclear power plants owned by the Utility operating companies, System Energy, and the Entergy Wholesale Commodities nuclear plant owners may not be adequate to meet decommissioning obligations if market performance and other changes decrease the value of assets in the decommissioning trusts, if one or more of Entergy's nuclear power plants is retired earlier than the anticipated shutdown date, if the plants cost more to decommission than estimated, or if current regulatory requirements change, which then could require significant additional funding.

Owners of nuclear generating plants have an obligation to decommission those plants. Certain of the Utility operating companies, System Energy, and the Palisades plant owner maintain decommissioning trust funds for this purpose. Certain of the Utility operating companies collect funds from their customers, which are deposited into the trusts covering the units operated for or on behalf of those companies. Those rate collections, as adjusted from time to time by rate regulators, are generally based upon operating license lives and trust fund balances as well as estimated trust fund earnings and decommissioning costs. Assets in these trust funds are subject to market fluctuations, will yield uncertain returns that may fall below projected return rates, and may result in losses resulting from the recognition of impairments of the value of certain securities held in these trust funds.

Under NRC regulations, nuclear plant owners are permitted to project the NRC-required decommissioning amount, based on an NRC formula or a site-specific estimate, and the amount that will be available in each nuclear power plant's decommissioning trusts combined with any other decommissioning financial assurances in place. The projections are made based on the operating license expiration date and the mid-point of the subsequent decommissioning process, or the anticipated actual completion of decommissioning if a site-specific estimate is used. If the projected amount of each individual plant's decommissioning trusts exceeds the NRC-required decommissioning amount, then its NRC license termination decommissioning obligations are considered to be funded in accordance with NRC regulations. If the projected costs do not sufficiently reflect the actual costs required to decommission these nuclear power plants, or funding is otherwise inadequate, or if the formula, formula inputs, or site-specific estimate is changed to require increased funding, additional resources or commitments would be required. Furthermore, depending upon the level of funding available in the trust funds, the NRC may not permit

the trust funds to be used to pay for related costs such as the management of spent nuclear fuel that are not included in the NRC's formula. The NRC may also require a plan for the provision of separate funding for spent fuel management costs.

Further, federal or state regulatory changes, including mandated increases in decommissioning funding or changes in the methods or standards for decommissioning operations, may also increase the funding requirements of, or accelerate the timing for funding of, the obligations related to the decommissioning of the Utility operating companies, System Energy, or the Palisades plant owner or may restrict the decommissioning-related costs that can be paid from the decommissioning trusts. Such changes also could result in the need for additional contributions to decommissioning trusts, or the posting of parent guarantees, letters of credit, or other surety mechanisms. As a result, under any of these circumstances, Entergy's results of operations, liquidity, and financial condition could be materially affected.

An early plant shutdown (either generally or relative to current expectations), poor investment results, or higher than anticipated decommissioning costs (including as a result of changing regulatory requirements) could cause trust fund assets to be insufficient to meet the decommissioning obligations, with the result that the Utility operating companies, System Energy, or the Palisades plant owner may be required to provide significant additional funds or credit support to satisfy regulatory requirements for decommissioning, which, with respect to the Utility operating companies, may not be recoverable from customers in a timely fashion or at all.

For further information regarding nuclear decommissioning costs, management's decision to exit the merchant power business, the impairment charges that resulted from such decision, and the planned sale of Palisades (which will include the transfer of the associated decommissioning trust), see the "**Critical Accounting Estimates - Nuclear Decommissioning Costs**" section of Management's Financial Discussion and Analysis for Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy, the "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" section of Management's Financial Discussion and Analysis for Entergy Corporation and Subsidiaries, and Notes 9 and 14 to the financial statements.

New or existing safety concerns regarding operating nuclear power plants and nuclear fuel could lead to restrictions upon the operation and decommissioning of Entergy's nuclear power plants.

New and existing concerns are being expressed in public forums about the safety of nuclear generating units and nuclear fuel. These concerns have led to, and may continue to lead to, various proposals to Federal regulators and governing bodies in some localities where Entergy's subsidiaries own nuclear generating units for legislative and regulatory changes that might lead to the shutdown of nuclear units, additional requirements or restrictions related to spent nuclear fuel on-site storage and eventual disposal, or other adverse effects on owning, operating, and decommissioning nuclear generating units. Entergy vigorously responds to these concerns and proposals. If any of the existing proposals, or any proposals that may arise in the future with respect to legislative and regulatory changes, become effective, they could have a material effect on Entergy's results of operations and financial condition.

(Entergy Corporation)

The Entergy Wholesale Commodities business is subject to substantial governmental regulation and may be adversely affected by legislative, regulatory, or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

The Entergy Wholesale Commodities business is subject to extensive regulation under federal, state, and local laws. Compliance with the requirements under these various regulatory regimes may cause the Entergy Wholesale Commodities business to incur significant additional costs, and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines, and/or civil or criminal liability.

Public utilities under the Federal Power Act are required to obtain FERC acceptance of their rate schedules for wholesale sales of electricity. Each of the owners of the Entergy Wholesale Commodities nuclear power plants that generates electricity, as well as Entergy Nuclear Power Marketing, LLC, is a “public utility” under the Federal Power Act by virtue of making wholesale sales of electric energy and/or owning wholesale electric transmission facilities. The FERC has granted these generating and power marketing companies the authority to sell electricity at market-based rates. The FERC’s orders that grant the Entergy Wholesale Commodities’ generating and power marketing companies market-based rate authority reserve the right to revoke or revise that authority if the FERC subsequently determines that the Entergy Wholesale Commodities business can exercise market power in transmission or generation, create barriers to entry, or engage in abusive affiliate transactions. In addition, the Entergy Wholesale Commodities’ market-based sales are subject to certain market behavior rules, and if any of its generating and power marketing companies were deemed to have violated one of those rules, they would be subject to potential disgorgement of profits associated with the violation and/or suspension or revocation of their market-based rate authority and potential penalties of up to \$1.29 million per day per violation. If the Entergy Wholesale Commodities’ generating or power marketing companies were to lose their market-based rate authority, such companies would be required to obtain the FERC’s acceptance of a cost-of-service rate schedule and could become subject to the accounting, record-keeping, and reporting requirements that are imposed on utilities with cost-based rate schedules. This could have an adverse effect on the rates the Entergy Wholesale Commodities business charges for power from its facilities.

The Entergy Wholesale Commodities business is also affected by legislative and regulatory changes, as well as changes to market design, market rules, tariffs, cost allocations, and bidding rules imposed by the existing Independent System Operators. The Independent System Operators that oversee most of the wholesale power markets may impose, and in the future may continue to impose, mitigation, including price limitations, offer caps and other mechanisms, to address some of the volatility and the potential exercise of market power in these markets. These types of price limitations and other regulatory mechanisms may have an adverse effect on the profitability of the Entergy Wholesale Commodities business’ generation facilities that sell energy and capacity into the wholesale power markets. For further information regarding federal, state, and local laws and regulation applicable to the Entergy Wholesale Commodities business, see the “**Regulation of Entergy’s Business**” section in Part I, Item 1.

The regulatory environment applicable to the electric power industry is subject to changes as a result of restructuring initiatives at both the state and federal levels. Entergy cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on the Entergy Wholesale Commodities business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, have raised claims that the competitive marketplace is not working because energy prices in wholesale markets exceed the marginal cost of operating nuclear power plants, and have made proposals to re-regulate the markets, impose a generation tax, or require divestitures by generating companies to reduce their market share. Other proposals to re-regulate may be made and legislative or other attention to the electric power market restructuring process may delay or reverse the deregulation process, which could require material changes to business planning models. If competitive restructuring of the electric power markets is reversed, modified, discontinued, or delayed, the Entergy Wholesale Commodities business’ results of operations, financial condition, and liquidity could be materially affected.

General Business

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Entergy and the Utility operating companies depend on access to the capital markets and, at times, may face potential liquidity constraints, which could make it more difficult to handle future contingencies such as natural disasters or substantial increases in gas and fuel prices. Disruptions in the capital and credit markets may adversely affect Entergy's and its subsidiaries' ability to meet liquidity needs, access capital and operate and grow their businesses, and the cost of capital.

Entergy's business is capital intensive and dependent upon its ability to access capital at reasonable rates and other terms. At times there are also spikes in the price for natural gas and other commodities that increase the liquidity requirements of the Utility operating companies and Entergy Wholesale Commodities. In addition, Entergy's and the Utility operating companies' liquidity needs could significantly increase in the event of a hurricane or other weather-related or unforeseen disaster similar to that experienced in Entergy's service territory with Hurricane Katrina and Hurricane Rita in 2005, Hurricane Gustav and Hurricane Ike in 2008, Hurricane Isaac in 2012, Hurricane Laura, Hurricane Delta, and Hurricane Zeta in 2020, and Winter Storm Uri and Hurricane Ida in 2021. The occurrence of one or more contingencies, including a delay in regulatory recovery of fuel or purchased power costs or storm restoration costs, an acceleration of payments or decreased credit lines, less cash flow from operations than expected, changes in regulation or governmental policy (including tax and trade policy), or other unknown events, could cause the financing needs of Entergy and its subsidiaries to increase. In addition, accessing the debt capital markets more frequently in these situations may result in an increase in leverage. Material leverage increases could negatively affect the credit ratings of Entergy and the Utility operating companies, which in turn could negatively affect access to the capital markets.

The inability to raise capital on favorable terms, particularly during times of high interest rates, and uncertainty or reduced liquidity in the capital markets, could negatively affect Entergy and its subsidiaries' ability to maintain and to expand their businesses. Access to capital markets could be restricted and/or borrowing costs could be increased due to certain sources of debt and equity capital being unwilling to invest in companies that are impacted by extreme weather events, that rely on fossil fuels or offerings to fund fossil fuel projects, or due to risks related to climate change. Events beyond Entergy's control (including an increasing interest rate environment) may create uncertainty that could increase its cost of capital or impair its ability to access the capital markets, including the ability to draw on its bank credit facilities. Entergy and its subsidiaries are unable to predict the degree of success they will have in renewing or replacing their credit facilities as they come up for renewal. Moreover, the size, terms, and covenants of any new credit facilities may not be comparable to, and may be more restrictive than, existing facilities. If Entergy and its subsidiaries are unable to access the credit and capital markets on terms that are reasonable, they may have to delay raising capital, issue shorter-term securities and/or bear an unfavorable cost of capital, which, in turn, could impact their ability to grow their businesses, decrease earnings, significantly reduce financial flexibility and/or limit Entergy Corporation's ability to sustain its current common stock dividend level.

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

A downgrade in Entergy Corporation's or its subsidiaries' credit ratings could negatively affect Entergy Corporation's and its subsidiaries' ability to access capital and/or could require Entergy Corporation or its subsidiaries to post collateral, accelerate certain payments, or repay certain indebtedness.

There are a number of factors that rating agencies evaluate to arrive at credit ratings for each of Entergy Corporation and the Registrant Subsidiaries, including each Registrant's regulatory framework, ability to recover costs and earn returns, diversification and financial strength and liquidity. If one or more rating agencies downgrade Entergy Corporation's, any of the Utility operating companies', or System Energy's ratings, particularly

below investment grade, borrowing costs would increase, the potential pool of investors and funding sources would likely decrease, and cash or letter of credit collateral demands may be triggered by the terms of a number of commodity contracts, leases, and other agreements.

Most of Entergy Corporation's and its subsidiaries' suppliers and counterparties require sufficient creditworthiness to enter into transactions. If Entergy Corporation's or its subsidiaries' ratings decline, particularly below investment grade, or if certain counterparties believe Entergy Corporation or the Utility operating companies are losing creditworthiness and demand adequate assurance under fuel, gas, and purchased power contracts, the counterparties may require posting of collateral in cash or letters of credit, prepayment for fuel, gas or purchased power or accelerated payment, or counterparties may decline business with Entergy Corporation or its subsidiaries. At December 31, 2021 based on power prices at that time, Entergy had liquidity exposure of \$29 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$8 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of December 31, 2021, Entergy would have been required to provide approximately \$30 million of additional cash or letters of credit under some of the agreements.

Recent U.S. tax legislation may materially adversely affect Entergy's financial condition, results of operations, and cash flows.

The Tax Cuts and Jobs Act of 2017 and CARES Act of 2020 significantly changed the U.S. Internal Revenue Code, including taxation of U.S. corporations, by, among other things, reducing the federal corporate income tax rate, limiting interest deductions, and altering the expensing of capital expenditures. The interpretive guidance issued by the IRS and state tax authorities may be inconsistent with Entergy's own interpretation and the legislation could be subject to amendments, which could lessen or increase certain impacts of the legislation.

The tax rate decrease included in the Tax Cuts and Jobs Act required Entergy to record a regulatory liability for income taxes payable to customers. Such regulatory liability for income taxes is described in Note 3 to the financial statements. Depending on the outcome of IRS examinations or tax positions and elections that Entergy may make, Entergy and the Registrant Subsidiaries may be required to record additional charges or credits to income tax expense.

See Note 3 to the financial statements for discussion of the effects of the Tax Cuts and Jobs Act on 2019, 2020, and 2021 results of operations and financial condition, the provisions of the Tax Cuts and Jobs Act, and the uncertainties associated with accounting for the Tax Cuts and Jobs Act, and Note 2 to the financial statements for discussion of the regulatory proceedings that have considered the effects of the Tax Cuts and Jobs Act.

Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity.

Entergy and its subsidiaries make judgments regarding the potential tax effects of various transactions and results of operations to estimate their obligations to taxing authorities. These tax obligations include income, franchise, real estate, sales and use, and employment-related taxes. These judgments include provisions for potential adverse outcomes regarding tax positions that have been taken. Entergy and its subsidiaries also estimate their ability to utilize tax benefits, including those in the form of carryforwards for which the benefits have already been reflected in the financial statements. Changes in federal, state, or local tax laws, adverse tax audit results or adverse tax rulings on positions taken by Entergy and its subsidiaries could negatively affect Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity. For instance, pending federal tax legislation, including the Build Back Better Act or related legislation, could significantly change the U.S. Internal Revenue Code, including the taxation of U.S. corporations, by, among other things, adopting an alternative minimum income tax on a U.S. corporation's book income. The intended and unintended consequences

of this proposed legislation could have a material adverse impact on Entergy's financial results and future cash flows. For further information regarding Entergy's income taxes, see Note 3 to the financial statements.

Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete strategic transactions, is subject to significant risks, and, as a result, they may be unable to achieve some or all of the anticipated results of such strategies, which could materially affect their future prospects, results of operations, and benefits that they anticipate from such transactions.

Entergy and its subsidiaries' future prospects and results of operations significantly depend on their ability to successfully implement their business strategies, which are subject to business, regulatory, economic, and other risks and uncertainties, many of which are beyond their control. As a result, Entergy and its subsidiaries may be unable to fully achieve the anticipated results of such strategies.

Additionally, Entergy and its subsidiaries have pursued and may continue to pursue strategic transactions including merger, acquisition, divestiture, joint venture, restructuring, or other strategic transactions. For example, Entergy has entered into an agreement to sell its equity interests in the subsidiary that owns Palisades and the decommissioned Big Rock Point Nuclear Power Plant after Palisades has been shut down and defueled. Also, a significant portion of Entergy's utility business plan over the next several years includes the construction and/or purchase of a variety of solar facilities. These or other transactions and plans are or may become subject to regulatory approval and other material conditions or contingencies, including increased costs or delays resulting from supply chain issues. The failure to complete these transactions or plans or any future strategic transaction successfully or on a timely basis could have an adverse effect on Entergy's or its subsidiaries' financial condition or results of operations and the market's perception of Entergy's ability to execute its strategy. Further, these transactions, and any completed or future strategic transactions, involve substantial risks, including the following:

- acquired businesses or assets may not produce revenues, earnings, or cash flow at anticipated levels;
- acquired businesses or assets could have environmental, permitting, or other problems for which contractual protections prove inadequate;
- Entergy and/or its subsidiaries may assume liabilities that were not disclosed to them, that exceed their estimates, or for which their rights to indemnification from the seller are limited;
- Entergy may experience issues integrating businesses into its internal controls over financial reporting;
- the disposition of a business, including Entergy's planned exit from the merchant power business, could divert management's attention from other business concerns;
- Entergy and/or its subsidiaries may be unable to obtain the necessary regulatory or governmental approvals to close a transaction, such approvals may be granted subject to terms that are unacceptable, or Entergy or its subsidiaries otherwise may be unable to achieve anticipated regulatory treatment of any such transaction or acquired business or assets; and
- Entergy or its subsidiaries otherwise may be unable to achieve the full strategic and financial benefits that they anticipate from the transaction, or such benefits may be delayed or may not occur at all.

Entergy and its subsidiaries may not be successful in managing these or any other significant risks that they may encounter in acquiring or divesting a business, or engaging in other strategic transactions, which could have a material effect on their business, financial condition or results of operations.

The completion of capital projects, including the construction of power generation facilities, and other capital improvements involve substantial risks. Should such efforts be unsuccessful, the financial condition, results of operations, or liquidity of Entergy and the Utility operating companies could be materially affected.

Entergy's and the Utility operating companies' ability to complete capital projects, including the construction of power generation facilities, or make other capital improvements, in a timely manner and within budget is contingent upon many variables and subject to substantial risks. These variables include, but are not limited to, project management expertise, escalating costs for materials, labor, and environmental compliance,

reliance on suppliers for timely and satisfactory performance, and pandemic-related delays and cost increases. Delays in obtaining permits, shortages in materials and qualified labor, levels of public support or opposition, suppliers and contractors not performing as expected or required under their contracts and/or experiencing financial problems that inhibit their ability to fulfill their obligations under contracts, changes in the scope and timing of projects, poor quality initial cost estimates from contractors, the inability to raise capital on favorable terms, changes in commodity prices affecting revenue, fuel costs, or materials costs, downward changes in the economy, changes in law or regulation, including environmental compliance requirements, supply chain delays or disruptions, and other events beyond the control of the Utility operating companies or the Entergy Wholesale Commodities business may occur that may materially affect the schedule, cost, and performance of these projects. If these projects or other capital improvements are significantly delayed or become subject to cost overruns or cancellation, Entergy and the Utility operating companies could incur additional costs and termination payments, or face increased risk of potential write-off of the investment in the project. In addition, the Utility operating companies could be exposed to higher costs and market volatility, which could affect cash flow and cost recovery, should their respective regulators decline to approve the construction of the project or new generation needed to meet the reliability needs of customers at the lowest reasonable cost.

For further information regarding capital expenditure plans and other uses of capital in connection with capital projects, including the potential construction and/or purchase of additional generation supply sources within the Utility operating companies' service territory, and as to the Entergy Wholesale Commodities business, see the "**Capital Expenditure Plans and Other Uses of Capital**" section of Management's Financial Discussion and Analysis for Entergy and each of the Registrant Subsidiaries.

Failure to attract, retain and manage an appropriately qualified workforce could negatively affect Entergy or its subsidiaries' results of operations.

Entergy relies on a large and changing workforce of team members, including employees, contractors and temporary staffing. Certain factors, such as an aging workforce, mismatching of skill sets, failing to appropriately anticipate future workforce needs, workforce impacts of the COVID-19 pandemic and responsive measures, challenges competing with other employers offering fully remote work options, rising salary and other labor costs, or the unavailability of contract resources may lead to operating challenges and increased costs. The challenges include inability to attract or retain talent, lack of resources, loss of knowledge base, and the time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs, and safety costs, may increase. Failure to hire and adequately train replacement employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities and new skills required to develop and operate a modernized, technology-enabled, and lower carbon power grid. If Entergy and its subsidiaries are unable to successfully attract, retain, and manage an appropriately qualified workforce, their results of operations, financial position, and cash flows could be negatively affected.

The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs to fulfill their obligations related to environmental and other matters.

The businesses in which the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business operate are subject to extensive environmental regulation by local, state, and federal authorities. These laws and regulations affect the manner in which the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business conduct their operations and make capital expenditures. These laws and regulations also affect how the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business manage air emissions, discharges to water, wetlands impacts, solid and hazardous waste storage and disposal, cooling and service water intake, the protection of threatened and endangered species, certain migratory birds and eagles, hazardous materials transportation, and similar matters. Federal, state, and local authorities continually revise these laws and regulations, and the laws and regulations are subject to judicial interpretation and to the permitting and enforcement discretion vested in the implementing agencies. Developing

and implementing plans for facility compliance with these requirements can lead to capital, personnel, and operation and maintenance expenditures. Violations of these requirements can subject the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business to enforcement actions, capital expenditures to bring existing facilities into compliance, additional operating costs or operating restrictions to achieve compliance, remediation and clean-up costs, civil penalties, and exposure to third parties' claims for alleged health or property damages or for violations of applicable permits or standards. In addition, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business potentially are subject to liability under these laws for the costs of remediation of environmental contamination of property now or formerly owned or operated by the Utility operating companies, System Energy, and Entergy Wholesale Commodities and of property contaminated by hazardous substances they generate. The Utility operating companies currently are involved in proceedings relating to sites where hazardous substances have been released and may be subject to additional proceedings in the future. The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business have incurred and expect to incur significant costs related to environmental compliance.

Emissions of nitrogen and sulfur oxides, mercury, particulates, greenhouse gases, and other regulated emissions from generating plants potentially are subject to increased regulation, controls, and mitigation expenses. In addition, existing environmental regulations and programs promulgated by the EPA often are challenged legally, or are revised or withdrawn by the EPA, sometimes resulting in large-scale changes to anticipated regulatory regimes and the resulting need to shift course, both operationally and economically, depending on the nature of the changes. Risks relating to global climate change, initiatives to compel greenhouse gas emission reductions, and water availability issues are discussed below.

Entergy and its subsidiaries may not be able to obtain or maintain all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals, or if Entergy and its subsidiaries fail to obtain, maintain, or comply with any such approval, the operation of its facilities could be stopped or become subject to additional costs. For further information regarding environmental regulation and environmental matters, including Entergy's response to climate change, see the **"Regulation of Entergy's Business – Environmental Regulation"** section of Part I, Item 1.

The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs related to reliability standards.

Entergy's business is subject to extensive and mandatory reliability standards. Such standards, which are established by the NERC, the SERC, and other regional enforcement entities, are approved by the FERC and frequently are reviewed, amended, and supplemented. Failure to comply with such standards could result in the imposition of fines or civil penalties, and potential exposure to third party claims for alleged violations of such standards. The standards, as well as the laws and regulations that govern them, are subject to judicial interpretation and to the enforcement discretion vested in the implementing agencies. In addition to exposure to civil penalties and fines, the Utility operating companies have incurred and expect to incur significant costs related to compliance with new and existing reliability standards, including costs associated with the Utility operating companies' transmission system and generation assets. In addition, the retail regulators of the Utility operating companies possess the jurisdiction, and in some cases have exercised such jurisdiction, to impose standards governing the reliable operation of the Utility operating companies' distribution systems, including penalties if these standards are not met. The changes to the reliability standards applicable to the electric power industry are ongoing, and Entergy cannot predict the ultimate effect that the reliability standards will have on its Utility and Entergy Wholesale Commodities businesses.

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Weather, economic conditions, technological developments, and other factors may have a material impact on electricity and gas sales and otherwise materially affect the Utility operating companies' results of operations and system reliability.

Temperatures above normal levels in the summer tend to increase electric cooling demand and revenues, and temperatures below normal levels in the winter tend to increase electric and gas heating demand and revenues. As a corollary, mild temperatures in either season tend to decrease energy usage and resulting revenues. Higher consumption levels coupled with seasonal pricing differentials typically cause the Utility operating companies to report higher revenues in the third quarter of the fiscal year than in the other quarters. Changing weather patterns and extreme weather conditions including hurricanes or tropical storms, flooding events, or ice storms may stress the Utility operating companies' generation facilities and transmission and distribution systems, resulting in increased maintenance and capital costs (and potential increased financing needs), limits on their ability to meet peak customer demand, increased regulatory oversight, criticism or adverse publicity, and reduced customer satisfaction. These extreme conditions could have a material effect on the Utility operating companies' financial condition, results of operations, and liquidity.

Entergy's electricity sales volumes are affected by a number of factors including weather and economic conditions, trends in energy efficiency, new technologies, and self-generation alternatives, including the willingness and ability of large industrial customers to develop co-generation facilities that greatly reduce their grid demand. In addition, changes to regulatory policies, such as those that allow customers to directly access the market to procure wholesale energy, could reduce sales, and other non-traditional procurements, such as virtual purchase power agreements, could limit growth opportunities at the Utility operating companies. Some of these factors are inherently cyclical or temporary in nature, such as the weather or economic conditions, and rarely have a long-lasting effect on Entergy's operating results. Others, such as the organic turnover of appliances and lighting and their replacement with more efficient ones, adoption of newer technologies including smart thermostats, new building codes, distributed energy resources, energy storage, demand side management, and rooftop solar are having a more permanent effect by reducing sales growth rates from historical norms. As a result of these emerging efficiencies and technologies, the Utility operating companies may lose customers or experience lower average use per customer in the residential and commercial classes, and continuing advances have the potential to further limit sales growth in the future.

The Utility operating companies also may face competition from other companies offering products and services to Entergy's customers. Electricity sales to industrial customers, in particular, benefit from steady economic growth and favorable commodity markets; however, industrial sales are sensitive to changes in conditions in the markets in which its customers operate. Negative changes in any of these or other factors, particularly sustained economic downturns or sluggishness, have the potential to result in slower sales growth or sales declines and increased bad debt expense, which could materially affect Entergy's and the Utility operating companies' results of operations, financial condition, and liquidity. The Utility operating companies also may not realize anticipated or expected growth in industrial sales from electrification opportunities to help such customers achieve their environmental and sustainability goals. This could occur because of changes in customers' goals or business priorities, competition from other companies or decisions by such customers to seek to achieve such goals through methods not offered by Entergy.

The effects of climate change, environmental and regulatory obligations intended to compel greenhouse gas emission reductions or increase clean or renewable energy requirements or to place a price on greenhouse gas emissions, or achieving voluntary climate commitments could materially affect the financial condition, results of operations, and liquidity of Entergy, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.

In an effort to address climate change concerns, some federal, state, and local authorities are calling for additional laws and regulations aimed at known or suspected causes of climate change. For example, the EPA, various environmental interest groups, and other organizations have focused considerable attention on CO₂ emissions from power generation facilities and their potential role in climate change. The EPA has promulgated regulations controlling greenhouse gas emissions from certain vehicles, and from new, existing, and significantly modified stationary sources of emissions, including electric generating units. As examples of state action, in the Northeast, the Regional Greenhouse Gas Initiative establishes a cap on CO₂ emissions from electric power plants and requires generators to purchase emission permits to cover their CO₂ emissions, and a similar program has been developed in California. In Louisiana, the Office of the Governor announced the creation of a Climate Initiatives Task Force and issued an executive order that established a path to net-zero emissions by 2050 while the City Council of New Orleans passed a renewable and clean portfolio standard that sets a goal of net-zero emissions by 2040 and absolute zero emissions by 2050. The impact that continued changes in the governmental response to climate change risk will have on existing and pending environmental laws and regulations related to greenhouse gas emissions currently is unclear.

Developing and implementing plans for compliance with greenhouse gas emissions reduction or clean/renewable energy requirements, or for achieving voluntary climate commitments can lead to additional capital, personnel, and operation and maintenance expenditures and could significantly affect the economic position of existing facilities and proposed projects. The operations of low or non-emitting generating units (such as nuclear units) at lower than expected capacity factors could require increased generation from higher emitting units, thus increasing Entergy's greenhouse gas emission rate. Moreover, long-term planning to meet environmental requirements can be negatively impacted and costs may increase to the extent laws and regulations change prior to full implementation. These requirements could, in turn, lead to changes in the planning or operations of balancing authorities or organized markets in areas where the Utility operating companies, System Energy, or Entergy Wholesale Commodities do business. Violations of such requirements may subject Entergy Wholesale Commodities and the Utility operating companies to enforcement actions, capital expenditures to bring existing facilities into compliance, additional operating costs or operating restrictions to achieve compliance, civil penalties, and exposure to third parties' claims for alleged health or property damages or for violations of applicable permits or standards. Further, real or perceived violations of environmental regulations, including those related to climate change, or inability to meet voluntary climate commitments, could adversely impact Entergy's reputation or inhibit Entergy's ability to pursue its decarbonization objectives. To the extent Entergy believes any of these costs are recoverable in rates, however, additional material rate increases for customers could be resisted by Entergy's regulators and, in extreme cases, Entergy's regulators might attempt to deny or defer timely recovery of these costs.

Future changes in regulation or policies governing the emission of CO₂ and other greenhouse gases or mix of generation sources could (i) result in significant additional costs to Entergy's utility operating companies, their suppliers or customers, (ii) make some of Entergy's electric generating units uneconomical to maintain or operate, (iii) result in the early retirement of generation facilities and stranded costs if Entergy's utility operating companies are unable to fully recover the costs and investment in generation and (iv) could increase the difficulty that Entergy and its utility operating companies have with obtaining or maintaining required environmental regulatory approvals, each of which could materially affect the financial condition, results of operations, and liquidity of Entergy and its subsidiaries. In addition, lawsuits have occurred or are reasonably expected against emitters of greenhouse gases alleging that these companies are liable for personal injuries and property damage caused by climate change. These lawsuits may seek injunctive relief, monetary compensation, and punitive damages.

In September 2020, Entergy voluntarily committed to achieving net zero carbon emissions by 2050. Technology research and development, innovation, and advancement are critical to Entergy's ability to achieve this commitment. Moreover, Entergy cannot predict the ultimate impact of achieving this objective, or the various implementation aspects, on its system reliability, or its results of operations, financial condition or liquidity.

The physical effects of climate change could materially affect the financial condition, results of operations, and liquidity of Entergy, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.

Potential physical risks from climate change include an increase in sea level, wind and storm surge damages, more frequent or intense hurricanes and wildfires, wetland and barrier island erosion, risks of flooding and changes in weather conditions, (such as increases in precipitation, drought, or changes in average temperatures), and potential increased impacts of extreme weather conditions or storms. Entergy subsidiaries own assets in, and serve, communities that are at risk from sea level rise, changes in weather conditions, storms, and loss of the protection offered by coastal wetlands. A significant portion of the nation's oil and gas infrastructure is located in these areas and susceptible to storm damage that could be aggravated by the physical impacts of climate change, which could give rise to fuel supply interruptions and price spikes. Entergy and its subsidiaries also face the risk that climate change could impact the availability and quality of water supplies necessary for operations.

These and other physical changes could result in changes in customer demand, increased costs associated with repairing and maintaining generation facilities and transmission and distribution systems resulting in increased maintenance and capital costs (and potential increased financing needs), limits on the Entergy System's ability to meet peak customer demand, more frequent and longer lasting outages, increased regulatory oversight, criticism or adverse publicity, and lower customer satisfaction. Also, to the extent that climate change adversely impacts the economic health of a region or results in energy conservation or demand side management programs, it may adversely impact customer demand and revenues. Such physical or operational risks could have a material effect on Entergy's, Entergy Wholesale Commodities', System Energy's, and the Utility operating companies' financial condition, results of operations, and liquidity.

Due in part to the recent increase in frequency and intensity of major storm activity along the Gulf Coast, Entergy is developing plans to accelerate investments that would enhance the resilience of the electric systems of the Utility operating companies to enable them to better withstand major storms or other adverse weather events, to enable more rapid restoration of electricity after major storm or other adverse events, and to deliver electricity to critical customers more immediately after such events. The need for this investment and these expenditures could give rise to liquidity, capital or other financing-related risks as well as result in upward pressure on the retail rates of the Utility operating companies, which, particularly when combined with upward pressure resulting from the recovery of the costs of recent and future storms, may result in adverse actions by the Utility operating companies' retail regulators or effectively limit the ability to make other planned capital or other investments.

Continued and future availability and quality of water for cooling, process, and sanitary uses could materially affect the financial condition, results of operations, and liquidity of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.

Water is a vital natural resource that is also critical to the Utility operating companies', System Energy's, and Entergy Wholesale Commodities' business operations. Entergy's facilities use water for cooling, boiler make-up, sanitary uses, potable supply, and many other uses. Entergy's Utility operating companies also own and/or operate hydroelectric facilities. Accordingly, water availability and quality are critical to Entergy's business operations. Impacts to water availability or quality could negatively impact both operations and revenues.

Entergy secures water through various mechanisms (ground water wells, surface waters intakes, municipal supply, etc.) and operates under the provisions and conditions set forth by the provider and/or regulatory authorities. Entergy also obtains and operates in substantial compliance with water discharge permits issued under

various provisions of the Clean Water Act and/or state water pollution control provisions. Regulations and authorizations for both water intake and use and for waste discharge can become more stringent in times of water shortages, low flows in rivers, low lake levels, low groundwater aquifer volumes, and similar conditions. The increased use of water by industry, agriculture, and the population at large, population growth, and the potential impacts of climate change on water resources may cause water use restrictions that affect Entergy and its subsidiaries.

Entergy and its subsidiaries may not be adequately hedged against changes in commodity prices, which could materially affect Entergy's and its subsidiaries' results of operations, financial condition, and liquidity.

To manage near-term and medium-term financial exposure related to commodity price fluctuations, Entergy and its subsidiaries, including the Utility operating companies and the Entergy Wholesale Commodities business, may enter into contracts to hedge portions of their purchase and sale commitments, fuel requirements, and inventories of natural gas, uranium and its conversion and enrichment, coal, refined products, and other commodities, within established risk management guidelines. As part of this strategy, Entergy and its subsidiaries may utilize fixed- and variable-price forward physical purchase and sales contracts, futures, financial swaps, and option contracts traded in the over-the-counter markets or on exchanges. However, Entergy and its subsidiaries normally cover only a portion of the exposure of their assets and positions to market price volatility, and the coverage will vary over time. In addition, Entergy also elects to leave certain volumes during certain years unhedged. To the extent Entergy and its subsidiaries have unhedged positions, fluctuating commodity prices can materially affect Entergy's and its subsidiaries' results of operations and financial position.

Although Entergy and its subsidiaries devote a considerable effort to these risk management strategies, they cannot eliminate all the risks associated with these activities. As a result of these and other factors, Entergy and its subsidiaries cannot predict with precision the impact that risk management decisions may have on their business, results of operations, or financial position.

Entergy's over-the-counter financial derivatives are subject to rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act that are designed to promote transparency, mitigate systemic risk, and protect against market abuse. Entergy cannot predict the impact any proposed or not fully-implemented final rules will have on its ability to hedge its commodity price risk or on over-the-counter derivatives markets as a whole, but such rules and regulations could have a material effect on Entergy's risk exposure, as well as reduce market liquidity and further increase the cost of hedging activities.

Entergy has guaranteed or indemnified the performance of a portion of the obligations relating to hedging and risk management activities. Reductions in Entergy's or its subsidiaries' credit quality or changes in the market prices of energy commodities could increase the cash or letter of credit collateral required to be posted in connection with hedging and risk management activities, which could materially affect Entergy's or its subsidiaries' liquidity and financial position.

The Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties may not meet their obligations, which may materially affect the Utility operating companies and Entergy Wholesale Commodities.

The hedging and risk management practices of the Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties that owe Entergy and its subsidiaries money, energy, or other commodities will not perform their obligations. Currently, some hedging agreements contain provisions that require the counterparties to provide credit support to secure all or part of their obligations to Entergy or its subsidiaries. If the counterparties to these arrangements fail to perform, Entergy or its subsidiaries may enforce and recover the proceeds from the credit support provided and acquire alternative hedging arrangements, which credit support may not always be adequate to cover the related obligations. In such event, Entergy and its subsidiaries might incur losses in addition to amounts, if any, already paid to the counterparties. In

addition, the credit commitments of Entergy's lenders under its bank facilities may not be honored for a variety of reasons, including unexpected periods of financial distress affecting such lenders, which could materially affect the adequacy of its liquidity sources.

Market performance and other changes may decrease the value of benefit plan assets, which then could require additional funding and result in increased benefit plan costs.

The performance of the capital markets affects the values of the assets held in trust under Entergy's pension and postretirement benefit plans. A decline in the market value of the assets may increase the funding requirements relating to Entergy's benefit plan liabilities and also result in higher benefit costs. As the value of the assets decreases, the "expected return on assets" component of benefit costs decreases, resulting in higher benefits costs. Additionally, asset losses are incorporated into benefit costs over time, thus increasing benefits costs. Volatility in the capital markets has affected the market value of these assets, which may affect Entergy's planned levels of contributions in the future. Additionally, changes in interest rates affect the liabilities under Entergy's pension and postretirement benefit plans; as interest rates decrease, the liabilities increase, potentially requiring additional funding and recognition of higher liability carrying costs. The funding requirements of the obligations related to the pension benefit plans can also increase as a result of changes in, among other factors, retirement rates, life expectancy assumptions, or Federal regulations. For further information regarding Entergy's pension and other postretirement benefit plans, refer to the "**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**" section of Management's Financial Discussion and Analysis for Entergy and each of its Registrant Subsidiaries and Note 11 to the financial statements.

The litigation environment in the states in which certain Entergy subsidiaries operate poses a significant risk to those businesses.

Entergy and its subsidiaries and related entities are involved in the ordinary course of business in a number of lawsuits involving employment, commercial, asbestos, hazardous material and ratepayer matters, and injuries and damages issues, among other matters. The states in which the Utility operating companies operate have proven to be unusually litigious environments. Judges and juries in these states have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. Entergy and its subsidiaries use legal and appropriate means to contest litigation threatened or filed against them, but the litigation environment in these states poses a significant business risk.

Terrorist attacks, cyber attacks, system failures or data breaches of Entergy's and its subsidiaries' or our suppliers' technology systems may adversely affect Entergy's results of operations.

Entergy and its subsidiaries operate in a business that requires evolving information technology systems that include sophisticated data collection, processing systems, software, network infrastructure, and other technologies that are becoming more complex and may be subject to mandatory and prescriptive reliability and security standards. The functionality of Entergy's technology systems depends on its own and its suppliers' and their contractors' technology. Suppliers' and their contractors' technology systems to which Entergy is connected directly or indirectly support a variety of business processes and activities to store sensitive data, including (i) intellectual property, (ii) proprietary business information, (iii) personally identifiable information of customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply-chain activities. Any significant failure or malfunction of such information technology systems could result in loss of or inappropriate access to data or disruptions of operations.

There have been attacks and threats of attacks on energy infrastructure by cyber actors, including those associated with foreign governments. As an operator of critical infrastructure, Entergy and its subsidiaries face a heightened risk of an act or threat of terrorism, cyber-attacks, including ransomware attacks, and data breaches, whether as a direct or indirect act against one of Entergy's generation, transmission or distribution facilities, operations centers, infrastructure, or information technology systems used to manage, monitor, and transport power to customers and perform day-to-day business functions as well as against the systems of critical suppliers and

contractors. Further, attacks may become more frequent in the future as technology becomes more prevalent in energy infrastructure. An actual act could affect Entergy's ability to operate, including its ability to operate the information technology systems and network infrastructure on which it relies to conduct business.

Given the rapid technological advancements of existing and emerging threats, Entergy's technology systems remain inherently vulnerable despite implementations and enhancements of the multiple layers of security and controls. If Entergy's or its subsidiaries' technology systems, or those of critical suppliers or contractors, were compromised and unable to detect or recover in a timely fashion to a normal state of operations, Entergy or its subsidiaries could be unable to perform critical business functions that are essential to the company's well-being and could result in a loss of or inappropriate access to its confidential, sensitive, and proprietary information, including personal information of its customers, employees, suppliers, and others in Entergy's care.

Any such attacks, failures, or data breaches could have a material effect on Entergy's and the Utility operating companies' business, financial condition, results of operations or reputation. Although Entergy and the Utility operating companies purchase insurance coverage for cyber-attacks or data breaches, such insurance may not be adequate to cover all losses that might arise in connection with these events. Such events may also expose Entergy to an increased risk of litigation (and associated damages and fines).

Significant increases in commodity prices, other materials and supplies, and operation and maintenance expenses may adversely affect Entergy's results of operations, financial condition, and liquidity.

Entergy and its subsidiaries have observed and expect future inflationary pressures related to commodity prices, other materials and supplies, and operation and maintenance expenses, including in the areas of labor, health care, and pension costs. The contracts for the construction of certain of the Utility operating companies' generation facilities also have included, and in the future may include, price adjustment provisions that, subject to certain limitations, may enable the contractor to increase the contract price to reflect increases in certain costs of constructing the facility. These inflationary pressures could impact the ability of Entergy and its subsidiaries to control costs and/or make substantial investments in its businesses, including their ability to recover costs and investments, and to earn their allowed return on equity within frameworks established by their regulators while maintaining affordability of their services for its customers. Increases in commodity prices, other materials and supplies, and operation and maintenance expenses, including increasing labor costs and costs and funding requirements associated with Entergy's defined benefit retirement plans, health care plans, and other employee benefits, could increase their financing needs and otherwise adversely affect their results of operations, financial condition, and liquidity.

(Entergy New Orleans)

The effect of higher purchased gas cost charges to customers taking gas service may adversely affect Entergy New Orleans's results of operations and liquidity.

Gas rates charged to retail gas customers are comprised primarily of purchased gas cost charges, which provide no return or profit to Entergy New Orleans, and distribution charges, which provide a return or profit to the utility. Distribution charges recover fixed costs on a volumetric basis and, thus, are affected by the amount of gas sold to customers. When purchased gas cost charges increase due to higher gas procurement costs, customer usage may decrease, especially in weaker economic times, resulting in lower distribution charges for Entergy New Orleans, which, given its relatively smaller size, could adversely affect results of operations. Purchased gas cost charges, which comprise most of a customer's bill and may be adjusted monthly, represent gas commodity costs that Entergy New Orleans recovers from its customers. Entergy New Orleans's cash flows can be affected by differences between the time period when gas is purchased and the time when ultimate recovery from customers occurs.

(Entergy Corporation and System Energy)

System Energy owns and, through an affiliate, operates a single nuclear generating facility, and it is dependent on sales to affiliated companies for all of its revenues. Certain contractual arrangements relating to System Energy, the affiliated companies, and these revenues are the subject of ongoing litigation and regulatory proceedings.

System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% ownership/leasehold interest in Grand Gulf. Charges under the Unit Power Sales Agreement are paid by the Utility operating companies as consideration for their respective entitlements to receive capacity and energy. The useful economic life of Grand Gulf is finite and is limited by the terms of its operating license, which currently expires in November 2044. System Energy's financial condition depends both on the receipt of payments from the Utility operating companies under the Unit Power Sales Agreement and on the continued commercial operation of Grand Gulf. The Unit Power Sales Agreement is currently the subject of several litigation proceedings at the FERC, including a challenge with respect to System Energy's uncertain tax positions, sale leaseback arrangement, authorized return on equity and capital structure, a broader investigation of rates under the Unit Power Sales Agreement, and a prudence complaint challenging the extended power uprate completed at Grand Gulf in 2012 and the operation and management of Grand Gulf, particularly in the 2016-2020 time period. The claims in these proceedings include claims for refunds and claims for rate adjustments; the aggregate amount of refunds claimed in these proceedings substantially exceeds the net book value of System Energy. Entergy cannot predict the outcome of any of these proceedings, and an adverse outcome in any of them could have a material adverse effect on Entergy's or System Energy's results of operations, financial condition, or liquidity. See Note 2 to the financial statements for further discussion of the proceedings. The Utility operating companies have agreed to implement certain protocols for providing retail regulators with information regarding rates billed under the Unit Power Sales Agreement.

For information regarding the Unit Power Sales Agreement, the sale and leaseback transactions and certain other agreements relating to the Entergy System companies' support of System Energy, see Notes 5 and 8 to the financial statements and the "[Utility - System Energy and Related Agreements](#)" section of Part I, Item 1.

(Entergy Corporation)

As a holding company, Entergy Corporation depends on cash distributions from its subsidiaries to meet its debt service and other financial obligations and to pay dividends on its common stock.

Entergy Corporation is a holding company with no material revenue generating operations of its own or material assets other than the stock of its subsidiaries. Accordingly, all of its operations are conducted by its subsidiaries. Entergy Corporation's ability to satisfy its financial obligations, including the payment of interest and principal on its outstanding debt, and to pay dividends on its common stock depends on the payment to it of dividends or distributions by its subsidiaries. The subsidiaries of Entergy Corporation are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any dividends or make distributions to Entergy Corporation. The ability of such subsidiaries to make payments of dividends or distributions to Entergy Corporation depends on their results of operations and cash flows and other items affecting retained earnings, and on any applicable legal, regulatory, or contractual limitations on subsidiaries' ability to pay such dividends or distributions. Prior to providing funds to Entergy Corporation, such subsidiaries have financial and regulatory obligations that must be satisfied, including among others, debt service and, in the case of Entergy Utility Holding Company and Entergy Texas, dividends and distributions on preferred securities. Any distributions from the Registrant Subsidiaries other than Entergy Texas and System Energy are paid directly to Entergy Utility Holding Company and are therefore subject to prior payment of distributions on its preferred securities.

Item 1B. Unresolved Staff Comments

None.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

2021 Compared to 2020

Net Income

Net income increased \$53.3 million primarily due to higher volume/weather and higher retail electric price, partially offset by a higher effective income tax rate, higher depreciation and amortization expenses, and higher other operation and maintenance expenses.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2021 to 2020:

	Amount
	(In Millions)
2020 operating revenues	\$2,084.5
Fuel, rider, and other revenues that do not significantly affect net income	170.5
Volume/weather	46.4
Retail electric price	37.2
2021 operating revenues	\$2,338.6

Entergy Arkansas’s results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. “Fuel, rider, and other revenues that do not significantly affect net income” includes the revenue variance associated with these items.

The volume/weather variance is primarily due to an increase of 1,531 GWh, or 7%, in billed electricity usage, including an increase in industrial usage and the effect of more favorable weather on residential and commercial sales. The increase in industrial usage is primarily due to an increase in demand from expansion projects, primarily in the metals industry.

The retail electric price variance is primarily due to an increase in formula rate plan rates effective May 2021. See Note 2 to the financial statements for further discussion of the 2020 formula rate plan filing.

Billed electric energy sales for Entergy Arkansas for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	8,054	7,584	6
Commercial	5,492	5,356	3
Industrial	8,509	7,586	12
Governmental	225	223	1
Total retail	22,280	20,749	7
Sales for resale:			
Associated companies	2,254	1,659	36
Non-associated companies	6,151	4,198	47
Total	30,685	26,606	15

See Note 19 to the financial statements for additional discussion of Entergy Arkansas's operating revenues.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$13.5 million in compensation and benefits costs in 2021 primarily due to higher incentive-based compensation accruals in 2021 as compared to prior year, lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, and an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- lower nuclear insurance refunds of \$5.8 million;
- an increase of \$5.8 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing;
- an increase of \$3.6 million in distribution operations expenses primarily due to higher reliability costs; and
- an increase of \$3.2 million as a result of the amount of transmission costs allocated by MISO.

The increase was partially offset by:

- a decrease of \$6.9 million in nuclear generation expenses primarily due to lower nuclear labor costs, including contract labor, and a lower scope of work performed in 2021 as compared to 2020;
- a decrease of \$5.9 million in meter reading expenses as a result of the deployment of advanced metering systems;
- a decrease of \$4.6 million in energy efficiency expenses due to the timing of recovery from customers; and
- a decrease of \$3.4 million in vegetation maintenance costs.

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

Other regulatory charges (credits) - net includes:

- regulatory credits of \$46.6 million, recorded in 2020, to reflect the amortization of the 2018 historical year netting adjustment reflected in the 2019 formula rate plan proceeding. See Note 2 to the financial statements for discussion of the 2019 formula rate plan proceeding;

- regulatory charges of \$43.5 million, recorded in the fourth quarter 2020, to reflect the 2019 historical year netting adjustment included in the APSC's December 2020 order in the 2020 formula rate plan proceeding. See Note 2 to the financial statements for discussion of the 2020 formula rate plan proceeding; and
- the reversal in 2021 of the remaining \$38.8 million regulatory liability for the 2019 historical year netting adjustment as part of its 2020 formula rate plan proceeding.

In addition, Entergy Arkansas records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation related costs collected in revenue.

Other income increased primarily due to changes in decommissioning trust fund investment activity, including portfolio rebalancing for the ANO 1 and ANO 2 decommissioning trust funds in 2021.

Noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of the tax equity partnership for the Searcy Solar facility under HLBV accounting. Entergy Arkansas has recorded a regulatory charge of \$18.1 million in 2021 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements for discussion of the HLBV method of accounting.

The effective income tax rates were 20.1% for 2021 and 16.3% for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy Arkansas’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$192,128	\$3,519	\$119
Net cash provided by (used in):			
Operating activities	549,216	659,818	677,766
Investing activities	(898,193)	(795,709)	(676,293)
Financing activities	169,764	324,500	1,927
Net increase (decrease) in cash and cash equivalents	(179,213)	188,609	3,400
Cash and cash equivalents at end of period	\$12,915	\$192,128	\$3,519

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased \$110.6 million in 2021 primarily due to:

- increased fuel costs and the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- \$25 million in proceeds received from the DOE in 2020 resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- an increase in spending of \$18.1 million on nuclear refueling outages in 2021.

The decrease was partially offset by higher collections from customers.

Investing Activities

Net cash flow used in investing activities increased \$102.5 million in 2021 primarily due to:

- the purchase of the Searcy Solar facility by the tax equity partnership in December 2021 for approximately \$131.8 million. See Note 14 to the financial statements for further discussion of the Searcy Solar facility purchase;
- an increase of \$62.6 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2021 as compared to 2020; and
- \$55 million in proceeds received from the DOE in 2020 resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

The increase was partially offset by:

- a decrease of \$53.0 million in transmission construction expenditures primarily due to a lower scope of work on projects performed in 2021 as compared to 2020 and lower capital expenditures for storm restoration in 2021;
- a decrease of \$32.8 million in distribution construction expenditures primarily due to lower capital expenditures for storm restoration and lower spending on advanced meter infrastructure in 2021, partially offset by a higher scope of work performed in 2021 as compared to 2020;
- a decrease of \$20.9 million in decommissioning trust fund investment activity; and
- a decrease of \$20.1 million in information technology construction expenditures primarily due to decreased spending on various technology projects, including advanced metering infrastructure.

Financing Activities

Net cash flow provided by financing activities decreased \$154.7 million in 2021 primarily due to:

- the issuances of \$100 million of 4.00% Series mortgage bonds in March 2020 and \$675 million of 2.65% Series mortgage bonds in September 2020;
- the repayment, at maturity, of \$350 million of 3.75% Series mortgage bonds due February 2021; and
- the repayment, at maturity, of \$45 million of 2.375% Series governmental bonds due January 2021.

The decrease was partially offset by:

- the issuance of \$400 million of 3.35% Series mortgage bonds in March 2021;

- the repayment in October 2020 of \$200 million of 4.90% Series mortgage bonds due December 2052;
- money pool activity;
- the repayment in October 2020 of \$125 million of 4.75% Series mortgage bonds due June 2063;
- capital contributions of \$51.2 million received in 2021 from the noncontrolling tax equity investor in AR Searcy Partnership, LLC and used by the partnership to acquire the Searcy Solar facility. See Note 14 to the financial statements for discussion of the Searcy Solar facility purchase;
- a decrease of \$45 million in common equity distributions in 2021 in order to maintain Entergy Arkansas's capital structure; and
- higher prepaid deposits of \$36 million related to contributions-in-aid-of-construction generation interconnection agreements in 2021 as compared to 2020.

Increases in Entergy Arkansas's payable to the money pool are a source of cash flow, and Entergy Arkansas's payable to the money pool increased by \$139.9 million in 2021 compared to decreasing by \$21.6 million in 2020. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

See Note 5 to the financial statements for further details of long-term debt.

2020 Compared to 2019

See “**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow**” in Item 7 of Entergy Arkansas's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Capital Structure

Entergy Arkansas's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due to an increase in equity resulting from retained earnings in 2021.

	December 31, 2021	December 31, 2020
Debt to capital	52.6 %	54.8 %
Effect of subtracting cash	— %	(1.2 %)
Net debt to net capital	52.6 %	53.6 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas 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 Arkansas's financial condition. Entergy Arkansas also 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 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.

Entergy Arkansas seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Arkansas may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as financing of large transactions that would materially alter the capital structure if

financed entirely with debt and reducing distributions, Entergy Arkansas may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy Arkansas requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distribution and interest payments.

Following are the amounts of Entergy Arkansas's planned construction and other capital investments.

	2022	2023	2024
	(In Millions)		
Planned construction and capital investment:			
Generation	\$285	\$440	\$320
Transmission	80	135	225
Distribution	270	310	490
Utility Support	125	95	65
Total	\$760	\$980	\$1,100

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Arkansas includes generation projects to modernize, decarbonize, and diversify Entergy Arkansas's portfolio, such as the Walnut Bend Solar Facility and the West Memphis Solar Facility; investments in ANO 1 and 2; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

Following are the amounts of Entergy Arkansas's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
	(In Millions)				
Long-term debt (a)	\$138	\$423	\$501	\$904	\$4,771
Operating leases (b)	\$14	\$13	\$11	\$17	\$6
Finance leases (b)	\$3	\$3	\$3	\$4	\$2

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

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

Other Obligations

Entergy Arkansas currently expects to contribute approximately \$40.8 million to its qualified pension plans and approximately \$517 thousand to its other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See "[Critical Accounting Estimates – Qualified Pension and](#)

Other Postretirement Benefits" below for a discussion of qualified pension and other postretirement benefits funding.

Entergy Arkansas has \$415.9 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, Entergy Arkansas enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Arkansas has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of Entergy Arkansas's obligations under the Unit Power Sales Agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Arkansas pays distributions from its earnings at a percentage determined monthly.

Renewables

Walnut Bend Solar Facility

In October 2020, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 100 MW Walnut Bend Solar Facility is in the public interest. Entergy Arkansas primarily requested cost recovery through the formula rate plan rider. In July 2021 the APSC granted Entergy Arkansas's petition and approved the acquisition of the resource and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In January 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained. Entergy Arkansas views the progress of the outreach to potential tax equity investors and the current status of the discussions as consistent with its expectations for the timeline for achieving a tax equity partnership. Closing was expected to occur in 2022. The counterparty has notified Entergy Arkansas that it is seeking changes to certain terms of the build-own-transfer agreement, including both cost and schedule. Negotiations are ongoing, but at this time the project is not expected to achieve commercial operation in 2022.

West Memphis Solar Facility

In January 2021, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 180 MW West Memphis Solar Facility is in the public interest. In October 2021 the APSC granted Entergy Arkansas's petition and approved the acquisition of the West Memphis Solar Facility and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. Closing is expected to occur in 2023.

Sources of Capital

Entergy Arkansas's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- debt or preferred membership interest issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, Entergy Arkansas expects to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

All debt and common and preferred membership interest issuances by Entergy Arkansas require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in Entergy Arkansas's bond indenture and other agreements. Entergy Arkansas has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Arkansas's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
(\$139,904)	\$3,110	(\$21,634)	(\$182,738)

See Note 4 to the financial statements for a description of the money pool.

Entergy Arkansas has a credit facility in the amount of \$150 million scheduled to expire in June 2026. Entergy Arkansas also has a \$25 million credit facility scheduled to expire in April 2022. 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 December 31, 2021, there were no cash borrowings and no letters of credit 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 December 31, 2021, \$8.5 million in letters of credit were outstanding under Entergy Arkansas's uncommitted letter of credit facility. See Note 4 to the financial statements for further 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 June 2024. As of December 31, 2021, \$4.8 million in loans were outstanding under the credit facility for the Entergy Arkansas nuclear fuel company variable interest entity. See Note 4 to the financial statements for further discussion of the nuclear fuel company variable interest entity credit facility.

Entergy Arkansas obtained authorization from the FERC through October 2023 for short-term borrowings not to exceed an aggregate amount of \$250 million at any time outstanding and borrowings by its nuclear fuel company variable interest entity. See Note 4 to the financial statements for further discussion of Entergy Arkansas's short-term borrowing limits. The long-term securities issuances of Entergy Arkansas are limited to amounts authorized by the FERC. The APSC has concurrent jurisdiction over Entergy Arkansas's first mortgage bond/secured issuances. Entergy Arkansas has obtained long-term financing authorization from the FERC that extends through October 2023. Entergy Arkansas has obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2022.

State and Local Rate Regulation and Fuel-Cost Recovery

Retail Rates

2019 Formula Rate Plan Filing

In July 2019, Entergy Arkansas filed with the APSC its 2019 formula rate plan filing to set its formula rate for the 2020 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2020 and a netting adjustment for the historical year 2018. The total proposed formula rate plan rider revenue

change designed to produce a target rate of return on common equity of 9.75% is \$15.3 million, which is based upon a deficiency of approximately \$61.9 million for the 2020 projected year, netted with a credit of approximately \$46.6 million in the 2018 historical year netting adjustment. During 2018 Entergy Arkansas experienced higher-than expected sales volume, and actual costs were lower than forecasted. These changes, coupled with a reduced income tax rate resulting from the Tax Cuts and Jobs Act, resulted in the credit for the historical year netting adjustment. In the fourth quarter 2018, Entergy Arkansas recorded a provision of \$35.1 million that reflected the estimate of the historical year netting adjustment that was expected to be included in the 2019 filing. In 2019, Entergy Arkansas recorded additional provisions totaling \$11.5 million to reflect the updated estimate of the historical year netting adjustment included in the 2019 filing. In October 2019 other parties in the proceeding filed their errors and objections requesting certain adjustments to Entergy Arkansas's filing that would reduce or eliminate Entergy Arkansas's proposed revenue change. Entergy Arkansas filed its response addressing the requested adjustments in October 2019. In its response, Entergy Arkansas accepted certain of the adjustments recommended by the General Staff of the APSC that would reduce the proposed formula rate plan rider revenue change to \$14 million. Entergy Arkansas disputed the remaining adjustments proposed by the parties. In October 2019, Entergy Arkansas filed a unanimous settlement agreement with the other parties in the proceeding seeking APSC approval of a revised total formula rate plan rider revenue change of \$10.1 million. In its July 2019 formula rate plan filing, Entergy Arkansas proposed to recover an \$11.2 million regulatory asset, amortized over five years, associated with specific costs related to the potential construction of scrubbers at the White Bluff plant. Although Entergy Arkansas does not concede that the regulatory asset lacks merit, for purposes of reaching a settlement on the total formula rate plan rider amount, Entergy Arkansas agreed not to include the White Bluff scrubber regulatory asset cost in the 2019 formula rate plan filing or future filings. Entergy Arkansas recorded a write-off in 2019 of the \$11.2 million White Bluff scrubber regulatory asset. In December 2019 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2020.

2020 Formula Rate Plan Filing

In July 2020, Entergy Arkansas filed with the APSC its 2020 formula rate plan filing to set its formula rate for the 2021 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2021, as amended through subsequent filings in the proceeding, and a netting adjustment for the historical year 2019. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2021 projected year is 8.22% resulting in a revenue deficiency of \$64.3 million. The earned rate of return on common equity for the 2019 historical year was 9.07% resulting in a \$23.9 million netting adjustment. The total proposed revenue change for the 2021 projected year and 2019 historical year netting adjustment was \$88.2 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase was limited to \$74.3 million. As part of the formula rate plan tariff the calculation for the revenue constraint was updated based on actual revenues which had the effect of reducing the initially-proposed \$74.3 million revenue requirement increase to \$72.6 million. In October 2020, Entergy Arkansas filed with the APSC a unanimous settlement agreement reached with the other parties that resolved all but one issue. As a result of the settlement agreement, Entergy Arkansas's requested revenue increase was \$68.4 million, including a \$44.5 million increase for the projected 2021 year and a \$23.9 million netting adjustment. The remaining issue litigated concerned the methodology used to calculate the netting adjustment within the formula rate plan. In December 2020 the APSC issued an order rejecting the netting adjustment method used by Entergy Arkansas. Applying the approach ordered by the APSC changed the netting adjustment for the 2019 historical year from a \$23.9 million deficiency to \$43.5 million excess. Overall, the decision reduced Entergy Arkansas's revenue adjustment for 2021 to \$1 million. In December 2020, Entergy Arkansas filed a petition for rehearing of the APSC's decision in the 2020 formula rate plan proceeding regarding the 2019 netting adjustment, and in January 2021 the APSC granted further consideration of Entergy Arkansas's petition. Based on the progress of the proceeding at that point, in December 2020, Entergy Arkansas recorded a regulatory liability of \$43.5 million to reflect the netting adjustment for 2019, as included in the APSC's December 2020 order, which would be returned to customers in 2021. Entergy Arkansas also requested an extension of the formula rate plan rider for a second five-

year term. In March 2021 the Arkansas Governor signed HB1662 into law (Act 404). Act 404 clarified aspects of the original formula rate plan legislation enacted in 2015, including with respect to the extension of a formula rate plan, the methodology for the netting adjustment, and debt and equity levels; it also reaffirmed the customer protections of the original formula rate plan legislation, including the cap on annual formula rate plan rate changes. Pursuant to Act 404, Entergy Arkansas's formula rate plan rider was extended for a second five-year term. Entergy Arkansas filed a compliance tariff in its formula rate plan docket in April 2021 to effectuate the netting provisions of Act 404, which reflected a net change in required formula rate plan rider revenue of \$39.8 million, effective with the first billing cycle of May 2021. In April 2021 the APSC issued an order approving the compliance tariff and recognizing the formula rate plan extension. Also in April 2021, Entergy Arkansas filed for approval of modifications to the formula rate plan tariff incorporating the provisions in Act 404, and the APSC approved the tariff modifications in April 2021. Given the APSC general staff's support for the expedited approval of these filings by the APSC, Entergy Arkansas supported an amendment to Act 404 to achieve a reduced return on equity from 9.75% to 9.65% to apply for years applicable to the extension term; that amendment was signed by the Arkansas Governor in April 2021 and is now Act 894. Based on the APSC's order issued in April 2021, in the first quarter 2021, Entergy Arkansas reversed the remaining regulatory liability for the netting adjustment for 2019. In June 2021, Entergy Arkansas filed another compliance tariff in its formula rate plan proceeding to effectuate the additional provisions of Act 894, and the APSC approved the second compliance tariff filing in July 2021.

2021 Formula Rate Plan Filing

In July 2021, Entergy Arkansas filed with the APSC its 2021 formula rate plan filing to set its formula rate for the 2022 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2022 and a netting adjustment for the historical year 2020. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2022 projected year is 7.65% resulting in a revenue deficiency of \$89.2 million. The earned rate of return on common equity for the 2020 historical year was 7.92% resulting in a \$19.4 million netting adjustment. The total proposed revenue change for the 2022 projected year and 2020 historical year netting adjustment is \$108.7 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase is limited to \$72.4 million. In October 2021, Entergy Arkansas filed with the APSC a settlement agreement reached with other parties resolving all issues in the proceeding. As a result of the settlement agreement, the total proposed revenue change is \$82.2 million, including a \$62.8 million increase for the projected 2022 year and a \$19.4 million netting adjustment. Because Entergy Arkansas's revenue requirement exceeded the constraint, the resulting increase is limited to \$72.1 million. In December 2021 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2022.

Production Cost Allocation Rider

The APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of the System Agreement proceedings.

Energy Cost Recovery Rider

Entergy Arkansas's retail rates include an energy cost recovery rider to recover fuel and purchased energy costs in monthly customer bills. The rider utilizes the prior calendar-year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over- or under-recovery, including carrying charges, of the energy costs for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs.

In January 2014, Entergy Arkansas filed a motion with the APSC relating to its upcoming energy cost rate redetermination filing that was made in March 2014. In that motion, Entergy Arkansas requested that the APSC

authorize Entergy Arkansas to exclude from the redetermination of its 2014 energy cost rate \$65.9 million of incremental fuel and replacement energy costs incurred in 2013 as a result of the ANO stator incident. Entergy Arkansas requested that the APSC authorize Entergy Arkansas to retain that amount in its deferred fuel balance, with recovery to be reviewed in a later period after more information was available regarding various claims associated with the ANO stator incident. In February 2014 the APSC approved Entergy Arkansas's request to retain that amount in its deferred fuel balance. In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the \$65.9 million of deferred fuel and purchased energy costs previously noted, subject to certain timelines and conditions set forth in the settlement agreement. In October 2021 the APSC approved Entergy Arkansas's second request to extend the deadline for initiating a regulatory proceeding for the purpose of recovering funds related to the stator incident for twelve additional months, or until December 1, 2022. See the **"ANO Damage, Outage, and NRC Reviews"** section in Note 8 to the financial statements for further discussion of the ANO stator incident.

In March 2017, 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 \$0.01164 per kWh to \$0.01547 per kWh. The APSC staff filed testimony in March 2017 recommending that the redetermined rate be implemented with the first billing cycle of April 2017 under the normal operation of the tariff. Accordingly, the redetermined rate went into effect on March 31, 2017 pursuant to the tariff. In July 2017 the Arkansas Attorney General requested additional information to support certain of the costs included in Entergy Arkansas's 2017 energy cost rate redetermination.

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 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 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 Jobs Act are appropriately considered in the APSC's separate proceeding regarding potential implications of the tax law. The APSC general staff filed a reply to the Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. The redetermined rate became effective with the first billing cycle of April 2018. Subsequently 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 at that time of the issues suggested by the Attorney General in the proceeding. Following a period of discovery, the Attorney General filed a supplemental response in October 2018 raising new issues with Entergy Arkansas's March 2018 rate redetermination and asserting that \$45.7 million of the increase should be collected subject to refund pending further investigation. Entergy Arkansas filed to dismiss the Attorney General's supplemental response, the APSC general staff filed a motion to strike the Attorney General's filing, and the Attorney General filed a supplemental response disputing Entergy Arkansas and the APSC staff's filing. Applicable APSC rules and processes authorize its general staff to initiate periodic audits of Entergy Arkansas's energy cost recovery rider. In late-2018 the APSC general staff notified Entergy Arkansas it has initiated an audit of the 2017 fuel costs. The time in which the audit will be complete is uncertain at this time.

In March 2019, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01882 per kWh to \$0.01462 per kWh and became effective with the first billing cycle in April 2019. In March 2019 the Arkansas Attorney General filed a response to Entergy Arkansas's annual adjustment and included with its filing a motion for investigation of alleged overcharges to customers in connection with the FERC's October 2018 order in the opportunity sales proceeding. Entergy Arkansas filed its response to the Attorney General's motion in April 2019 in which Entergy Arkansas stated its

intent to initiate a proceeding to address recovery issues related to the October 2018 FERC order. In May 2019, Entergy Arkansas initiated the opportunity sales recovery proceeding, discussed below, and requested that the APSC establish that proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC October 2018 order and related FERC orders in the opportunity sales proceeding. In June 2019 the APSC granted Entergy Arkansas's request and also denied the Attorney General's motion in the energy cost recovery proceeding seeking an investigation into Entergy Arkansas's annual energy cost recovery rider adjustment and referred the evaluation of such matters to the opportunity sales recovery proceeding.

In March 2020, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01462 per kWh to \$0.01052 per kWh. The redetermined rate became effective with the first billing cycle in April 2020 through the normal operation of the tariff.

In March 2021, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01052 per kWh to \$0.00959 per kWh. The redetermined rate calculation also included an adjustment to account for a portion of the increased fuel costs resulting from the February 2021 winter storms. The redetermined rate became effective with the first billing cycle in April 2021 through the normal operation of the tariff.

Opportunity Sales Proceeding

In June 2009 the LPSC filed a complaint requesting that the FERC determine that certain of Entergy Arkansas's sales of electric energy to third parties: (a) violated the provisions of the System Agreement that allocated the energy generated by Entergy System resources; (b) imprudently denied the Entergy System and its ultimate consumers the benefits of low-cost Entergy System generating capacity; and (c) violated the provision of the System Agreement that prohibited sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC's complaint challenged sales made beginning in 2002 and requested refunds. In July 2009 the Utility operating companies filed a response to the complaint arguing among other things that the System Agreement contemplates that the Utility operating companies may make sales to third parties for their own account, subject to the requirement that those sales be included in the load (or load shape) for the applicable Utility operating company. The FERC subsequently ordered a hearing in the proceeding.

After a hearing, the ALJ issued an initial decision in December 2010. The ALJ found that the System Agreement allowed for Entergy Arkansas to make the sales to third parties but concluded that the sales should be accounted for in the same manner as joint account sales. The ALJ concluded that "shareholders" should make refunds of the damages to the Utility operating companies, along with interest. Entergy disagreed with several aspects of the ALJ's initial decision and in January 2011 filed with the FERC exceptions to the decision.

The FERC issued a decision in June 2012 and held that, while the System Agreement is ambiguous, it does provide authority for individual Utility operating companies to make opportunity sales for their own account and Entergy Arkansas made and priced these sales in good faith. The FERC found, however, that the System Agreement does not provide authority for an individual Utility operating company to allocate the energy associated with such opportunity sales as part of its load but provides a different allocation authority. The FERC further found that the after-the-fact accounting methodology used to allocate the energy used to supply the sales was inconsistent with the System Agreement. The FERC in its decision established further hearing procedures to quantify the effect of repricing the opportunity sales in accordance with the FERC's June 2012 decision. The hearing was held in May 2013 and the ALJ issued an initial decision in August 2013. The LPSC, the APSC, the City Council, and FERC staff filed briefs on exceptions and/or briefs opposing exceptions. Entergy filed a brief on exceptions requesting that the FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

In April 2016 the FERC issued orders addressing requests for rehearing filed in July 2012 and the ALJ's August 2013 initial decision. The first order denied Entergy's request for rehearing and affirmed the FERC's earlier rulings that Entergy's original methodology for allocating energy costs to the opportunity sales was incorrect and, as a result, Entergy Arkansas must make payments to the other Utility operating companies to put them in the same position that they would have been in absent the incorrect allocation. The FERC clarified that interest should be included with the payments. The second order affirmed in part, and reversed in part, the rulings in the ALJ's August 2013 initial decision regarding the methodology that should be used to calculate the payments Entergy Arkansas is to make to the other Utility operating companies. The FERC affirmed the ALJ's ruling that a full re-run of intra-system bills should be performed but required that methodology be modified so that the sales have the same priority for purposes of energy allocation as joint account sales. The FERC reversed the ALJ's decision that any payments by Entergy Arkansas should be reduced by 20%. The FERC also reversed the ALJ's decision that adjustments to other System Agreement service schedules and excess bandwidth payments should not be taken into account when calculating the payments to be made by Entergy Arkansas. The FERC held that such adjustments and excess bandwidth payments should be taken into account but ordered further proceedings before an ALJ to address whether a cap on any reduction due to bandwidth payments was necessary and to implement the other adjustments to the calculation methodology.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order arguing that payments made by Entergy Arkansas should be reduced as a result of the timing of the LPSC's approval of certain contracts. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. In September 2017 the FERC issued an order denying the request for rehearing on the issue of whether any payments by Entergy Arkansas to the other Utility operating companies should be reduced due to the timing of the LPSC's approval of Entergy Arkansas's wholesale baseload contract with Entergy Louisiana. In November 2017 the FERC issued an order denying all of the remaining requests for rehearing of the April 2016 order. In November 2017, Entergy Services filed a petition for review in the D.C. Circuit of the FERC's orders in the first two phases of the opportunity sales case. In December 2017 the D.C. Circuit granted Entergy Services' request to hold the appeal in abeyance pending final resolution of the related proceeding before the FERC. In January 2018 the APSC and the LPSC filed separate petitions for review in the D.C. Circuit, and the D.C. Circuit consolidated the appeals with Entergy Services' appeal.

The hearing required by the FERC's April 2016 order was held in May 2017. In July 2017 the ALJ issued an initial decision addressing whether a cap on any reduction due to bandwidth payments was necessary and whether to implement the other adjustments to the calculation methodology. In August 2017 the Utility operating companies, the LPSC, the APSC, and FERC staff filed individual briefs on exceptions challenging various aspects of the initial decision. In September 2017 the Utility operating companies, the LPSC, the APSC, the MPSC, the City Council, and FERC staff filed separate briefs opposing exceptions taken by various parties.

Based on testimony previously submitted in the case and its assessment of the April 2016 FERC orders, in the first quarter 2016, Entergy Arkansas recorded a liability of \$87 million, which included interest, for its estimated increased costs and payment to the other Utility operating companies, and a deferred fuel regulatory asset of \$75 million. Following its assessment of the course of the proceedings, including the FERC's denial of rehearing in November 2017 described above, in the fourth quarter 2017, Entergy Arkansas recorded an additional liability of \$35 million and a regulatory asset of \$31 million.

In October 2018 the FERC issued an order addressing the ALJ's July 2017 initial decision. The FERC reversed the ALJ's decision to cap the reduction in Entergy Arkansas's payment to account for the increased bandwidth payments that Entergy Arkansas made to the other operating companies. The FERC also reversed the ALJ's decision that Grand Gulf sales from January through September 2000 should be included in the calculation of Entergy Arkansas's payment. The FERC affirmed on other grounds the ALJ's rejection of the LPSC's claim that certain joint account sales should be accounted for as part of the calculation of Entergy Arkansas's payment. In November 2018 the LPSC requested rehearing of the FERC's October 2018 decision. In December 2019 the FERC

denied the LPSC's request for rehearing. In January 2020 the LPSC appealed the December 2019 decision to the D.C. Circuit.

In December 2018, Entergy made a compliance filing in response to the FERC's October 2018 order. The compliance filing provided a final calculation of Entergy Arkansas's payments to the other Utility operating companies, including interest. No protests were filed in response to the December 2018 compliance filing. The December 2018 compliance filing is pending FERC action. Refunds and interest in the following amounts were paid by Entergy Arkansas to the other operating companies in December 2018:

	Total refunds including interest		
	Payment/(Receipt)		
	(In Millions)		
	Principal	Interest	Total
Entergy Arkansas	\$68	\$67	\$135
Entergy Louisiana	(\$30)	(\$29)	(\$59)
Entergy Mississippi	(\$18)	(\$18)	(\$36)
Entergy New Orleans	(\$3)	(\$4)	(\$7)
Entergy Texas	(\$17)	(\$16)	(\$33)

Entergy Arkansas previously recognized a regulatory asset with a balance of \$116 million as of December 31, 2018 for a portion of the payments due as a result of this proceeding.

As described above, the FERC's opportunity sales orders have been appealed to the D.C. Circuit. In February 2020 all of the appeals were consolidated and in April 2020 the D.C. Circuit established a briefing schedule. Briefing was completed in September 2020 and oral argument was heard in December 2020. In July 2021 the D.C. Circuit issued a decision denying all of the petitions for review filed in response to the FERC's opportunity sales orders.

In February 2019 the LPSC filed a new complaint relating to two issues that were raised in the opportunity sales proceeding, but that, in its October 2018 order, the FERC held were outside the scope of the proceeding. In March 2019, Entergy Services filed an answer and motion to dismiss the new complaint. In November 2019 the FERC issued an order denying the LPSC's complaint. The order concluded that the settlement agreement approved by the FERC in December 2015 terminating the System Agreement barred the LPSC's new complaint. In December 2019 the LPSC requested rehearing of the FERC's November 2019 order, and in July 2020 the FERC issued an order dismissing the LPSC's request for rehearing. In September 2020 the LPSC appealed to the D.C. Circuit the FERC's orders dismissing the new opportunity sales complaint. In November 2020 the D.C. Circuit issued an order establishing that briefing will occur in January 2021 through April 2021. Oral argument was held in September 2021. In December 2021 the D.C. Circuit denied the LPSC's Petition for Review of the new opportunity sales complaint. The opportunity sales cases are complete at FERC and at the D.C. Circuit and no additional refund amounts are owed by Entergy Arkansas.

In May 2019, Entergy Arkansas filed an application and supporting testimony with the APSC requesting approval of a special rider tariff to recover the costs of these payments from its retail customers over a 24-month period. The application requested that the APSC approve the rider to take effect within 30 days or, if suspended by the APSC as allowed by commission rule, approve the rider to take effect in the first billing cycle of the first month occurring 30 days after issuance of the APSC's order approving the rider. In June 2019 the APSC suspended Entergy Arkansas's tariff and granted Entergy Arkansas's motion asking the APSC to establish the proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC's October 2018 order and related FERC orders in the opportunity sales proceeding. In January 2020 the APSC adopted a procedural schedule with a hearing in April 2020. In January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed a joint motion seeking to dismiss Entergy Arkansas's

application alleging that the APSC, in a prior proceeding, ruled on the issues addressed in the application and determined that Entergy Arkansas's requested relief violates the filed rate doctrine and the prohibition against retroactive ratemaking. Entergy Arkansas responded to the joint motion in February 2020 rebutting these arguments, including demonstrating that the claims in this proceeding differ substantially from those the APSC addressed previously and that the payment resulting from a FERC tariff violation for which Entergy Arkansas seeks retail cost recovery in this proceeding differs materially from the refunds resulting from a FERC tariff amendment that the APSC previously rejected on filed rate doctrine and the retroactive ratemaking grounds. In addition, in January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed testimony opposing the recovery by Entergy Arkansas of the opportunity sales payment but also claiming that certain components of the payment should be segregated and refunded to customers. In March 2020, Entergy Arkansas filed rebuttal testimony.

In July 2020 the APSC issued a decision finding that Entergy Arkansas's application is not in the public interest. The order also directed Entergy Arkansas to refund to its retail customers within 30 days of the order the FERC-determined over-collection of \$13.7 million, plus interest, associated with a recalculated bandwidth remedy. In addition to these primary findings, the order also denied the Attorney General's request for Entergy Arkansas to prepare a compliance filing detailing all of the retail impacts from the opportunity sales and denied a request by the Arkansas Electric Energy Consumers to recalculate all costs using the revised responsibility ratio. Entergy Arkansas filed a motion for temporary stay of the 30-day requirement to allow Entergy Arkansas a reasonable opportunity to seek rehearing of the APSC order, but in July 2020 the APSC denied Entergy Arkansas's request for a stay and directed Entergy Arkansas to refund to its retail customers the component of the total FERC-determined opportunity sales payment that was associated with increased bandwidth remedy payments of \$13.7 million, plus interest. The refunds were issued in the August 2020 billing cycle. While the APSC denied Entergy Arkansas's stay request, Entergy Arkansas believes its actions were prudent and, therefore, the costs, including the \$13.7 million, plus interest, are recoverable. In July 2020, Entergy Arkansas requested rehearing of the APSC order, which rehearing was denied by the APSC in August 2020. In September 2020, Entergy Arkansas filed a complaint in the U.S. District Court for the Eastern District of Arkansas challenging the APSC's order denying Entergy Arkansas's request to recover the costs of these payments. In October 2020 the APSC filed a motion to dismiss Entergy Arkansas's complaint, to which Entergy Arkansas responded. Also in December 2020, Entergy Arkansas and the APSC held a pre-trial conference, and filed a report with the court in January 2021. The court held a hearing in February 2021 regarding issues addressed in the pre-trial conference report, and in June 2021 the court stayed all discovery until it rules on pending motions, after which the court will issue an amended schedule if necessary.

Net Metering Legislation

An Arkansas law was enacted effective July 2019 that, among other things, expands the definition of a "net metering customer" to include two additional types of customers: (1) customers that lease net metering facilities, subject to certain leasing arrangements, and (2) government entities or other entities exempt from state and federal income taxes that enter into a service contract for a net metering facility. The latter provision allows eligible entities, many of whom are small and large general service customers, to purchase renewable energy directly from third party providers and receive bill credits for these purchases. The APSC was given authority under this law to address certain matters, such as cost shifting and the appropriate compensation for net metered energy and initiated proceedings for this purpose. Because of the size and number of customers eligible under this new law, there is a risk of loss of load and the shifting of costs to customers. A hearing was held in December 2019, with utilities, cooperatives, the Arkansas Attorney General, industrial customers, and Entergy Arkansas advocating the need for establishment of a reasonable rate structure that takes into account impacts to non-net metering customers; an additional hearing was conducted in February 2020 for purposes of public comment only. The APSC issued an order in June 2020, and in July 2020 several parties, including Entergy Arkansas, filed for rehearing on multiple grounds, including for the reasons that it imposes an unreasonable rate structure and allows facilities to net meter that do not meet the statutory definition of net metering facilities. After granting the rehearing requests, the APSC issued an order in September 2020 largely upholding its June 2020 order. In October 2020, Entergy Arkansas and

several other parties filed an appeal of the APSC's September 2020 order. In January 2021, Entergy Arkansas, pursuant to an APSC order, filed an updated net metering tariff, which was approved in February 2021. In May 2021, Entergy Arkansas filed a motion to dismiss its pending judicial appeal of the APSC's September 2020 order on rehearing in the proceeding addressing its net metering rules. In June 2021 the Arkansas Court of Appeals granted the motion and dismissed Entergy Arkansas's appeal, although other appeals of the September 2020 APSC order remain pending with that court.

Separately, as directed by the APSC general staff, the APSC opened a proceeding to compel utilities to amend their net metering tariffs to incorporate the provisions of the legislation that the APSC general staff considered "black letter law." Entergy Arkansas, the Arkansas Attorney General, and other intervenors opposed this directive pending the development of the rules for implementation that are being considered in the separate net metering rulemaking docket. Nevertheless, reserving its rights, Entergy Arkansas has complied with the directive to amend its tariffs. Asserting procedural and due process violations, in January 2020, Entergy Arkansas and the Arkansas Attorney General separately appealed certain APSC orders in the proceeding. In December 2021 the Arkansas Court of Appeals dismissed the appeal on procedural grounds and without prejudice.

Since the enactment of the net metering legislation, the APSC has approved numerous applications allowing Entergy Arkansas customers to enter into purchase power agreements with third parties and to utilize these purchase power agreements to offset power usage by Entergy Arkansas, despite the lack of proximity between the purchase power agreement and the end-use customer. The APSC also has allowed the aggregation of accounts by net metering customers. These decisions by the APSC have created subsidies in favor of eligible net metering customers to the detriment of non-participating customers. The level of this subsidy continues to grow as additional net metering applications are approved by the APSC.

Green Promise Renewable Tariff

In July 2021, Entergy Arkansas filed a proposed green tariff designed to help participating customers meet their renewable and sustainability goals and to enhance economic development efforts in Arkansas. The total proposed amount of solar capacity currently designated to be available under this tariff is up to 200 MW. In September and October 2021 the APSC general staff and two net-metering solar developer intervenors filed responses indicating opposition to the tariff as proposed. The tariff is supported by certain commercial and industrial customers that have indicated an interest in subscribing to the tariff. In October 2021, Entergy Arkansas, Walmart, and industrial customers filed a non-unanimous settlement agreement supporting that the tariff should be approved as filed by Entergy Arkansas; the Arkansas Attorney General stated it does not oppose the settlement. In January 2022 the APSC general staff filed in opposition to the non-unanimous settlement agreement, and one of the net-metering solar developer intervenors withdrew from the proceeding. In January 2022 the parties agreed to a paper hearing with written responses to the APSC's questions being filed in February and March 2022. An APSC decision is expected in second quarter 2022.

COVID-19 Orders

In April 2020, in light of the COVID-19 pandemic, the APSC issued an order requiring utilities, to the extent they had not already done so, to suspend service disconnections during the remaining pendency of the Arkansas Governor's emergency declaration or until the APSC rescinds the directive. The order also authorized utilities to establish a regulatory asset to record costs resulting from the suspension of service disconnections, directed that in future proceedings the APSC will consider whether the request for recovery of these regulatory assets is reasonable and necessary, and required utilities to track and report the costs and any savings directly attributable to suspension of disconnects. In May 2020 the APSC approved Entergy Arkansas expanding deferred payment agreements to assist customers during the COVID-19 pandemic. Quarterly reporting began in August 2020 and the APSC ordered additional reporting in October 2020 regarding utilities' transitional plans for ending the moratorium on service disconnects. In March 2021 the APSC issued an order confirming the lifting of the moratorium on service disconnects effective in May 2021. In August 2021 the APSC general staff filed a report

recommending that utilities with a formula rate plan discontinue capturing any additional direct costs and savings as a regulatory asset and seek cost recovery through the formula rate plan. The APSC general staff further recommended that uncollectible amounts should be determined as of the end of its write-off period, approximately December 2021, and recovered in the next formula rate plan filing over one year. In November 2021 the APSC found the APSC general staff's recommendation to be premature and asked utilities to report on the continued need for a regulatory asset. Entergy Arkansas reported a continued need for a regulatory asset due to a variety of factors including the unusually long terms of the customer delayed payment agreements. As of December 31, 2021, Entergy Arkansas had a regulatory asset of \$32.6 million for costs associated with the COVID-19 pandemic.

Federal Regulation

See the “**Rate, Cost-recovery, and Other Regulation – Federal Regulation**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

Nuclear Matters

Entergy Arkansas owns and, through an affiliate, operates the ANO 1 and ANO 2 nuclear power plants. Entergy Arkansas is, therefore, subject to the risks related to owning and operating nuclear plants. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals; the performance and capacity factors of these nuclear plants including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license amendments, and decommissioning; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of either ANO 1 or ANO 2, Entergy Arkansas may be required to file with the APSC a rate mechanism to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. ANO 1's operating license expires in 2034 and ANO 2's operating license expires in 2038.

Environmental Risks

Entergy Arkansas's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Arkansas is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in “**Regulation of Entergy's Business - Environmental Regulation**” in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

See “**Nuclear Decommissioning Costs**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

Utility Regulatory Accounting

See “**Utility Regulatory Accounting**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See “**Impairment of Long-lived Assets**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy Arkansas's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Costs and Sensitivities

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$1,876	\$42,262
Rate of return on plan assets	(0.25%)	\$2,851	\$—
Rate of increase in compensation	0.25%	\$1,908	\$8,509

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

Actuarial Assumption	Change in Assumption	Impact on 2022	Impact on 2021
		Postretirement Benefit Cost	Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$171	\$6,791
Health care cost trend	0.25%	\$282	\$4,789

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Arkansas in 2021 was \$92.9 million, including \$37.7 million in settlement costs. Entergy Arkansas anticipates 2022 qualified pension cost to be \$41.4 million. Entergy Arkansas contributed \$66.6 million to its qualified pension plans in 2021 and estimates pension contributions will be approximately \$40.8 million in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total other postretirement health care and life insurance benefit income for Entergy Arkansas in 2021 was \$11.1 million. Entergy Arkansas expects 2022 postretirement health care and life insurance benefit income of approximately \$5.7 million. In 2021, Entergy Arkansas' contributions (that is, contributions to the external trusts plus claims payments) were offset by trust claims reimbursements, resulting in a net reimbursement of \$767 thousand. Entergy Arkansas estimates that 2022 contributions will be approximately \$517 thousand.

Other Contingencies

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of
Entergy Arkansas, LLC and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Arkansas, LLC and Subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, cash flows and changes in member’s equity (pages 324 through 328 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Rate and Regulatory Matters —Entergy Arkansas, LLC and Subsidiaries — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Arkansas Public Service Commission (the “APSC”), which has jurisdiction with respect to the rates of electric companies in Arkansas, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate

regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Company's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the APSC and the FERC set the rates the Company is allowed to charge customers based on allowable costs, including a reasonable return on equity, the Company applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Company assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the APSC and the FERC will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs, including costs related to the Opportunity Sales Proceeding and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the APSC and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the APSC and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the APSC and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the APSC's and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, including the Opportunity Sales Proceeding, we inspected the Company's filings with the APSC and the FERC, including the annual formula rate plan filing, and considered the filings with the APSC and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including the Opportunity Sales Proceeding, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana

February 25, 2022

We have served as the Company's auditor since 2001.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	\$2,338,590	\$2,084,494	\$2,259,594
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	347,166	271,896	458,907
Purchased power	280,504	187,690	204,640
Nuclear refueling outage expenses	51,141	55,737	68,769
Other operation and maintenance	687,418	669,518	720,217
Decommissioning	77,696	73,319	68,030
Taxes other than income taxes	127,249	121,057	115,869
Depreciation and amortization	361,479	338,029	307,351
Other regulatory charges (credits) - net	(31,501)	(35,310)	(11,186)
TOTAL	1,901,152	1,681,936	1,932,597
OPERATING INCOME	437,438	402,558	326,997
OTHER INCOME			
Allowance for equity funds used during construction	15,273	15,019	15,499
Interest and investment income	76,953	35,579	26,020
Miscellaneous - net	(22,278)	(21,908)	(18,566)
TOTAL	69,948	28,690	22,953
INTEREST EXPENSE			
Interest expense	140,348	144,834	140,087
Allowance for borrowed funds used during construction	(6,641)	(6,595)	(6,332)
TOTAL	133,707	138,239	133,755
INCOME BEFORE INCOME TAXES	373,679	293,009	216,195
Income taxes	75,195	47,777	(46,769)
NET INCOME	298,484	245,232	262,964
Net loss attributable to noncontrolling interest	(18,092)	—	—
EARNINGS APPLICABLE TO MEMBER'S EQUITY	\$316,576	\$245,232	\$262,964

See Notes to Financial Statements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$298,484	\$245,232	\$262,964
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	503,539	490,457	465,299
Deferred income taxes, investment tax credits, and non-current taxes accrued	100,459	87,019	94,368
Changes in assets and liabilities:			
Receivables	17,682	(24,507)	(58,077)
Fuel inventory	(7,081)	(10,066)	(10,597)
Accounts payable	27,967	(22,773)	3,059
Prepaid taxes and taxes accrued	7,753	6	24,942
Interest accrued	(5,637)	(43)	3,895
Deferred fuel costs	(162,458)	(1,186)	72,560
Other working capital accounts	(53,343)	(11,061)	18,783
Provisions for estimated losses	6,915	6,289	14,901
Other regulatory assets	142,706	(165,534)	(131,873)
Other regulatory liabilities	21,066	106,878	39,293
Pension and other postretirement liabilities	(175,863)	42,576	5,831
Other assets and liabilities	(172,973)	(83,469)	(127,582)
Net cash flow provided by operating activities	549,216	659,818	677,766
INVESTING ACTIVITIES			
Construction expenditures	(722,628)	(775,595)	(641,525)
Allowance for equity funds used during construction	15,273	15,019	15,306
Nuclear fuel purchases	(84,302)	(100,678)	(54,344)
Proceeds from sale of nuclear fuel	16,279	30,638	22,782
Proceeds from nuclear decommissioning trust fund sales	530,628	321,360	317,377
Investment in nuclear decommissioning trust funds	(524,783)	(336,392)	(336,519)
Payment for purchase of assets	(131,770)	(5,988)	—
Changes in money pool receivable - net	3,110	(3,110)	—
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	55,001	—
Other	—	4,036	630
Net cash flow used in investing activities	(898,193)	(795,709)	(676,293)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	719,284	1,071,121	834,038
Retirement of long-term debt	(728,917)	(632,175)	(548,952)
Capital contributions from noncontrolling interest	51,202	—	—
Change in money pool payable - net	139,904	(21,634)	(161,104)
Common equity distributions paid	(50,000)	(95,000)	(115,000)
Other	38,291	2,188	(7,055)
Net cash flow provided by financing activities	169,764	324,500	1,927
Net increase (decrease) in cash and cash equivalents	(179,213)	188,609	3,400
Cash and cash equivalents at beginning of period	192,128	3,519	119
Cash and cash equivalents at end of period	\$12,915	\$192,128	\$3,519
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$143,561	\$140,735	\$131,134
Income taxes	(\$18,933)	(\$21,971)	(\$33,989)

See Notes to Financial Statements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$8,155	\$24,108
Temporary cash investments	4,760	168,020
Total cash and cash equivalents	12,915	192,128
Accounts receivable:		
Customer	154,412	183,719
Allowance for doubtful accounts	(13,072)	(18,334)
Associated companies	29,587	34,216
Other	51,064	35,845
Accrued unbilled revenues	101,663	109,000
Total accounts receivable	323,654	344,446
Deferred fuel costs	108,862	—
Fuel inventory - at average cost	50,892	43,811
Materials and supplies - at average cost	247,980	237,640
Deferred nuclear refueling outage costs	65,318	32,692
Prepayments and other	14,863	13,296
TOTAL	824,484	864,013
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	1,438,416	1,273,921
Other	947	341
TOTAL	1,439,363	1,274,262
UTILITY PLANT		
Electric	13,578,297	12,905,322
Construction work in progress	241,127	234,213
Nuclear fuel	182,055	163,044
TOTAL UTILITY PLANT	14,001,479	13,302,579
Less - accumulated depreciation and amortization	5,472,296	5,255,355
UTILITY PLANT - NET	8,529,183	8,047,224
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	1,689,678	1,832,384
Deferred fuel costs	68,751	68,220
Other	13,660	14,028
TOTAL	1,772,089	1,914,632
TOTAL ASSETS	\$12,565,119	\$12,100,131
See Notes to Financial Statements.		

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

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$—	\$485,000
Accounts payable:		
Associated companies	217,310	59,448
Other	190,476	208,591
Customer deposits	92,511	98,506
Taxes accrued	89,590	81,837
Interest accrued	17,108	22,745
Deferred fuel costs	—	53,065
Other	38,901	40,628
TOTAL	645,896	1,049,820
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,416,201	1,286,123
Accumulated deferred investment tax credits	29,299	30,500
Regulatory liability for income taxes - net	431,655	467,031
Other regulatory liabilities	743,314	686,872
Decommissioning	1,390,410	1,314,160
Accumulated provisions	77,084	70,169
Pension and other postretirement liabilities	185,789	361,682
Long-term debt	3,958,862	3,482,507
Other	110,754	75,098
TOTAL	8,343,368	7,774,142
Commitments and Contingencies		
EQUITY		
Member's equity	3,542,745	3,276,169
Noncontrolling interest	33,110	—
TOTAL	3,575,855	3,276,169
TOTAL LIABILITIES AND EQUITY	\$12,565,119	\$12,100,131
See Notes to Financial Statements.		

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Noncontrolling Interest	Member's Equity	Total
	(In Thousands)		
Balance at December 31, 2018	\$—	\$2,983,103	\$2,983,103
Net income	—	262,964	262,964
Common equity distributions	—	(115,000)	(115,000)
Other	—	(5,130)	(5,130)
Balance at December 31, 2019	\$—	\$3,125,937	\$3,125,937
Net income	—	245,232	245,232
Common equity distributions	—	(95,000)	(95,000)
Balance at December 31, 2020	\$—	\$3,276,169	\$3,276,169
Net income (loss)	(18,092)	316,576	298,484
Common equity distributions	—	(50,000)	(50,000)
Capital contributions from noncontrolling interest	51,202	—	51,202
Balance at December 31, 2021	\$33,110	\$3,542,745	\$3,575,855

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Hurricane Ida

In August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida are currently estimated to be approximately \$2.5 billion. Also, Entergy Louisiana's revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

Entergy Louisiana has recorded accounts payable for the estimated costs incurred that were necessary to return customers to service. Entergy Louisiana recorded corresponding regulatory assets of approximately \$1 billion and construction work in progress of approximately \$1.5 billion. Entergy Louisiana recorded the regulatory assets in accordance with its accounting policies and based on the historic treatment of such costs in its service area because management believes that recovery through some form of regulatory mechanism is probable. There are well-established mechanisms and precedent for addressing these catastrophic events and providing for recovery of prudently incurred storm costs in accordance with applicable regulatory and legal principles. Because Entergy Louisiana has not gone through the regulatory process regarding these storm costs, there is an element of risk, and Entergy Louisiana is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs that it may ultimately recover, or the timing of such recovery.

Entergy Louisiana is considering all available avenues to recover storm-related costs from Hurricane Ida, including federal government assistance and securitization financing. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately \$1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, as discussed below in "**Storm Cost Filings** - [Hurricane Laura](#), [Hurricane Delta](#), [Hurricane Zeta](#), [Winter Storm Uri](#), and [Hurricane Ida](#)," Entergy Louisiana sought approval for the creation and funding of a \$1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review. Storm cost recovery or financing will be subject to review by applicable regulatory authorities, with a prudence review likely being initiated in the second quarter of 2022.

Results of Operations

2021 Compared to 2020

Net Income

Net income decreased \$428.4 million primarily due to the \$382.8 million reduction in deferred income tax expense related to the basis of assets contributed in the 2015 Entergy Louisiana and Entergy Gulf States Louisiana business combination as a result of the resolution of the 2014-2015 IRS audit in the fourth quarter 2020 and the \$58 million reduction in income tax expense resulting from an IRS settlement in the first quarter 2020 related to the uncertain tax position regarding the Hurricane Isaac Louisiana Act 55 financing, which also resulted in a \$29 million (\$21 million net-of-tax) regulatory charge to reflect Entergy Louisiana's agreement to share the savings with customers. Also contributing to the decrease was higher other operation and maintenance expenses, higher depreciation and amortization expenses, higher interest expense, and higher taxes other than income taxes. The decrease was partially offset by higher retail electric price and higher other income. See Note 3 to the financial statements for further discussion of the tax settlement.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2021 to 2020:

	Amount
	(In Millions)
2020 operating revenues	\$4,069.9
Fuel, rider, and other revenues that do not significantly affect net income	865.0
Retail electric price	136.7
Volume/weather	(3.2)
2021 operating revenues	\$5,068.4

Entergy Louisiana's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to:

- an interim increase in formula rate plan revenues effective April 2020 due to the inclusion of the first-year revenue requirement for the Lake Charles Power Station;
- an increase in overall formula rate plan revenues, including an increase in the transmission recovery mechanism, effective September 2020;
- an interim increase in formula rate plan revenues effective December 2020 due to the inclusion of the first-year revenue requirement for the Washington Parish Energy Center; and
- an increase in formula rate plan revenues, including increases in the transmission and distribution recovery mechanisms, effective September 2021.

See Note 2 to the financial statements for further discussion of the formula rate plan proceedings.

The volume/weather variance is primarily due to a decrease in usage during the unbilled sales period and a decrease in weather-adjusted billed electricity usage for residential customers, partially offset by an increase in industrial usage and the effect of more favorable weather on residential sales. The decrease in weather-adjusted residential usage is primarily due to the effect of Hurricane Ida in 2021 and the impact that the COVID-19 pandemic had on prior year usage. The increase in industrial usage is primarily due to increased demand from expansion projects, primarily in the chemicals and transportation industries, and an increase in demand from co-generation customers, partially offset by a decrease in demand from existing customers in the chemicals and petroleum refining industries. See "[**Hurricane Ida**](#)" above for discussion of the impacts from the storm.

Billed electric energy sales for Entergy Louisiana for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	13,588	13,771	(1)
Commercial	10,385	10,465	(1)
Industrial	29,869	28,881	3
Governmental	792	779	2
Total retail	54,634	53,896	1
Sales for resale:			
Associated companies	4,950	5,585	(11)
Non-associated companies	2,764	2,365	17
Total	62,348	61,846	1

See Note 19 to the financial statements for additional discussion of Entergy Louisiana's operating revenues.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$21.7 million in compensation and benefits costs in 2021 primarily due to lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities, and higher incentive-based compensation accruals in 2021 as compared to prior year. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- an increase of \$19.3 million in distribution operations expenses primarily due to higher reliability costs;
- an increase of \$12.7 million in nuclear generation expenses primarily due to a higher scope of work performed in 2021 as compared to 2020;
- an increase of \$10.7 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing;
- an increase of \$6 million in energy efficiency costs due to the timing of recovery from customers and higher energy efficiency costs;
- an increase of \$4.9 million as a result of the amount of transmission costs allocated by MISO. See Note 2 to the financial statements for further information on the recovery of these costs; and
- lower nuclear insurance refunds of \$4.2 million.

The increase was partially offset by a gain of \$14.8 million, recorded in 2021, on the sale of a pipeline.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments and an increase in local franchise taxes resulting from an increase in revenue collected.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Lake Charles Power Station, which was placed in service in March 2020, and the Washington Parish Energy Center, which was placed in service in November 2020.

Other regulatory charges (credits) include regulatory charges of \$32.6 million recorded in the fourth quarter 2020 due to a settlement with the IRS related to the uncertain tax position regarding Hurricane Katrina and Hurricane Rita Louisiana Act 55 financing because the savings will be shared with customers and \$29 million recorded in the first quarter 2020 due to a settlement with the IRS related to the uncertain tax position regarding Hurricane Isaac Louisiana Act 55 financing because the savings will be shared with customers. See Note 3 to the financial statements for further discussion of the settlements and savings obligations. In addition, Entergy Louisiana records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation related costs collected in revenue.

Other income increased primarily due to changes in decommissioning trust fund activity, including portfolio rebalancing for the Waterford 3 and River Bend decommissioning trust funds in 2021. The increase was partially offset by a decrease in the allowance for equity funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project.

Interest expense increased primarily due to:

- the issuances of \$1.1 billion of 0.62% Series mortgage bonds, \$300 million of 2.90% Series mortgage bonds, and \$300 million of 1.60% Series mortgage bonds, each in November 2020;
- the issuances of \$500 million of 2.35% Series mortgage bonds and \$500 million of 3.10% Series mortgage bonds, each in March 2021;
- the issuance of \$1 billion of 0.95% Series mortgage bonds in October 2021; and
- a decrease in the allowance for borrowed funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project.

The increase was partially offset by the repayment of \$200 million of 5.25% Series mortgage bonds and \$100 million of 4.70% Series mortgage bonds, each in December 2020, and \$200 million of 4.8% Series mortgage bonds in May 2021.

The effective income tax rates were 15.5% for 2021 and (54.6%) for 2020. The difference in the effective income tax rate versus the federal statutory rate of 21% for 2020 was primarily due to completion of the 2014-2015 IRS audit effectively settling the tax positions for those years. See Notes 2 and 3 to the financial statements for a discussion of the effects and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy Louisiana’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$728,020	\$2,006	\$43,364
Net cash provided by (used in):			
Operating activities	1,052,526	1,072,986	1,236,002
Investing activities	(3,700,199)	(1,944,671)	(1,653,634)
Financing activities	1,938,226	1,597,699	376,274
Net increase (decrease) in cash and cash equivalents	(709,447)	726,014	(41,358)
Cash and cash equivalents at end of period	\$18,573	\$728,020	\$2,006

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased \$20.5 million in 2021 primarily due to:

- an increase of approximately \$197.2 million in storm spending in 2021. See Note 2 to the financial statements for discussion of recent storms;
- an increase in spending of \$11.9 million on nuclear refueling outages in 2021; and
- an increase of \$4.4 million in pension contributions in 2021. See “**Critical Accounting Estimates**” below and Note 11 to the financial statements for a discussion of qualified pension and other postretirement benefits funding.

The decrease was partially offset by the timing of payments to vendors, higher collections from customers, and the timing of recovery of fuel and purchased power costs.

Investing Activities

Net cash flow used in investing activities increased \$1,755.5 million in 2021 primarily due to:

- an increase of \$1,119 million in distribution construction expenditures, primarily due to higher capital expenditures for storm restoration in 2021, partially offset by lower spending in 2021 on advanced metering infrastructure;
- an increase of \$530.1 million in transmission construction expenditures primarily due to higher capital expenditures for storm restoration in 2021;
- \$295.9 million in net receipts from storm reserve escrow accounts in 2020;
- an increase of \$35 million in nuclear decommissioning trust fund activity as a result of a lump sum contribution for amounts collected over a 17-month period. See Note 2 for a discussion of nuclear decommissioning expense recovery;
- an increase of \$23.8 million as a result of fluctuations in nuclear fuel activity, primarily due to variations from year to year in the timing and pricing of fuel reload requirements, materials and services deliveries, and the timing of cash payments during the nuclear fuel cycle; and

- an increase of \$22.8 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2021 and higher capital expenditures for storm restoration in 2021.

The increase was partially offset by:

- the purchase of Washington Parish Energy Center in November 2020 for approximately \$222 million. See Note 14 to the financial statements for further discussion of the Washington Parish Energy Center purchase;
- a decrease of \$33.1 million in non-nuclear generation construction expenditures due to higher spending in 2020 on the Lake Charles Power Station;
- the sale of a pipeline for \$15 million in 2021;
- the purchase of a portion of a transmission operating center from Entergy Services for \$14.5 million in 2020; and
- money pool activity.

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 \$1.1 million in 2021 compared to increasing by \$13.4 million in 2020. 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 \$340.5 million in 2021 primarily due to:

- the issuance of \$500 million of 2.35% Series mortgage bonds and \$500 million of 3.10% Series mortgage bonds, each in March 2021;
- the issuance of \$1 billion of 0.95% Series mortgage bonds in October 2021;
- the repayment of \$250 million of 3.95% Series mortgage bonds in August 2020;
- the repayment in December 2020 of \$200 million of 5.25% Series mortgage bonds due July 2052;
- a capital contribution of \$125 million received from Entergy Corporation in December 2021 in order to assist in paying costs associated with Hurricane Ida;
- net borrowings of \$125 million in 2021 on Entergy Louisiana's credit facility;
- the repayment in December 2020 of \$100 million of 4.70% Series mortgage bonds due June 2063;
- net long-term borrowings of \$24.1 million in 2021 compared to net repayments of long-term borrowings of \$62 million in 2020 on the nuclear fuel company variable interest entities' credit facilities; and
- money pool activity.

The increase was partially offset by:

- the issuance of \$1.1 billion of 0.62% Series mortgage bonds in November 2020;
- the issuance of \$350 million of 2.90% Series mortgage bonds and \$300 million of 4.20% Series mortgage bonds, each in March 2020,
- the issuance of \$300 million of 2.90% Series mortgage bonds and \$300 million of 1.60% Series mortgage bonds, each in November 2020,
- the repayment of \$200 million of 4.80% Series mortgage bonds in May 2021;
- the repayment in February 2021 of \$40 million of 3.92% Series H notes by the Entergy Louisiana Waterford variable interest entity; and
- an increase of \$38.5 million in common equity distributions in 2021 primarily to maintain Entergy Louisiana's targeted capital structure. In addition, common equity distributions were lower in 2020 due to spending on the Lake Charles Power Station and the purchase of the Washington Parish Energy Center.

Decreases in Entergy Louisiana's payable to the money pool are a use of cash flow, and Entergy Louisiana's payable to the money pool decreased by \$82.8 million in 2020.

See Note 5 to the financial statements for details of long-term debt.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow**” in Item 7 of Entergy Louisiana’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Capital Structure

Entergy Louisiana’s debt to capital ratio is shown in the following table. The increase in the debt to capital ratio for Entergy Louisiana is primarily due to the net issuances of long-term debt in 2021 partially offset by the \$125 million capital contribution received from Entergy Corporation in December 2021.

	December 31, 2021	December 31, 2020
Debt to capital	57.2 %	54.8 %
Effect of subtracting cash	0.0 %	(2.1 %)
Net debt to net capital	57.2 %	52.7 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, 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 ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Louisiana’s financial condition. Entergy Louisiana also 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 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.

Entergy Louisiana seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Louisiana may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as financing of large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy Louisiana may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy Louisiana requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distribution and interest payments.

Following are the amounts of Entergy Louisiana's planned construction and other capital investments.

	2022	2023	2024
	(In Millions)		
Planned construction and capital investment:			
Generation	\$395	\$380	\$555
Transmission	460	340	260
Distribution	430	480	415
Utility Support	195	150	105
Total	<u>\$1,480</u>	<u>\$1,350</u>	<u>\$1,335</u>

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Louisiana includes specific investments such as generation projects to modernize, decarbonize, and diversify Entergy Louisiana's portfolio, including St. Jacques Louisiana Solar; investments in River Bend and Waterford 3; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

In addition to the planned spending in the table above, Entergy Louisiana also expects to pay for \$785 million of capital investments in 2022 related to Hurricane Ida restoration work that has been accrued as of December 31, 2021.

Following are the amounts of Entergy Louisiana's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
	(In Millions)				
Long-term debt (a)	\$534	\$1,772	\$2,083	\$1,566	\$9,957
Operating leases (b)	\$14	\$12	\$10	\$11	\$3
Finance leases (b)	\$4	\$4	\$4	\$5	\$3

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

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

Other Obligations

Entergy Louisiana currently expects to contribute approximately \$22.9 million to its qualified pension plans and approximately \$15.8 million to its other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

In addition, Entergy Louisiana enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Louisiana has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of Entergy Louisiana's obligations under the Unit Power Sales Agreement and the Vidalia purchased power agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Louisiana pays distributions from its earnings at a percentage determined monthly.

2021 Solar Certification and the Geaux Green Option

In November 2021, Entergy Louisiana filed an application with the LPSC seeking certification of and approval for the addition of four new solar photovoltaic resources with a nameplate capacity of 475 megawatts (the 2021 Solar Portfolio) and the implementation of a new green tariff, the Geaux Green Option (Rider GGO). The 2021 Solar Portfolio consists of four resources that are expected to provide \$242 million in net benefits to Entergy Louisiana's customers. These resources, all of which would be constructed in Louisiana, include (i) Vacherie Solar Energy Center, a 150 megawatt resource in St. James Parish; (ii) Sunlight Road Solar, a 50 megawatt resource in Washington Parish; (iii) St. Jacques Louisiana Solar, a 150 megawatt resource in St. James; and (iv) Elizabeth Solar Facility, a 125 megawatt resource in Allen Parish. St. Jacques Louisiana Solar would be acquired through a build-own-transfer agreement; the remaining resources involve power purchase agreements. The filing proposes to recover the costs of the power purchase agreements through the fuel adjustment clause and the acquisition costs through the formula rate plan.

The proposed Rider GGO is a voluntary rate schedule that would enhance Entergy Louisiana's ability to help customers meet their sustainability goals by allowing customers to align some or all of their electricity requirements with renewable energy from the resources. Because subscription fees from Rider GGO participants would help to offset the cost of the resources, the design of Rider GGO also preserves the benefits of the 2021 Solar Portfolio for non-participants by providing them with the reliability and capacity benefits of locally-sited solar generation at a discounted price.

The LPSC has established a procedural schedule that is expected to result in an LPSC decision by the end of 2022. Discovery is currently underway.

Sources of Capital

Entergy Louisiana's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- storm reserve escrow accounts;
- debt or preferred membership interest issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, Entergy Louisiana expects to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

All debt and common and preferred membership interest issuances by Entergy Louisiana require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indentures and other agreements. Entergy Louisiana has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Louisiana's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
\$14,539	\$13,426	(\$82,826)	\$46,843

See Note 4 to the financial statements for a description of the money pool.

Entergy Louisiana has a credit facility in the amount of \$350 million scheduled to expire in June 2026. 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 December 31, 2021, there were \$125 million of cash borrowings and no 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 December 31, 2021, \$15 million in letters of credit were outstanding under Entergy Louisiana's uncommitted letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

The Entergy Louisiana nuclear fuel company variable interest entities have two separate credit facilities, each in the amount of \$105 million and scheduled to expire in June 2024. As of December 31, 2021, \$42.7 million of loans were outstanding under the credit facility for the Entergy Louisiana River Bend nuclear fuel company variable interest entity. As of December 31, 2021, \$39.6 million in loans were outstanding under the Entergy Louisiana Waterford nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements for additional discussion of the nuclear fuel company variable interest entity credit facilities.

Entergy Louisiana obtained authorizations from the FERC through October 2023 for the following:

- short-term borrowings not to exceed an aggregate amount of \$450 million at any time outstanding;
- long-term borrowings and security issuances; and
- borrowings by its nuclear fuel company variable interest entities.

See Note 4 to the financial statements for further discussion of Entergy Louisiana's short-term borrowing limits.

In December 2021, Entergy Louisiana entered into a term loan credit agreement providing a \$1.2 billion unsecured term loan due June 2023. The term loan bears interest at a variable interest rate based on an adjusted term Secured Overnight Financing Rate plus the applicable margin. Entergy Louisiana received the funds in January 2022 and used the proceeds for general corporate purposes, including storm restoration costs related to Hurricane Ida.

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida

In August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild.

In October 2020, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta. Subsequently, Entergy Louisiana and the LPSC staff filed a joint motion seeking approval to exclude from the derivation of Entergy Louisiana's capital structure and cost rate of debt for ratemaking purposes, including the allowance for funds used during construction, shorter-term debt up to \$1.1 billion issued by Entergy Louisiana to fund costs associated with

Hurricane Laura, Hurricane Delta, and Hurricane Zeta costs on an interim basis. In November 2020 the LPSC issued an order approving the joint motion, and Entergy Louisiana issued \$1.1 billion of 0.62% Series mortgage bonds due November 2023. Also in November 2020, Entergy Louisiana withdrew \$257 million from its funded storm reserves.

In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages. As discussed in the **"Fuel and purchased power recovery"** section of Note 2 to the financial statements, Entergy Louisiana recovered the incremental fuel costs associated with Winter Storm Uri over a five-month period from April 2021 through August 2021.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms are currently estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana is seeking an LPSC determination that \$2.11 billion was prudently incurred and, therefore, is eligible for recovery from customers. Additionally, Entergy Louisiana is requesting that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million is appropriate. In July 2021, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. As previously discussed, in August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana supplemented the application with a request to establish and securitize a \$1 billion restricted storm escrow account for Hurricane Ida related restoration costs, subject to a subsequent prudence review. In total, Entergy Louisiana requested authorization for the issuance of system restoration bonds in one or more series in an aggregate principal amount of \$3.18 billion, which includes the costs of re-establishing and funding a storm damage escrow account, carrying costs and unamortized debt costs on interim financing, and issuance costs. After filing of testimony by LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contains the following key terms: \$2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and are eligible for recovery; carrying costs of \$51 million are recoverable; a \$290 million cash storm reserve should be re-established; a \$1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana is authorized to finance \$3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC voted to approve the settlement at its February 2022 meeting.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that Entergy Louisiana charges for its services significantly influence its financial position, results of operations, and liquidity. Entergy Louisiana is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the LPSC, is primarily responsible for approval of the rates charged to customers.

Retail Rates - Electric

Filings with the LPSC

2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. The 2017 test year evaluation report produced an earned return on equity of 8.16%, due in large part to revenue-neutral realignments to other recovery mechanisms. Without these realignments, the evaluation report produces an earned return on equity of 9.88% and a resulting base rider formula rate plan revenue increase of \$4.8 million. Excluding the Tax Cuts and Jobs Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues were further increased by a total of \$98 million as a result of the evaluation report due to adjustments to the additional capacity and MISO cost recovery mechanisms of the formula rate plan, and implementation of the transmission recovery mechanism. In August 2018, Entergy Louisiana filed a supplemental formula rate plan evaluation report to reflect changes from the 2016 test year formula rate plan proceedings, a decrease to the transmission recovery mechanism to reflect lower actual capital additions, and a decrease to evaluation period expenses to reflect the terms of a new power sales agreement. Based on the August 2018 update, Entergy Louisiana recognized a total decrease in formula rate plan revenue of approximately \$17.6 million. Results of the updated 2017 evaluation report filing were implemented with the September 2018 billing month subject to refund and review by the LPSC staff and intervenors. In accordance with the terms of the formula rate plan, in September 2018 the LPSC staff and intervenors submitted their responses to Entergy Louisiana's original formula rate plan evaluation report and supplemental compliance updates. The LPSC staff asserted objections/reservations regarding 1) Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Cuts and Jobs Act and the treatment of accumulated deferred income taxes related to reductions of rate base; 2) Entergy Louisiana's reservation regarding treatment of a regulatory asset related to certain special orders by the LPSC; and 3) test year expenses billed from Entergy Services to Entergy Louisiana. Intervenors also objected to Entergy Louisiana's treatment of the regulatory asset related to certain special orders by the LPSC. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2017 test year formula rate plan evaluation report. In its letter, the LPSC staff reiterated its original objections/reservations pertaining to Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Cuts and Jobs Act and the treatment of accumulated deferred income taxes related to reductions of rate base, specifically how the accumulated deferred income taxes associated with uncertain tax positions have been accounted for, and test year expenses billed from Entergy Services to Entergy Louisiana. The LPSC staff further reserved its rights for future proceedings and to dispute future proposed adjustments to the 2017 test year formula rate plan evaluation report. The LPSC staff withdrew all other objections/reservations. A procedural schedule has not yet been established to resolve these issues.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes.

Commercial operation at J. Wayne Leonard Power Station (formerly St. Charles Power Station) commenced in May 2019. In May 2019, Entergy Louisiana filed an update to its 2017 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$109.5 million associated with the J. Wayne Leonard Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of June 2019. In June 2020, Entergy Louisiana submitted information to the LPSC to review the prudence of Entergy Louisiana's management of the project. In August 2020 discovery commenced and a procedural schedule was established with a hearing in July 2021. In February 2021 the LPSC staff filed testimony that substantially all the costs to construct J. Wayne Leonard Power Station were prudently incurred and eligible for recovery from customers. The LPSC staff further recommended that the LPSC consider monitoring the remaining \$3.1 million that was estimated to be incurred for completion of the project in the event the final costs exceed the estimated amounts. In July 2021 the LPSC approved a settlement between the LPSC staff and Entergy Louisiana finding that

substantially all the costs to construct J. Wayne Leonard Power Station were prudently incurred and eligible for recovery from customers.

2018 Formula Rate Plan Filing

In May 2019, Entergy Louisiana filed its formula rate plan evaluation report for its 2018 calendar year operations. The 2018 test year evaluation report produced an earned return on common equity of 10.61% leading to a base rider formula rate plan revenue decrease of \$8.9 million. While base rider formula rate plan revenue will decrease as a result of this filing, overall formula rate plan revenues will increase by approximately \$118.7 million. This outcome is primarily driven by a reduction to the credits previously flowed through the tax reform adjustment mechanism and an increase in the transmission recovery mechanism, partially offset by reductions in the additional capacity mechanism revenue requirements and extraordinary cost items. The filing is subject to review by the LPSC. Resulting rates were implemented in September 2019, subject to refund.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes. Entergy Louisiana contemplates that any combination of residential rates resulting from this request would be implemented with the results of the 2019 test year formula rate plan filing.

Several parties intervened in the proceeding and the LPSC staff filed its report of objections/reservations in accordance with the applicable provisions of the formula rate plan. In its report the LPSC staff re-urged reservations with respect to the outstanding issues from the 2017 test year formula rate plan filing and disputed the inclusion of certain affiliate costs for test years 2017 and 2018. The LPSC staff objected to Entergy Louisiana's proposal to combine residential rates but proposed the setting of a status conference to establish a procedural schedule to more fully address the issue. The LPSC staff also reserved its right to object to the treatment of the sale of Willow Glen reflected in the evaluation report and to the August 2019 compliance update, which was made primarily to update the capital additions reflected in the formula rate plan's transmission recovery mechanism, based on limited time to review it. Additionally, since the completion of certain transmission projects, the LPSC staff issued supplemental data requests addressing the prudence of Entergy Louisiana's expenditures in connection with those projects. Entergy Louisiana responded to all such requests. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2018 test year formula rate plan evaluation report. In its letter, the LPSC staff reiterated its original objection/reservation pertaining to test year expenses billed from Entergy Services to Entergy Louisiana and outstanding issues from the 2017 test year formula rate plan evaluation report. The LPSC staff withdrew all other objections/reservations.

Commercial operation at Lake Charles Power Station commenced in March 2020. In March 2020, Entergy Louisiana filed an update to its 2018 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$108 million associated with the Lake Charles Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of April 2020.

In an effort to narrow the remaining issues in formula rate plan test years 2017 and 2018, Entergy Louisiana provided notice to the parties in October 2020 that it was withdrawing its request to combine residential rates. Entergy Louisiana noted that the withdrawal is without prejudice to Entergy Louisiana's right to seek to combine residential rates in a future proceeding.

2019 Formula Rate Plan Filing

In May 2020, Entergy Louisiana filed with the LPSC its formula rate plan evaluation report for its 2019 calendar year operations. The 2019 test year evaluation report produced an earned return on common equity of 9.66%. As such, no change to base rider formula rate plan revenue is required. Although base rider formula rate

plan revenue did not change as a result of this filing, overall formula rate plan revenues increased by approximately \$103 million. This outcome is driven by the removal of prior year credits associated with the sale of the Willow Glen Power Station and an increase in the transmission recovery mechanism. Also contributing to the overall change was an increase in legacy formula rate plan revenue requirements driven by legacy Entergy Louisiana capacity cost true-ups and higher annualized legacy Entergy Gulf States Louisiana revenues due to higher billing determinants, offset by reductions in MISO cost recovery mechanism and tax reform adjustment mechanism revenue requirements. In August 2020 the LPSC staff submitted a list of items for which it needs additional information to confirm the accuracy and compliance of the 2019 test year evaluation report. The LPSC staff objected to a proposed revenue neutral adjustment regarding a certain rider as being beyond the scope of permitted formula rate plan adjustments. Rates reflected in the May 2020 filing, with the exception of a revenue neutral rider adjustment, and as updated in an August 2020 filing, were implemented in September 2020, subject to refund. Entergy Louisiana is in the process of providing additional information and details on the May 2020 filing as requested by the LPSC staff. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2019 test year formula rate plan filing. In its letter, the LPSC staff disputes Entergy Louisiana's exclusion of approximately \$251 thousand of interest income allocated from Entergy Operations and Entergy Services to Entergy Louisiana to the extent that there are other adjustments that would move Entergy Louisiana out of the formula rate plan deadband. The LPSC staff reserved the right to further contest the issue in future proceedings. The LPSC staff further reserved outstanding issues from the 2017 and 2018 formula rate plan evaluation reports and withdrew all other remaining objections/reservations.

In November 2020, Entergy Louisiana accepted ownership of the Washington Parish Energy Center and filed an update to its 2019 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$35 million associated with the Washington Parish Energy Center. The resulting interim adjustment to rates became effective with the first billing cycle of December 2020. In January 2021, Entergy Louisiana filed an update to its 2019 formula rate plan evaluation report to include the implementation of a scheduled step-up in its nuclear decommissioning revenue requirement and a true-up for under-collections of nuclear decommissioning expenses. The total rate adjustment would increase formula rate plan revenues by approximately \$1.2 million. The resulting interim adjustment to rates became effective with the first billing cycle of February 2021.

2020 Formula Rate Plan Filing

In June 2021, Entergy Louisiana filed its formula rate plan evaluation report for its 2020 calendar year operations. The 2020 test year evaluation report produced an earned return on common equity of 8.45%, with a base formula rate plan revenue increase of \$63 million. Certain reductions in formula rate plan revenue driven by lower sales volumes, reductions in capacity cost and net MISO cost, and higher credits resulting from the Tax Cuts and Jobs Act offset the base formula rate plan revenue increase, leading to a net increase in formula rate plan revenue of \$50.7 million. The report also included multiple new adjustments to account for, among other things, the calculation of distribution recovery mechanism revenues. The effects of the changes to total formula rate plan revenue are different for each legacy company, primarily due to differences in the legacy companies' capacity cost changes, including the effect of true-ups. Legacy Entergy Louisiana formula rate plan revenues will increase by \$27 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by \$23.7 million. Subject to refund and LPSC review, the resulting changes became effective for bills rendered during the first billing cycle of September 2021. Discovery commenced in the proceeding. In August 2021, Entergy Louisiana submitted an update to its evaluation report to account for various changes. Relative to the June 2021 filing, the total formula rate plan revenue increased by \$14.2 million to an updated total of \$64.9 million. Legacy Entergy Louisiana formula rate plan revenues will increase by \$32.8 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by \$32.1 million. The results of the 2020 test year evaluation report bandwidth calculation were unchanged as there was no change in the earned return on common equity of 8.45%. In September 2021 the LPSC staff filed a letter with a general statement of objections/reservations because it had not completed its review, and indicated it would update the letter once its review was complete. Should the parties be unable to resolve any objections, those issues will be set for hearing, with recovery of the associated costs subject to refund.

Request for Extension and Modification of Formula Rate Plan

In May 2020, Entergy Louisiana filed with the LPSC its application for authority to extend its formula rate plan. In its application, Entergy Louisiana sought to maintain a 9.8% return on equity, with a bandwidth of 60 basis points above and below the midpoint, with a first-year midpoint reset. The parties reached a settlement in April 2021 regarding Entergy Louisiana's proposed FRP extension. In May 2021 the LPSC approved the uncontested settlement. Key terms of the settlement include: a three year term (test years 2020, 2021, and 2022) covering a rate-effective period of September 2021 through August 2024; a 9.50% return on equity, with a smaller, 50 basis point deadband above and below (9.0%-10.0%); elimination of sharing if earnings are outside the deadband; a \$63 million rate increase for test year 2020 (exclusive of riders); continuation of existing riders (transmission, additional capacity, etc.); addition of a distribution recovery mechanism permitting \$225 million per year of distribution investment above a baseline level to be recovered dollar for dollar; modification of the tax mechanism to allow timely rate changes in the event the federal corporate income tax rate is changed from 21%; a cumulative rate increase limit of \$70 million (exclusive of riders) for test years 2021 and 2022; and deferral of up to \$7 million per year in 2021 and 2022 of expenditures on vegetation management for outside of right of way hazard trees.

Investigation of Costs Billed by Entergy Services

In November 2018 the LPSC issued a notice of proceeding initiating an investigation into costs incurred by Entergy Services that are included in the retail rates of Entergy Louisiana. As stated in the notice of proceeding, the LPSC observed an increase in capital construction-related costs incurred by Entergy Services. Discovery was issued and included efforts to seek highly detailed information on a broad range of matters unrelated to the scope of the audit. There has been no further activity in the investigation since May 2019.

Fuel and purchased power recovery

Entergy Louisiana recovers electric fuel and purchased power costs for the billing month based upon the level of such costs incurred two months prior to the billing month. Entergy Louisiana's purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

In July 2014 the LPSC authorized its staff to initiate an audit of the fuel adjustment clause filings by Entergy Gulf States Louisiana, whose business was combined with Entergy Louisiana in 2015. The audit includes a review of the reasonableness of charges flowed through Entergy Gulf States Louisiana's fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately \$900,000, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require no refund to customers.

In July 2014 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed by Entergy Louisiana through its fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff issued its audit report recommending that Entergy Louisiana refund approximately \$7.3 million, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's

calculation would require a refund to customers of approximately \$4.3 million, plus interest, as compared to the LPSC staff's recommendation of \$7.3 million, plus interest. Responsive testimony was filed by the LPSC staff and intervenors in September 2019; all parties either agreed with or did not oppose Entergy Louisiana's alternative calculation of replacement power costs.

In November 2019 the pending LPSC proceedings for the 2010-2013 Entergy Louisiana and Entergy Gulf States Louisiana audits were consolidated to facilitate a settlement of both fuel audits. In December 2019 an unopposed settlement was reached that requires a refund to legacy Entergy Louisiana customers of approximately \$2.3 million, including interest, and no refund to legacy Entergy Gulf States Louisiana customers. The LPSC approved the settlement in January 2020. A one-time refund was made in February 2020.

In March 2020 the LPSC staff provided notice of an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's fuel adjustment clause for the period from 2016 through 2019. In September 2021 the LPSC submitted its audit report and found that all costs recovered through the fuel adjustment clause were reasonable and eligible for recovery through the fuel adjustment clause. Intervenors are conducting discovery regarding the LPSC staff's report.

In February 2021, Entergy Louisiana incurred extraordinary fuel costs associated with the February 2021 winter storms. To mitigate the effect of these costs on customer bills, in March 2021 Entergy Louisiana requested and the LPSC approved the deferral and recovery of \$166 million in incremental fuel costs over five months beginning in April 2021. The incremental fuel costs remain subject to review for reasonableness and eligibility for recovery through the fuel adjustment clause mechanism. The final amount of incremental fuel costs is subject to change through the resettlement process. At its April 2021 meeting, the LPSC authorized its staff to review the prudence of the February 2021 fuel costs incurred by all LPSC-jurisdictional utilities. At its June 2021 meeting, the LPSC approved the hiring of consultants to assist its staff in this review. Discovery is ongoing.

In March 2021 the LPSC staff provided notice of an audit of Entergy Louisiana's purchased gas adjustment clause filings covering the period January 2018 through December 2020. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's purchased gas adjustment clause for that period. Discovery is ongoing, and no audit report has been filed.

COVID-19 Orders

In April 2020 the LPSC issued an order authorizing utilities to record as a regulatory asset expenses incurred from the suspension of disconnections and collection of late fees imposed by LPSC orders associated with the COVID-19 pandemic. In addition, utilities may seek future recovery, subject to LPSC review and approval, of losses and expenses incurred due to compliance with the LPSC's COVID-19 orders. The suspension of late fees and disconnects for non-pay was extended until the first billing cycle after July 16, 2020. In January 2021, Entergy Louisiana resumed disconnections for customers in all customer classes with past-due balances that had not made payment arrangements. Utilities seeking to recover the regulatory asset must formally petition the LPSC to do so, identifying the direct and indirect costs for which recovery is sought. Any such request is subject to LPSC review and approval. As of December 31, 2021, Entergy Louisiana had a regulatory asset of \$56.3 million for costs associated with the COVID-19 pandemic.

Net Metering Rulemaking

In September 2019 the LPSC issued an order modifying its rules regarding net metering installations. Among other things, the rule provides for 2-channel billing for net metering with excess energy put to the grid being compensated at the utility's avoided cost. However, the rule does provide that net meter installations in place as of December 31, 2019 will be subject to 1:1 net metering with excess energy put to the grid being compensated at the

full retail rate for a period of 15 years (through December 31, 2034), after which those installations will be subject to 2-channel billing. The rule also eliminates the existing limit on the cumulative number of net meter installations.

Industrial and Commercial Customers

Entergy Louisiana's large industrial and commercial customers continually explore ways to reduce their energy costs. In particular, cogeneration is an option available to a portion of Entergy Louisiana's industrial customer base. Entergy Louisiana responds by working with industrial and commercial customers and negotiating electric service contracts to provide competitive rates that match specific customer needs and load profiles. Entergy Louisiana actively participates in economic development, customer retention, and reclamation activities to increase industrial and commercial demand, from both new and existing customers.

Federal Regulation

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

Nuclear Matters

Entergy Louisiana owns and, through an affiliate, operates the River Bend and Waterford 3 nuclear power plants. Entergy Louisiana is, therefore, subject to the risks related to owning and operating nuclear plants. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals; the performance and capacity factors of these nuclear plants; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license amendments, and decommissioning; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of River Bend or Waterford 3, Entergy Louisiana may be required to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. Waterford 3's operating license expires in 2044 and River Bend's operating license expires in 2045.

Environmental Risks

Entergy Louisiana's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Louisiana is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Entergy Louisiana's financial position or results of operations.

Nuclear Decommissioning Costs

See “**Nuclear Decommissioning Costs**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

Utility Regulatory Accounting

See “**Utility Regulatory Accounting**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See “**Impairment of Long-lived Assets**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy Louisiana's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$2,265	\$46,936
Rate of return on plan assets	(0.25%)	\$3,132	\$—
Rate of increase in compensation	0.25%	\$2,307	\$10,908

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

Actuarial Assumption	Change in Assumption	Impact on 2022	Impact on 2021
		Postretirement Benefit Cost	Accumulated postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$788	\$7,934
Health care cost trend	0.25%	\$923	\$5,453

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Louisiana in 2021 was \$117.2 million, including \$61.9 million in settlement costs. Entergy Louisiana anticipates 2022 qualified pension cost to be \$44.4 million. Entergy Louisiana contributed \$59.9 million to its qualified pension plans in 2021 and estimates pension contributions will be approximately \$22.9 million in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total postretirement health care and life insurance benefit costs for Entergy Louisiana in 2021 were \$5.4 million. Entergy Louisiana expects 2022 postretirement health care and life insurance benefit costs of approximately \$6 million. Entergy Louisiana contributed \$11.3 million to its other postretirement plans in 2021 and estimates that 2022 contributions will be approximately \$15.8 million.

Other Contingencies

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of
Entergy Louisiana, LLC and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Louisiana, LLC and Subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity (pages 351 through 356 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Rate and Regulatory Matters —Entergy Louisiana, LLC and Subsidiaries — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Louisiana Public Service Commission (the “LPSC”), which has jurisdiction with respect to the rates of electric companies in Louisiana, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying

the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Company's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the LPSC and the FERC set the rates the Company is allowed to charge customers based on allowable costs, including a reasonable return on equity, the Company applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Company assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the LPSC and the FERC will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs, including major storm restoration costs, and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the LPSC and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the LPSC and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the LPSC and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the LPSC's and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, including major storm restoration costs, we inspected the Company's filings with the LPSC and the FERC, including the annual formula rate plan filing, and considered the filings with the LPSC and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including major storm restoration costs, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

We have served as the Company's auditor since 2001.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	\$4,994,459	\$4,019,063	\$4,223,027
Natural gas	73,989	50,799	62,148
TOTAL	5,068,448	4,069,862	4,285,175
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,302,291	700,152	845,108
Purchased power	768,546	596,480	810,462
Nuclear refueling outage expenses	49,373	55,305	54,170
Other operation and maintenance	1,034,427	969,630	994,637
Decommissioning	68,575	65,225	59,346
Taxes other than income taxes	224,079	208,902	194,222
Depreciation and amortization	656,132	609,931	535,791
Other regulatory charges (credits) - net	38,245	(584)	(105,203)
TOTAL	4,141,668	3,205,041	3,388,533
OPERATING INCOME	926,780	864,821	896,642
OTHER INCOME			
Allowance for equity funds used during construction	28,648	38,151	74,023
Interest and investment income	282,200	225,627	231,985
Miscellaneous - net	(125,886)	(116,366)	(115,427)
TOTAL	184,962	147,412	190,581
INTEREST EXPENSE			
Interest expense	350,227	331,352	309,493
Allowance for borrowed funds used during construction	(12,878)	(19,147)	(35,430)
TOTAL	337,349	312,205	274,063
INCOME BEFORE INCOME TAXES	774,393	700,028	813,160
Income taxes	120,409	(382,324)	121,623
NET INCOME	\$653,984	\$1,082,352	\$691,537

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
Net Income	\$653,984	\$1,082,352	\$691,537
Other comprehensive income (loss)			
Pension and other postretirement liabilities			
(net of tax expense (benefit) of \$1,523, (\$83), and \$3,781)	3,951	(235)	10,715
Other comprehensive income (loss)	3,951	(235)	10,715
Comprehensive Income	<u>\$657,935</u>	<u>\$1,082,117</u>	<u>\$702,252</u>

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$653,984	\$1,082,352	\$691,537
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	818,389	783,616	685,062
Deferred income taxes, investment tax credits, and non-current taxes accrued	175,700	(356,256)	196,533
Changes in working capital:			
Receivables	(58,466)	(79,451)	13,942
Fuel inventory	7,722	(9,067)	(7,195)
Accounts payable	358,536	160,659	(33,375)
Prepaid taxes and taxes accrued	21,631	50,576	(38,827)
Interest accrued	803	4,505	4,294
Deferred fuel costs	(43,124)	(57,895)	24,234
Other working capital accounts	(45,517)	(76,284)	(62,536)
Changes in provisions for estimated losses	(449)	(295,480)	9,664
Changes in other regulatory assets	(1,050,600)	(410,855)	(210,134)
Changes in other regulatory liabilities	(16,478)	71,698	(35,881)
Changes in pension and other postretirement liabilities	(164,263)	12,199	35,162
Other	394,658	192,669	(36,478)
Net cash flow provided by operating activities	1,052,526	1,072,986	1,236,002
INVESTING ACTIVITIES			
Construction expenditures	(3,621,775)	(1,960,787)	(1,673,194)
Allowance for equity funds used during construction	28,648	38,151	74,023
Nuclear fuel purchases	(85,419)	(92,831)	(85,984)
Proceeds from the sale of nuclear fuel	13,254	44,511	11,596
Payments to storm reserve escrow account	—	(1,488)	(6,353)
Receipts from storm reserve escrow account	—	297,363	—
Changes in securitization account	2,700	951	(32)
Proceeds from nuclear decommissioning trust fund sales	944,703	347,021	412,559
Investment in nuclear decommissioning trust funds	(1,004,888)	(372,227)	(442,501)
Changes in money pool receivable - net	(1,113)	(13,426)	46,843
Proceeds from sale of assets	15,000	—	—
Payment for purchase of assets	—	(236,999)	—
Insurance proceeds	—	—	7,040
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	8,691	5,090	2,369
Net cash flow used in investing activities	(3,700,199)	(1,944,671)	(1,653,634)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	3,769,166	3,675,083	2,691,133
Retirement of long-term debt	(1,895,091)	(1,962,635)	(2,199,053)
Capital contribution from parent	125,000	—	—
Change in money pool payable - net	—	(82,826)	82,826
Distributions paid:			
Common equity	(60,000)	(21,500)	(208,000)
Other	(849)	(10,423)	9,368
Net cash flow provided by financing activities	1,938,226	1,597,699	376,274
Net increase (decrease) in cash and cash equivalents	(709,447)	726,014	(41,358)
Cash and cash equivalents at beginning of period	728,020	2,006	43,364
Cash and cash equivalents at end of period	\$18,573	\$728,020	\$2,006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$337,926	\$318,352	\$296,842
Income taxes	(\$18,453)	(\$14,714)	\$15,272

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$195	\$1,303
Temporary cash investments	18,378	726,717
Total cash and cash equivalents	18,573	728,020
Accounts receivable:		
Customer	355,265	317,905
Allowance for doubtful accounts	(29,231)	(45,693)
Associated companies	96,539	81,624
Other	36,674	41,760
Accrued unbilled revenues	174,768	178,840
Total accounts receivable	634,015	574,436
Deferred fuel costs	45,374	2,250
Fuel inventory	42,958	50,680
Materials and supplies - at average cost	485,325	437,933
Deferred nuclear refueling outage costs	39,582	48,407
Prepayments and other	44,187	36,813
TOTAL	1,310,014	1,878,539
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	1,390,587	1,390,587
Decommissioning trust funds	2,114,523	1,794,042
Non-utility property - at cost (less accumulated depreciation)	337,247	323,110
Other	13,744	13,399
TOTAL	3,856,101	3,521,138
UTILITY PLANT		
Electric	28,055,038	25,619,789
Natural gas	285,006	262,744
Construction work in progress	847,924	667,281
Nuclear fuel	209,418	210,128
TOTAL UTILITY PLANT	29,397,386	26,759,942
Less - accumulated depreciation and amortization	9,860,252	9,372,224
UTILITY PLANT - NET	19,537,134	17,387,718
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$— as of December 31, 2021 and \$5,088 as of December 31, 2020)	2,776,666	1,726,066
Deferred fuel costs	168,122	168,122
Other	27,801	23,924
TOTAL	2,972,589	1,918,112
TOTAL ASSETS	\$27,675,838	\$24,705,507

See Notes to Financial Statements.

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

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$200,000	\$240,000
Accounts payable:		
Associated companies	183,172	103,148
Other	1,481,902	1,450,008
Customer deposits	150,697	152,612
Taxes accrued	64,248	42,617
Interest accrued	93,052	92,249
Current portion of unprotected excess accumulated deferred income taxes	24,291	31,138
Other	68,995	62,968
TOTAL	2,266,357	2,174,740
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,433,854	2,138,522
Accumulated deferred investment tax credits	102,588	107,317
Regulatory liability for income taxes - net	313,693	447,628
Other regulatory liabilities	1,042,597	918,293
Decommissioning	1,653,198	1,573,307
Accumulated provisions	24,490	24,939
Pension and other postretirement liabilities	528,213	692,728
Long-term debt (includes securitization bonds of \$— as of December 31, 2021 and \$10,278 as of December 31, 2020)	10,714,346	8,787,451
Other	415,930	382,894
TOTAL	17,228,909	15,073,079
Commitments and Contingencies		
EQUITY		
Member’s equity	8,172,294	7,453,361
Accumulated other comprehensive income	8,278	4,327
TOTAL	8,180,572	7,457,688
TOTAL LIABILITIES AND EQUITY	\$27,675,838	\$24,705,507
See Notes to Financial Statements.		

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Common Equity		Total
	Member's Equity	Accumulated Other Comprehensive Income (Loss) (In Thousands)	
Balance at December 31, 2018	\$5,909,071	(\$6,153)	\$5,902,918
Net income	691,537	—	691,537
Other comprehensive income	—	10,715	10,715
Distributions declared on common equity	(208,000)	—	(208,000)
Other	(52)	—	(52)
Balance at December 31, 2019	\$6,392,556	\$4,562	\$6,397,118
Net income	1,082,352	—	1,082,352
Other comprehensive loss	—	(235)	(235)
Distributions declared on common equity	(21,500)	—	(21,500)
Other	(47)	—	(47)
Balance at December 31, 2020	\$7,453,361	\$4,327	\$7,457,688
Net income	653,984	—	653,984
Other comprehensive loss	—	3,951	3,951
Contributions from parent	125,000	—	125,000
Distributions declared on common equity	(60,000)	—	(60,000)
Other	(51)	—	(51)
Balance at December 31, 2021	<u>\$8,172,294</u>	<u>\$8,278</u>	<u>\$8,180,572</u>

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

2021 Compared to 2020

Net Income

Net income increased \$26.3 million primarily due to higher retail electric price, partially offset by higher depreciation and amortization expenses, a higher effective income tax rate, higher taxes other than income taxes, and higher other operation and maintenance expenses.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2021 to 2020.

	Amount
	(In Millions)
2020 operating revenues	\$1,247.9
Fuel, rider, and other revenues that do not significantly affect net income	89.0
Retail electric price	66.5
Volume/weather	2.9
2021 operating revenues	\$1,406.3

Entergy Mississippi's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to increases in the formula rate plan rates effective April 2020, April 2021, and July 2021. See Note 2 to the financial statements for further discussion of the formula rate plan filings.

The volume/weather variance is primarily due to an increase of 343 GWh, or 3%, in billed electricity usage, including the effect of more favorable weather on residential sales and an increase in commercial usage, partially offset by a decrease in industrial usage and a decrease in usage during the unbilled sales period. The increase in commercial usage was primarily due to an increase in customers and reduced impacts from the COVID-19 pandemic on businesses as compared to prior year. The decrease in industrial usage is primarily due to a decrease in demand from mid-to-small customers.

Billed electric energy sales for Entergy Mississippi for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	5,568	5,378	4
Commercial	4,469	4,283	4
Industrial	2,298	2,343	(2)
Governmental	410	398	3
Total retail	12,745	12,402	3
Sales for resale:			
Non-associated companies	4,364	4,316	1
Total	17,109	16,718	2

See Note 19 to the financial statements for additional discussion of Entergy Mississippi's operating revenues.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$4.6 million as a result of the amount of transmission costs allocated by MISO;
- an increase of \$4.3 million in compensation and benefits costs in 2021 primarily due to lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities, and higher incentive-based compensation accruals in 2021 as compared to prior year. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- an increase of \$3.1 million in distribution maintenance work to improve reliability;
- an increase of \$3.0 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing;
- an increase of \$2.4 million primarily due to the amortization of deferred litigation costs related to the Mississippi Attorney General complaint against Entergy Mississippi, which was dismissed by the Hinds County Chancery Court in February 2020; and
- several individually insignificant items.

The increase was partially offset by:

- a decrease of \$8.9 million in energy efficiency expenses due to the timing of recovery from customers;
- a decrease of \$2.9 million in loss provisions; and
- a decrease of \$2.6 million in meter reading expenses as a result of the deployment of advanced metering systems.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments.

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

Other regulatory charges (credits) - net includes regulatory credits of \$19.9 million, recorded in the second quarter 2021, to reflect the effects of the joint stipulation reached in the 2021 formula rate plan filing proceeding

and regulatory credits of \$19 million, recorded in the fourth quarter 2021, to reflect that the 2021 earned return is below the formula bandwidth. See Note 2 to the financial statements for discussion of the formula rate plan filings.

Interest expense increased primarily due to the issuance of \$170 million of 3.50% Series mortgage bonds in May 2020 and an additional \$200 million in a reopening of the same series in March 2021.

The effective income tax rates were 21.4% for 2021 and 16.2% for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy Mississippi’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$18	\$51,601	\$36,954
Net cash provided by (used in):			
Operating activities	350,960	300,314	339,952
Investing activities	(686,654)	(530,762)	(733,684)
Financing activities	383,303	178,865	408,379
Net increase (decrease) in cash and cash equivalents	47,609	(51,583)	14,647
Cash and cash equivalents at end of period	\$47,627	\$18	\$51,601

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities increased \$50.6 million in 2021 primarily due to higher collections from customers and an increase of \$11.6 million in income tax refunds. The increase was partially offset by the timing of payments to vendors, increased fuel costs, including those related to Winter Storm Uri, and an increase of approximately \$12.3 million in storm spending in 2021, primarily due to Winter Storm Uri. Entergy Mississippi received income tax refunds in 2021 and 2020, each in accordance with an intercompany income tax allocation agreement. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery.

Investing Activities

Net cash flow used in investing activities increased \$155.9 million in 2021 primarily due to:

- an increase \$89.9 million in distribution construction expenditures primarily due to increased spending on the reliability and infrastructure of the distribution system and higher capital expenditures for storm restoration in 2021, partially offset by decreased spending on advanced metering infrastructure; and
- money pool activity.

The increase was partially offset by \$24.6 million in plant upgrades for the Choctaw Generating Station in March 2020.

Increases in Entergy Mississippi's receivable from the money pool are a use of cash flow, and Entergy Mississippi's receivable from the money pool increased by \$40.5 million in 2021 compared to decreasing by \$44.7 million in 2020. 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 \$204.4 million in 2021 primarily due to the issuance of \$200 million of 3.50% Series first mortgage bonds in March 2021 and the issuance of \$200 million of 2.55% Series first mortgage bonds in November 2021. The increase was partially offset by the issuance of \$170 million of 3.50% Series mortgage bonds in May 2020 and money pool activity.

Decreases in Entergy Mississippi's payable to the money pool are a use of cash flow, and Entergy Mississippi's payable to the money pool decreased \$16.5 million in 2021 as compared to increasing by \$16.5 million in 2020.

See Note 5 to the financial statements for details on long-term debt.

2020 Compared to 2019

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow**" in Item 7 of Entergy Mississippi's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Capital Structure

Entergy Mississippi's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio for Entergy Mississippi is primarily due to the issuance of long-term debt in 2021.

	December 31, 2021	December 31, 2020
Debt to capital	54.3 %	51.7 %
Effect of subtracting cash	(0.5 %)	— %
Net debt to net capital	53.8 %	51.7 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and 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.

Entergy Mississippi seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Mississippi may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as financing of large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy Mississippi may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy Mississippi requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distributions and interest payments.

Following are the amounts of Entergy Mississippi's planned construction and other capital investments.

	2022	2023	2024
	(In Millions)		
Planned construction and capital investment:			
Generation	\$185	\$85	\$50
Transmission	80	90	100
Distribution	220	250	225
Utility Support	100	50	30
Total	\$585	\$475	\$405

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Mississippi includes generation projects to modernize, decarbonize, and diversify Entergy Mississippi's portfolio, such as the Sunflower Solar Facility; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

Following are the amounts of Entergy Mississippi's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
	(In Millions)				
Long-term debt (a)	\$77	\$323	\$167	\$131	\$3,128
Operating leases (b)	\$6	\$4	\$3	\$3	\$2
Finance leases (b)	\$2	\$2	\$2	\$3	\$1

- (a) Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.

Other Obligations

Entergy Mississippi currently expects to contribute approximately \$12.9 million to its qualified pension plans and approximately \$130 thousand to other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See “**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**” below for a discussion of qualified pension and other postretirement benefits funding.

Entergy Mississippi has \$160.8 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, Entergy Mississippi enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Mississippi has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of Entergy Mississippi's obligations under the Unit Power Sales Agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Mississippi pays distributions from its earnings at a percentage determined monthly.

Sunflower Solar Facility

In November 2018, Entergy Mississippi announced that it signed an agreement for the purchase of an approximately 100 MW solar photovoltaic facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. The estimated base purchase price is approximately \$138.4 million. The estimated total investment, including the base purchase price and other related costs, for Entergy Mississippi to acquire the Sunflower Solar Facility is approximately \$153.2 million. The purchase is contingent upon, among other things, obtaining necessary approvals, including full cost recovery, from applicable federal and state regulatory and permitting agencies. The project is being built by Sunflower County Solar Project, LLC, an indirect subsidiary of Recurrent Energy, LLC. Entergy Mississippi will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. In December 2018, Entergy Mississippi filed a joint petition with Sunflower Solar Project with the MPSC for Sunflower Solar Project to construct and for Entergy Mississippi to acquire and thereafter own, operate, improve, and maintain the solar facility. Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism, the interim capacity rate adjustment mechanism, in the formula rate plan to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the annual ownership costs of the Sunflower Solar Facility. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism. Recovery through the interim capacity rate adjustment requires MPSC approval for each new resource. In August 2019 consultants retained by the Mississippi Public Utilities Staff filed a report expressing concerns regarding the project economics. In March 2020, Entergy Mississippi filed supplemental testimony addressing questions and observations raised by the consultants retained by the Mississippi Public Utilities Staff and proposing an alternative structure for the transaction that would reduce its cost. A hearing before the MPSC was held in March 2020. In April 2020 the MPSC issued an order approving certification of the Sunflower Solar Facility and its recovery through the interim capacity rate adjustment mechanism, subject to certain conditions including: (i) that Entergy Mississippi pursue a partnership structure through which the partnership would acquire and own the facility under the build-own-transfer agreement and (ii) that if Entergy Mississippi does not consummate the partnership structure under the terms of the order, there will be a cap of \$136 million on the

level of recoverable costs. Closing is targeted to occur by the end of the second quarter 2022.

Sources of Capital

Entergy Mississippi's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- storm reserve escrow accounts;
- debt or preferred membership interest issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, Entergy Mississippi expects to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

All debt and preferred membership interest issuances by Entergy Mississippi require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. Entergy Mississippi has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Mississippi's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
\$40,456	(\$16,516)	\$44,693	\$41,380

See Note 4 to the financial statements for a description of the money pool.

Entergy Mississippi has three separate credit facilities in the aggregate amount of \$82.5 million scheduled to expire in April 2022. No borrowings were outstanding under the credit facilities as of December 31, 2021. In addition, Entergy Mississippi is a party to an uncommitted letter of credit facility primarily as a means to post collateral to support its obligations to MISO. As of December 31, 2021, \$9.3 million in MISO letters of credit and \$1 million in non-MISO letters of credit were outstanding under this facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy Mississippi obtained authorization from the FERC through October 2023 for short-term borrowings not to exceed an aggregate amount of \$200 million at any time outstanding and long-term borrowings and security issuances. See Note 4 to the financial statements for further discussion of Entergy Mississippi's short-term borrowing limits.

Entergy Mississippi has \$33 million in its storm reserve escrow account at December 31, 2021.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that Entergy Mississippi charges for electricity significantly influence its financial position, results

of operations, and liquidity. Entergy Mississippi is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the MPSC, is primarily responsible for approval of the rates charged to customers.

Formula Rate Plan Revisions

In October 2018, Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism in the formula rate plan, the interim capacity rate adjustment mechanism, to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the non-fuel annual ownership costs of the Choctaw Generating Station, as well as to allow similar cost recovery treatment for other future capacity acquisitions, such as the Sunflower Solar Facility, that are approved by the MPSC. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism to recover the \$59 million first-year annual revenue requirement associated with the non-fuel ownership costs of the Choctaw Generating Station, which Entergy Mississippi began billing in January 2020. The MPSC must approve recovery through the interim capacity rate adjustment for each new resource. In addition, the MPSC approved revisions to the formula rate plan which allows Entergy Mississippi to begin billing rate adjustments effective April 1 of the filing year on a temporary basis subject to refund or credit to customers, subject to final MPSC order. The MPSC also authorized Entergy Mississippi to remove vegetation management costs from the formula rate plan and recover these costs through the establishment of a vegetation management rider. Effective with the April 2020 billing cycle, Entergy Mississippi implemented a rider to recover \$22 million in vegetation management costs.

2019 Formula Rate Plan Filing

In March 2019, Entergy Mississippi submitted its formula rate plan 2019 test year filing and 2018 look-back filing showing Entergy Mississippi's earned return for the historical 2018 calendar year to be above the formula rate plan bandwidth and projected earned return for the 2019 calendar year to be below the formula rate plan bandwidth. The 2019 test year filing shows a \$36.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.94% return on rate base, within the formula rate plan bandwidth. The 2018 look-back filing compares actual 2018 results to the approved benchmark return on rate base and shows a \$10.1 million interim decrease in formula rate plan revenues is necessary. In the fourth quarter 2018, Entergy Mississippi recorded a provision of \$9.3 million that reflected the estimate of the difference between the 2018 expected earned rate of return on rate base and an established performance-adjusted benchmark rate of return under the formula rate plan performance-adjusted bandwidth mechanism. In the first quarter 2019, Entergy Mississippi recorded a \$0.8 million increase in the provision to reflect the amount shown in the look-back filing. In June 2019, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2019 test year filing showed that a \$32.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.93% return on rate base, within the formula rate plan bandwidth. Additionally, pursuant to the joint stipulation, Entergy Mississippi's 2018 look-back filing reflected an earned return on rate base of 7.81% in calendar year 2018 which is above the look-back benchmark return on rate base of 7.13%, resulting in an \$11 million decrease in formula rate plan revenues on an interim basis through May 2020. In the second quarter 2019, Entergy Mississippi recorded an additional \$0.9 million increase in the provision to reflect the \$11 million shown in the look-back filing. In June 2019 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2019.

2020 Formula Rate Plan Filing

In March 2020, Entergy Mississippi submitted its formula rate plan 2020 test year filing and 2019 look-back filing showing Entergy Mississippi's earned return for the historical 2019 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2020 calendar year to be below the formula rate plan bandwidth. The 2020 test year filing shows a \$24.6 million rate increase is necessary to reset Entergy

Mississippi's earned return on common equity to the specified point of adjustment of 6.51% return on rate base, within the formula rate plan bandwidth. The 2019 look-back filing compares actual 2019 results to the approved benchmark return on rate base and reflects the need for a \$7.3 million interim increase in formula rate plan revenues. In accordance with the MPSC-approved revisions to the formula rate plan, Entergy Mississippi implemented a \$24.3 million interim rate increase, reflecting a cap equal to 2% of 2019 retail revenues, effective with the April 2020 billing cycle, subject to refund. In June 2020, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2020 test year filing showed that a \$23.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.51% return on rate base, within the formula rate plan bandwidth. Pursuant to the joint stipulation, Entergy Mississippi's 2019 look-back filing reflected an earned return on rate base of 6.75% in calendar year 2019, which is within the look-back bandwidth. As a result, there is no change in formula rate plan revenues in the 2019 look-back filing. In June 2020 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2020. In the June 2020 order the MPSC directed Entergy Mississippi to submit revisions to its formula rate plan to realign recovery of costs from its energy efficiency cost recovery rider to its formula rate plan. In November 2020 the MPSC approved Entergy Mississippi's revisions to its formula rate plan providing for the realignment of energy efficiency costs to its formula rate plan, the deferral of energy efficiency expenditures into a regulatory asset, and the elimination of its energy efficiency cost recovery rider effective with the January 2022 billing cycle.

2021 Formula Rate Plan Filing

In March 2021, Entergy Mississippi submitted its formula rate plan 2021 test year filing and 2020 look-back filing showing Entergy Mississippi's earned return for the historical 2020 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2021 calendar year to be below the formula rate plan bandwidth. The 2021 test year filing shows a \$95.4 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.69% return on rate base, within the formula rate plan bandwidth. The change in formula rate plan revenues, however, is capped at 4% of retail revenues, which equates to a revenue change of \$44.3 million. The 2021 evaluation report also includes \$3.9 million in demand side management costs for which the MPSC approved realignment of recovery from the energy efficiency rider to the formula rate plan. These costs are not subject to the 4% cap and result in a total change in formula rate plan revenues of \$48.2 million. The 2020 look-back filing compares actual 2020 results to the approved benchmark return on rate base and reflects the need for a \$16.8 million interim increase in formula rate plan revenues. In addition, the 2020 look-back filing includes an interim capacity adjustment true-up for the Choctaw Generating Station, which increases the look-back interim rate adjustment by \$1.7 million. These interim rate adjustments total \$18.5 million. In accordance with the provisions of the formula rate plan, Entergy Mississippi implemented a \$22.1 million interim rate increase, reflecting a cap equal to 2% of 2020 retail revenues, effective with the April 2021 billing cycle, subject to refund, pending a final MPSC order. The \$3.9 million of demand side management costs and the Choctaw Generating Station true-up of \$1.7 million, which are not subject to the 2% cap of 2020 retail revenues, were included in the April 2021 rate adjustments.

In June 2021, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed the 2021 test year filing that resulted in a total rate increase of \$48.2 million. Pursuant to the joint stipulation, Entergy Mississippi's 2020 look-back filing reflected an earned return on rate base of 6.12% in calendar year 2020, which is below the look-back bandwidth, resulting in a \$17.5 million increase in formula rate plan revenues on an interim basis through June 2022. This includes \$1.7 million related to the Choctaw Generating Station and \$3.7 million of COVID-19 non-bad debt expenses. See "[COVID-19 Orders](#)" below for additional discussion of provisions of the joint stipulation related to COVID-19 expenses. In June 2021 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2021. In June 2021, Entergy Mississippi recorded regulatory credits of \$19.9 million to reflect the effects of the joint stipulation.

2022 Formula Rate Plan Filing

Entergy Mississippi's formula rate plan includes a look-back evaluation report filing in March 2022 that

will compare actual 2021 results to the performance-adjusted allowed return on rate base. In fourth quarter 2021, Entergy Mississippi recorded a regulatory asset of \$19 million in connection with the look-back feature of the formula rate plan to reflect that the 2021 earned return was below the formula bandwidth.

COVID-19 Orders

In March 2020 the MPSC issued an order suspending disconnections for a period of sixty days. The MPSC extended the order on disconnections through May 26, 2020. In April 2020 the MPSC issued an order authorizing utilities to defer incremental costs and expenses associated with COVID-19 compliance and to seek future recovery through rates of the prudently incurred incremental costs and expenses. In December 2020, Entergy Mississippi resumed disconnections for commercial, industrial, and governmental customers with past-due balances that have not made payment arrangements. In January 2021, Entergy Mississippi resumed disconnecting service for residential customers with past-due balances that had not made payment arrangements. Pursuant to the June 2021 MPSC order approving Entergy Mississippi's 2021 formula rate plan filing, Entergy Mississippi stopped deferring COVID-19 non-bad debt expenses effective December 31, 2020 and included those expenses in the look-back filing for the 2021 formula rate plan test year. In the order, the MPSC also adopted Entergy Mississippi's quantification and methodology for calculating COVID-19 incremental bad debt expenses and authorized Entergy Mississippi to continue deferring these bad debt expenses through December 2021. As of December 31, 2021, Entergy Mississippi had a regulatory asset of \$15.0 million for costs associated with the COVID-19 pandemic.

Fuel and Purchased Power Cost Recovery

Entergy Mississippi's rate schedules include an energy cost recovery rider that is adjusted annually to reflect accumulated over- or under-recoveries. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

In November 2018, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an under-recovery of approximately \$57 million as of September 30, 2018. In January 2019 the MPSC approved the proposed energy cost factor effective for February 2019 bills.

In November 2019, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation included \$39.6 million of prior over-recovery flowing back to customers beginning September 2020. Entergy Mississippi's balance in its deferred fuel account did not decrease as expected after implementation of the new factor. In an effort to assist customers during the COVID-19 pandemic, in May 2020, Entergy Mississippi requested an interim adjustment to the energy cost recovery rider to credit approximately \$50 million from the over-recovered balance in the deferred fuel account to customers over four consecutive billing months. The MPSC approved this interim adjustment in May 2020 effective for June through September 2020 bills.

In November 2020, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an over-recovery of approximately \$24.4 million as of September 30, 2020. In January 2021 the MPSC approved the proposed energy cost factor effective for February 2021 bills.

In November 2021, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an under-recovery of approximately \$80.6 million as of September 30, 2021. In December 2021, at the request of the MPSC, Entergy Mississippi submitted a proposal to mitigate the impact of rising fuel costs on customer bills during 2022. Entergy Mississippi proposed that the deferred fuel balance as of December 31, 2021, which was \$121.9 million, be amortized over three years, and that the MPSC authorize Entergy Mississippi to apply its weighted-average cost of capital as the carrying cost for the unamortized fuel balance. In January 2022 the MPSC approved the amortization

of \$100 million of the deferred fuel balance over two years and authorized Entergy Mississippi to apply its weighted-average cost of capital as the carrying cost for the unamortized fuel balance. The MPSC approved the proposed energy cost factor effective for February 2022 bills.

Storm Cost Recovery Filings with Retail Regulators

Entergy Mississippi has approval from the MPSC to collect a storm damage provision of \$1.75 million per month. If Entergy Mississippi's accumulated storm damage provision balance exceeds \$15 million, the collection of the storm damage provision ceases until such time that the accumulated storm damage provision becomes less than \$10 million. Entergy Mississippi's storm damage provision balance has been less than \$10 million since May 2019, and Entergy Mississippi has been billing the monthly storm damage provision since July 2019.

Federal Regulation

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

Nuclear Matters

See the "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of nuclear matters.

Environmental Risks

Entergy Mississippi's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Mississippi is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Utility Regulatory Accounting

See "**Utility Regulatory Accounting**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See “**Impairment of Long-lived Assets**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy Mississippi's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$507	\$11,348
Rate of return on plan assets	(0.25%)	\$771	\$—
Rate of increase in compensation	0.25%	\$539	\$2,523

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$51	\$1,876
Health care cost trend	0.25%	\$71	\$1,224

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Mississippi in 2021 was \$33.8 million, including \$16.7 million in settlement costs. Entergy Mississippi anticipates 2022 qualified pension cost to be \$13.7 million. Entergy Mississippi contributed \$13.7 million to its qualified pension plans in 2021 and estimates 2022 pension contributions will be approximately \$12.9 million, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total postretirement health care and life insurance benefit income for Entergy Mississippi in 2021 was \$4.7 million. Entergy Mississippi expects 2022 postretirement health care and life insurance benefit income of approximately \$4.4 million. In 2021, Entergy Mississippi's contributions (that is, contributions to the external trusts plus claims payments) were offset by trust claims reimbursements, resulting in a net reimbursement of \$393 thousand. Entergy Mississippi estimates that 2022 contributions will be approximately \$130 thousand.

Other Contingencies

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of
Entergy Mississippi, LLC

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Entergy Mississippi, LLC (the “Company”) as of December 31, 2021 and 2020, the related statements of income, cash flows and changes in member’s equity (pages 372 through 376 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Rate and Regulatory Matters —Entergy Mississippi, LLC — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Mississippi Public Service Commission (the “MPSC”), which has jurisdiction with respect to the rates of electric companies in Mississippi, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment;

regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Company's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the MPSC and the FERC set the rates the Company is allowed to charge customers based on allowable costs, including a reasonable return on equity, the Company applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Company assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the MPSC and the FERC will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the MPSC and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the MPSC and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the MPSC and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the MPSC's and FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the MPSC and the FERC, including the annual formula rate plan filing, and considered the filings with the MPSC and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

We have served as the Company's auditor since 2001.

ENTERGY MISSISSIPPI, LLC
INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	\$1,406,346	\$1,247,854	\$1,323,043
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	181,511	187,087	277,425
Purchased power	298,034	240,471	284,492
Other operation and maintenance	298,129	288,543	266,175
Taxes other than income taxes	111,712	101,525	105,318
Depreciation and amortization	226,545	209,252	170,886
Other regulatory charges (credits) - net	5,913	(15,219)	14,993
TOTAL	1,121,844	1,011,659	1,119,289
OPERATING INCOME	284,502	236,195	203,754
OTHER INCOME (DEDUCTIONS)			
Allowance for equity funds used during construction	8,101	6,726	8,356
Interest and investment income	53	272	1,412
Miscellaneous - net	(8,791)	(9,253)	(4,478)
TOTAL	(637)	(2,255)	5,290
INTEREST EXPENSE			
Interest expense	75,124	68,945	61,785
Allowance for borrowed funds used during construction	(3,416)	(2,778)	(3,532)
TOTAL	71,708	66,167	58,253
INCOME BEFORE INCOME TAXES	212,157	167,773	150,791
Income taxes	45,323	27,190	30,866
NET INCOME	\$166,834	\$140,583	\$119,925

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$166,834	\$140,583	\$119,925
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation and amortization	226,545	209,252	170,886
Deferred income taxes, investment tax credits, and non-current taxes accrued	64,868	36,827	32,547
Changes in assets and liabilities:			
Receivables	10,260	(1,889)	(17,245)
Fuel inventory	6,806	(1,978)	(3,208)
Accounts payable	27,068	22,794	(226)
Taxes accrued	(1,811)	17,423	13,109
Interest accrued	(3,606)	1,989	(1,331)
Deferred fuel costs	(136,569)	(55,711)	78,418
Other working capital accounts	(9,522)	630	(5,557)
Provisions for estimated losses	(8,476)	(3,517)	(1,121)
Other regulatory assets	4,909	(89,369)	(34,923)
Other regulatory liabilities	21,930	(18,672)	(21,524)
Pension and other postretirement liabilities	(51,828)	11,319	6,534
Other assets and liabilities	33,552	30,633	3,668
Net cash flow provided by operating activities	350,960	300,314	339,952
INVESTING ACTIVITIES			
Construction expenditures	(654,352)	(555,287)	(432,600)
Allowance for equity funds used during construction	8,101	6,726	8,356
Changes in money pool receivable - net	(40,456)	44,692	(3,313)
Payment for purchase of plant or assets	—	(28,612)	(305,472)
Other	53	1,719	(655)
Net cash flow used in investing activities	(686,654)	(530,762)	(733,684)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	398,284	165,385	437,153
Retirement of long-term debt	—	—	(150,000)
Changes in money pool payable - net	(16,516)	16,516	—
Capital contributions from parent	—	—	130,000
Distributions/dividends paid:			
Common equity	—	(10,000)	—
Other	1,535	6,964	(8,774)
Net cash flow provided by financing activities	383,303	178,865	408,379
Net increase (decrease) in cash and cash equivalents	47,609	(51,583)	14,647
Cash and cash equivalents at beginning of period	18	51,601	36,954
Cash and cash equivalents at end of period	\$47,627	\$18	\$51,601
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$76,245	\$64,536	\$60,533
Income taxes	(\$19,672)	(\$8,084)	(\$12,204)

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC
BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$29	\$11
Temporary cash investments	47,598	7
Total cash and cash equivalents	47,627	18
Accounts receivable:		
Customer	84,048	105,732
Allowance for doubtful accounts	(7,209)	(19,527)
Associated companies	42,994	2,740
Other	14,609	11,821
Accrued unbilled revenues	56,034	59,514
Total accounts receivable	190,476	160,280
Deferred fuel costs	121,878	—
Fuel inventory - at average cost	10,311	17,117
Materials and supplies - at average cost	69,639	59,542
Prepayments and other	6,394	4,876
TOTAL	446,325	241,833
OTHER PROPERTY AND INVESTMENTS		
Non-utility property - at cost (less accumulated depreciation)	4,527	4,543
Escrow accounts	48,886	64,635
TOTAL	53,413	69,178
UTILITY PLANT		
Electric	6,613,109	6,084,730
Construction work in progress	95,452	134,854
TOTAL UTILITY PLANT	6,708,561	6,219,584
Less - accumulated depreciation and amortization	2,127,590	2,005,087
UTILITY PLANT - NET	4,580,971	4,214,497
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	462,432	467,341
Other	14,248	14,413
TOTAL	476,680	481,754
TOTAL ASSETS	\$5,557,389	\$5,007,262
See Notes to Financial Statements.		

ENTERGY MISSISSIPPI, LLC
BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	\$42,929	\$61,727
Other	113,000	117,629
Customer deposits	86,167	86,200
Taxes accrued	106,273	108,084
Interest accrued	17,283	20,889
Deferred fuel costs	—	14,691
Other	36,731	34,270
TOTAL	402,383	443,490
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	720,097	646,674
Accumulated deferred investment tax credits	10,913	9,062
Regulatory liability for income taxes - net	212,445	224,000
Other regulatory liabilities	49,313	15,828
Asset retirement cost liabilities	10,315	9,762
Accumulated provisions	38,028	46,504
Pension and other postretirement liabilities	59,065	110,901
Long-term debt	2,179,989	1,780,577
Other	35,273	47,730
TOTAL	3,315,438	2,891,038
Commitments and Contingencies		
EQUITY		
Member's equity	1,839,568	1,672,734
TOTAL	1,839,568	1,672,734
TOTAL LIABILITIES AND EQUITY	\$5,557,389	\$5,007,262
See Notes to Financial Statements.		

ENTERGY MISSISSIPPI, LLC
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Member's Equity
	(In Thousands)
Balance at December 31, 2018	\$1,292,226
Net income	119,925
Capital contribution from parent	130,000
Balance at December 31, 2019	\$1,542,151
Net income	140,583
Common equity distributions	(10,000)
Balance at December 31, 2020	\$1,672,734
Net income	166,834
Balance at December 31, 2021	\$1,839,568
See Notes to Financial Statements.	

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Hurricane Ida

In August 2021, Hurricane Ida caused significant damage to Entergy New Orleans's service area, including Entergy's electrical grid. The storm resulted in widespread power outages, including the loss of 100% of Entergy New Orleans's load and damage to distribution and transmission infrastructure, including the loss of connectivity to the eastern interconnection. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida are currently estimated to be approximately \$200 million. Also, Entergy New Orleans's revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

Entergy New Orleans has recorded accounts payable for the estimated costs incurred that were necessary to return customers to service. Entergy New Orleans recorded corresponding regulatory assets of approximately \$80 million and construction work in progress of approximately \$120 million. Entergy New Orleans recorded the regulatory assets in accordance with its accounting policies and based on the historic treatment of such costs in its service area because management believes that recovery through some form of regulatory mechanism is probable. There are well-established mechanisms and precedent for addressing these catastrophic events and providing for recovery of prudently incurred storm costs in accordance with applicable regulatory and legal principles.

Entergy New Orleans is considering all available avenues to recover storm-related costs from Hurricane Ida, including federal government assistance and securitization financing. In September 2021, Entergy New Orleans withdrew \$39 million from its funded storm reserves. Entergy New Orleans believes its liquidity is sufficient to meet its current obligations. As of December 31, 2021, Entergy New Orleans has \$42.9 million of cash and cash equivalents and the ability to borrow up to \$150 million from the Entergy System money pool.

In September 2021 the City Council issued a number of resolutions associated with Hurricane Ida including: (1) a resolution initiating an investigation of Entergy New Orleans's preparation for and response to Hurricane Ida and a statement that the City Council opposes recovery of Hurricane Ida costs unless it is demonstrated that any such restoration costs are unrelated to deficient maintenance practices; and (2) resolutions requesting that the LPSC and the FERC study the prudence of Entergy Louisiana's transmission planning. Entergy New Orleans will oppose any attempt by the City Council to alter the legal standard in Louisiana that allows Entergy New Orleans to recover its prudently incurred hurricane restoration costs. Because storm cost recovery or financing will be subject to review by applicable regulatory authorities and Entergy New Orleans has not gone through the regulatory process regarding Hurricane Ida storm costs, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs and incremental losses it may ultimately recover, or the timing of such recovery. In February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans's storm reserve and increase the storm reserve funding level to \$150 million, to be funded through securitization.

Results of Operations

2021 Compared to 2020

Net Income

Net income decreased \$17.5 million primarily due to higher other operation and maintenance expenses, higher depreciation and amortization expenses, a higher effective income tax rate, lower volume/weather, and lower other income. The decrease was partially offset by higher retail electric price.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2021 to 2020:

	Amount
	(In Millions)
2020 operating revenues	\$633.8
Fuel, rider, and other revenues that do not significantly affect net income	102.4
Retail electric price	41.0
Volume/weather	(8.3)
2021 operating revenues	\$768.9

Entergy New Orleans's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to an interim increase in formula rate plan revenues resulting from the recovery of New Orleans Power Station costs, effective November 2020, and a rate increase effective November 2021 in accordance with the terms of the 2021 formula rate plan filing. See Note 2 to the financial statements for further discussion of the rate case resolution and the formula rate plan filing.

The volume/weather variance is primarily due to decreased residential and industrial usage, including the effect of Hurricane Ida in the third quarter 2021, and decreased usage during the unbilled sales period, partially offset by the effect of more favorable weather on residential sales. The decrease in industrial usage is primarily due to a decrease in demand from existing customers, primarily in the food products industry. See "[Hurricane Ida](#)" above for further discussion of the effects of Hurricane Ida.

Billed electric energy sales for Entergy New Orleans for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	2,258	2,294	(2)
Commercial	1,978	1,975	—
Industrial	415	423	(2)
Governmental	755	755	—
Total retail	5,406	5,447	(1)
Sales for resale:			
Non-associated companies	2,369	1,969	20
Total	7,775	7,416	5

See Note 19 to the financial statements for additional discussion of Entergy New Orleans's operating revenues.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$6.5 million in non-nuclear generation expenses primarily due to the timing of the scope of work performed during plant outages in 2021 as compared to 2020 and higher expenses associated with the New Orleans Power Station, which was placed in service in May 2020;
- an increase of \$5.7 million in energy efficiency expenses due to the timing of recovery from customers;
- an increase of \$2.5 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing; and
- an increase of \$2.3 million in compensation and benefits costs in 2021 primarily due to lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, and an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities. See “**Critical Accounting Estimates**” below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs.

Taxes other than income taxes decreased primarily due to a decrease in ad valorem taxes.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the New Orleans Power Station, which was placed in service in May 2020.

Other regulatory charges (credits) - net includes regulatory credits recorded in first quarter 2020 to reflect compliance with terms of the 2018 combined rate case resolution approved by the City Council in February 2020. See Note 2 to the financial statements for further discussion of the rate case resolution.

Other income decreased primarily due to a decrease in the allowance for equity funds used during construction due to higher construction work in progress in 2020, including the New Orleans Power Station project.

The effective income tax rates were 15.7% for 2021 and (9.3%) for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy New Orleans’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$26	\$6,017	\$19,677
Net cash provided by (used in):			
Operating activities	78,808	64,024	115,604
Investing activities	(169,920)	(220,845)	(204,310)
Financing activities	133,948	150,830	75,046
Net increase (decrease) in cash and cash equivalents	<u>42,836</u>	<u>(5,991)</u>	<u>(13,660)</u>
Cash and cash equivalents at end of period	<u>\$42,862</u>	<u>\$26</u>	<u>\$6,017</u>

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities increased \$14.8 million in 2021 primarily due to:

- higher collections from customers;
- the timing of recovery of fuel and purchased power costs; and
- income tax refunds of \$3.8 million received in 2021 compared to income tax payments of \$3.4 million made in 2020, each in accordance with an intercompany income tax allocation agreement.

The increase was partially offset by the timing of payments to vendors and an increase of \$20.6 million in storm spending in 2021, primarily due to Hurricane Ida restoration efforts. See “**Hurricane Ida**” above for discussion of hurricane restoration efforts.

Investing Activities

Net cash flow used in investing activities decreased \$50.9 million in 2021 primarily due to \$83 million in receipts from storm reserve escrow accounts in 2021 and a decrease of \$54.3 million in non-nuclear generation construction expenditures primarily due to lower spending on the New Orleans Power Station and the New Orleans Solar Station projects.

The decrease was partially offset by:

- an increase of \$74.2 million in distribution construction expenditures primarily due to higher capital expenditures for storm restoration in 2021, partially offset by lower spending on advanced metering infrastructure. The increase in storm restoration spending is primarily due to Hurricane Ida restoration efforts. See “**Hurricane Ida**” above for discussion of hurricane restoration efforts; and
- money pool activity.

Increases in Entergy New Orleans's receivable from the money pool are a use of cash flow, and Entergy New Orleans's receivable from the money pool increased \$36.4 million in 2021 compared to decreasing \$5.2 million in 2020. 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 decreased \$16.9 million primarily due to a capital contribution of \$60 million received from Entergy Corporation in November 2020 in order to maintain Entergy New Orleans's capital structure and money pool activity. The decrease was partially offset by long-term debt activity providing \$183.4 million of cash in 2021 compared to providing \$138.9 million of cash in 2020 and repayments of long-term credit borrowings of \$20 million in 2020.

Decreases in Entergy New Orleans's payable to the money pool are a use of cash flow, and Entergy New Orleans's payable to the money pool decreased \$10.2 million in 2021 compared to increasing by \$10.2 million in 2020.

See Note 5 to the financial statements for details on long-term debt.

2020 Compared to 2019

See “**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy New Orleans's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Capital Structure

Entergy New Orleans's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the net issuance of long-term debt in 2021.

	December 31, 2021	December 31, 2020
Debt to capital	55.4 %	51.5 %
Effect of excluding securitization bonds	(1.0 %)	(1.6 %)
Debt to capital, excluding securitization bonds (a)	54.4 %	49.9 %
Effect of subtracting cash	(1.4 %)	— %
Net debt to net capital, excluding securitization bonds (a)	53.0 %	49.9 %

(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, finance lease obligations, long-term debt, including the currently maturing portion, and the long-term payable due to an associated company. Capital consists of debt and 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. 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.

Entergy New Orleans seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy New Orleans may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as financing of large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy New Orleans may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy New Orleans requires capital resources for:

- construction and other capital investments;
- working capital purposes, including the financing of fuel and purchased power costs;
- debt maturities or retirements; and
- distribution and interest payments.

Following are the amounts of Entergy New Orleans's planned construction and other capital investments.

	2022	2023	2024
	(In Millions)		
Planned construction and capital investment:			
Generation	\$10	\$—	\$5
Transmission	25	20	15
Distribution	105	115	140
Utility Support	25	10	10
Total	\$165	\$145	\$170

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy New Orleans includes generation projects to modernize, decarbonize, and diversify Entergy New Orleans's portfolio; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

In addition to the planned spending in the table above, Entergy New Orleans also expects to pay for \$95 million of capital investments in 2022 related to Hurricane Ida restoration work that has been accrued as of December 31, 2021.

Following are the amounts of Entergy New Orleans's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
	(In Millions)				
Long-term debt (a)	\$44	\$211	\$38	\$214	\$787
Operating leases (b)	\$2	\$1	\$1	\$1	\$1
Finance leases (b)	\$1	\$1	\$1	\$1	\$1

- (a) Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.

Other Obligations

Entergy New Orleans currently expects to contribute approximately \$922 thousand to its qualified pension plan and approximately \$175 thousand to other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See “**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**” below for a discussion of qualified pension and other postretirement benefits funding.

Entergy New Orleans has \$154.6 million of unrecognized tax benefits and interest net of unused tax attributes and payments for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, Entergy New Orleans enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy New Orleans has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of Entergy New Orleans's obligations under the Unit Power Sales Agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy New Orleans pays distributions from its earnings at a percentage determined monthly.

Renewables

In July 2018, Entergy New Orleans filed an application with the City Council requesting approval of three utility-scale solar projects totaling 90 MW. If approved, the resource additions will allow Entergy New Orleans to make significant progress towards meeting its voluntary commitment to the City Council to add up to 100 MW of renewable energy resources. The three projects include constructing a self-build solar plant in Orleans Parish with an output of 20 MW, acquiring a 50 MW solar facility in Washington Parish through a build-own-transfer acquisition, and procuring 20 MW of solar power from a project to be built in St. James Parish through a power purchase agreement. In December 2018 the City Council advisors requested that Entergy New Orleans pursue alternative deal structures for the Washington Parish project and attempt to reduce costs for the 20 MW New Orleans Solar Station. As a result of settlement discussions, in March 2019, Entergy New Orleans revised its application to convert the build-own transfer acquisition of the 50 MW facility in Washington Parish to a power purchase agreement. In June 2019 the parties to the proceeding executed a stipulated settlement term sheet, which recommends that the City Council approve Entergy New Orleans's revised application as to all three projects. In July 2019 the City Council approved the stipulated settlement. Commercial operation of the 20 MW New Orleans Solar Station commenced in December 2020. Due to a delay resulting from Hurricane Ida, Entergy New Orleans now expects to begin receiving power under the 50 MW Iris Solar and the 20 MW St. James Solar power purchase agreements in 2022.

Sources of Capital

Entergy New Orleans's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;

- storm reserve escrow accounts;
- debt and preferred membership interest issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, Entergy New Orleans expects to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

All debt and common and preferred membership interest issuances by Entergy New Orleans require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. Entergy New Orleans has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy New Orleans's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
\$36,410	(\$10,190)	\$5,191	\$22,016

See Note 4 to the financial statements for a description of the money pool.

Entergy New Orleans has a credit facility in the amount of \$25 million scheduled to expire in June 2024. 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 December 31, 2021, there were no cash borrowings and no letters of credit outstanding under the credit 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 December 31, 2021, a \$1 million letter of credit was outstanding under Entergy New Orleans's letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy New Orleans obtained authorization from the FERC through October 2023 for short-term borrowings not to exceed an aggregate amount of \$150 million at any time outstanding and long-term borrowings and securities issuances. See Note 4 to the financial statements for further discussion of Entergy New Orleans's short-term borrowing limits. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized not only by the FERC, but also by the City Council, and the current City Council authorization extends through December 2023.

Hurricane Zeta

In October 2020, Hurricane Zeta caused significant damage to Entergy New Orleans's service area. The storm resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the power outages. In March 2021, Entergy New Orleans withdrew \$44 million from its funded storm reserves. In May 2021, Entergy New Orleans filed an application with the City Council requesting approval and certification that its system restoration costs associated with Hurricane Zeta of approximately \$36 million, including approximately \$28 million in capital costs and approximately \$8 million in non-capital costs, were reasonable and necessary to enable Entergy New Orleans to restore electric service to its customers and Entergy New Orleans's electric utility infrastructure.

State and Local Rate Regulation

The rates that Entergy New Orleans charges for electricity and natural gas significantly influence its financial position, results of operations, and liquidity. Entergy New Orleans is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the City Council, is primarily responsible for approval of the rates charged to customers.

Retail Rates

2018 Base Rate Case

In September 2018, Entergy New Orleans filed an electric and gas base rate case with the City Council. The filing requested a 10.5% return on equity for electric operations with opportunity to earn a 10.75% return on equity through a performance adder provision of the electric formula rate plan in subsequent years under a formula rate plan and requested a 10.75% return on equity for gas operations. The filing's major provisions included: (1) a new electric rate structure, which realigns the revenue requirement associated with capacity and long-term service agreement expense from certain existing riders to base revenue, provides for the recovery of the cost of advanced metering infrastructure, and partially blends rates for Entergy New Orleans's customers residing in Algiers with customers residing in the remainder of Orleans Parish through a three-year phase-in; (2) contemporaneous cost recovery riders for investments in energy efficiency/demand response, incremental changes in capacity/long-term service agreement costs, grid modernization investment, and gas infrastructure replacement investment; and (3) formula rate plans for both electric and gas operations.

In October 2019 the City Council's Utility Committee approved a resolution for a change in electric and gas rates for consideration by the full City Council that included a 9.35% return on common equity, an equity ratio of the lesser of 50% or Entergy New Orleans's actual equity ratio, and a total reduction in revenues that Entergy New Orleans initially estimated to be approximately \$39 million (\$36 million electric; \$3 million gas). At its November 7, 2019 meeting, the full City Council approved the resolution that had previously been approved by the City Council's Utility Committee. Based on the approved resolution, in the fourth quarter 2019 Entergy New Orleans recorded an accrual of \$10 million that reflects the estimate of the revenue billed in 2019 to be refunded to customers in 2020 based on an August 2019 effective date for the rate decrease. Entergy New Orleans also recorded a total of \$12 million in regulatory assets for rate case costs and information technology costs associated with integrating Algiers customers with Entergy New Orleans's legacy system and records. Entergy New Orleans will also be allowed to recover \$10 million of retired general plant costs over a 20-year period.

The resolution directed Entergy New Orleans to submit a compliance filing within 30 days of the date of the resolution to facilitate the eventual implementation of rates, including all necessary calculations and conforming rate schedules and riders. The electric formula rate plan rider includes, among other things, (1) a provision for forward-looking adjustments to include known and measurable changes realized up to 12 months after the evaluation period; (2) a decoupling mechanism; and (3) recognition that Entergy New Orleans is authorized to make an in-service adjustment to the formula rate plan to include the non-fuel cost of the New Orleans Power Station in rates, unless the two pending appeals in the New Orleans Power Station proceeding have not concluded. Under this circumstance, Entergy New Orleans shall be permitted to defer the New Orleans Power Station non-fuel costs, including the cost of capital, until Entergy New Orleans commences non-fuel cost recovery. After taking into account the requirements for submission of the compliance filing, the total annual revenue requirement reduction required by the resolution was refined to approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; \$3 million gas). In January 2020 the City Council's advisors found that the rates calculated by Entergy New Orleans and reflected in the December 2019 compliance filing should be implemented, except with respect to the City Council-approved energy efficiency cost recovery rider, which rider calculation should take into account events to be determined by the City Council in the future. On February 17, 2020, Entergy New Orleans filed with the City Council an agreement in principle between Entergy New Orleans and the City Council's advisors. On February 20, 2020, the City Council voted to approve the proposed agreement in principle and issued

a resolution modifying the required treatment of certain accumulated deferred income taxes. As a result of the agreement in principle, the total annual revenue requirement reduction will be approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; and \$3 million gas). Entergy New Orleans fully implemented the new rates in April 2020.

Commercial operation of the New Orleans Power Station commenced in May 2020. In accordance with the City Council resolution issued in the 2018 base rate case proceeding, Entergy New Orleans had been deferring the New Orleans Power Station non-fuel costs pending the conclusion of the appellate proceedings. In October 2020 the Louisiana Supreme Court denied all writ applications relating to the New Orleans Power Station. With those denials, Entergy New Orleans began recovering New Orleans Power Station costs in rates in November 2020. Entergy New Orleans is recovering the costs over a five-year period that began in November 2020. In December 2020 the Alliance for Affordable Energy and Sierra Club filed a joint motion with the City Council to institute a prudence review to investigate the costs of the New Orleans Power Station. On January 28, 2021, the City Council passed a resolution giving parties 30 days to respond to the motion. In March 2021, Entergy New Orleans filed a response to that motion stating that a prudence review is unnecessary given the New Orleans Power Station was constructed on budget and ahead of schedule. As of December 31, 2021 the regulatory asset for the deferral of New Orleans Power Station non-fuel costs was \$4 million.

2020 Formula Rate Plan Filing

Entergy New Orleans's first annual filing under the three-year formula rate plan approved by the City Council in November 2019 was originally due to be filed in April 2020. The authorized return on equity under the approved three-year formula rate plan is 9.35% for both electric and gas operations. The City Council approved several extensions of the deadline to allow additional time to assess the effects of the COVID-19 pandemic on the New Orleans community, Entergy New Orleans customers, and Entergy New Orleans itself. In October 2020 the City Council approved an agreement in principle filed by Entergy New Orleans that results in Entergy New Orleans foregoing its 2020 formula rate plan filing and shifting the three-year formula rate plan to filings in 2021, 2022, and 2023. Key provisions of the agreement in principle include: changing the lower of actual equity ratio or 50% equity ratio approved in the rate case to a hypothetical capital structure of 51% equity and 49% debt for the duration of the three-year formula rate plan; changing the 2% depreciation rate for the New Orleans Power Station approved in the rate case to 3%; retention of over-recovery of \$2.2 million in rider revenues; recovery of \$1.4 million of certain rate case expenses outside of the earnings band; recovery of the New Orleans Solar Station costs upon commercial operation; and Entergy New Orleans's dismissal of its 2018 rate case appeal.

2021 Formula Rate Plan Filing

In July 2021, Entergy New Orleans submitted to the City Council its formula rate plan 2020 test year filing. The 2020 test year evaluation report produced an earned return on equity of 6.26% compared to the authorized return on equity of 9.35%. Entergy New Orleans sought approval of a \$64 million rate increase based on the formula set by the City Council in the 2018 rate case. The formula resulted in an increase in authorized electric revenues of \$40 million and an increase in authorized gas revenues of \$18.8 million. Entergy New Orleans also sought to commence collecting \$5.2 million in electric revenues and \$0.3 million in gas revenues that were previously approved by the City Council for collection through the formula rate plan. The filing was subject to review by the City Council and other parties over a 75-day review period, followed by a 25-day period to resolve any disputes among the parties. In October 2021 the City Council's advisors filed a 75-day report recommending a reduction of \$10 million for electric revenues and a reduction of \$4.5 million for gas revenues, along with one-time credits funded by certain electric regulatory liabilities currently held by Entergy New Orleans for customers. On October 26, 2021, Entergy New Orleans provided notice to the City Council that it intends to implement rates effective with the first billing cycle of November 2021, with such rates reflecting an amount agreed-upon by Entergy New Orleans including adjustments filed in the City Council's 75-day report, per the approved process for formula rate plan implementation. The total formula rate plan increase implemented was \$49.5 million, with an increase of \$34.9 million in electric revenues and \$14.6 million in gas revenues. Also, credits of \$17.6 million

funded by certain regulatory liabilities currently held by Entergy New Orleans for customers will be issued over a five-month period from November 2021 through March 2022. Resulting rates went into effect with the first billing cycle of November 2021 pursuant to the formula rate plan tariff.

COVID-19 Orders

In March 2020, Entergy New Orleans voluntarily suspended customer disconnections for non-payment of utility bills through May 2020. Subsequently, the City Council ordered that the moratorium be extended to August 1, 2020. In May 2020 the City Council issued an accounting order authorizing Entergy New Orleans to establish a regulatory asset for incremental COVID-19-related expenses. In January 2021, Entergy New Orleans resumed disconnecting service to commercial and small business customers with past-due balances that had not made payment arrangements. In February 2021 the City Council adopted a resolution suspending residential customer disconnections for non-payment of utility bills and suspending the assessment and accumulation of late fees on residential customers with past-due balances through May 15, 2021, which was not extended by the City Council. As of December 31, 2021, Entergy New Orleans had a regulatory asset of \$17.4 million for costs associated with the COVID-19 pandemic.

In June 2020 the City Council established the City Council Cares Program and directed Entergy New Orleans to use the approximately \$7 million refund received from the Entergy Arkansas opportunity sales FERC proceeding and approximately \$15 million of non-securitized storm reserves to fund this program, which was intended to provide temporary bill relief to customers who become unemployed during the COVID-19 pandemic. The program was effective July 1, 2020, and offered qualifying residential customers bill credits of \$100 per month for up to four months, for a maximum of \$400 in residential customer bill credits. Credits of \$4.3 million were applied to customer bills under the City Council Cares Program.

Fuel and Purchased Power Cost Recovery

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

Show Cause Order

In July 2016 the City Council approved the issuance of a show cause order, which directed Entergy New Orleans to make a filing on or before September 29, 2016 to demonstrate the reasonableness of its actions or positions with regard to certain issues in four existing dockets that relate to Entergy New Orleans's: (i) storm hardening proposal; (ii) 2015 integrated resource plan; (iii) gas infrastructure rebuild proposal; and (iv) proposed sizing of the New Orleans Power Station and its community outreach prior to the filing. In September 2016, Entergy New Orleans filed its response to the City Council's show cause order. The City Council has not established any further procedural schedule with regard to this proceeding.

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 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. In June 2018, Entergy New Orleans filed its response to the City Council's resolution regarding the prudence of its management and maintenance of the reliability of its distribution system. In July 2018, Entergy New Orleans filed its revised reliability plan discussing the various reliability programs that it uses to improve distribution system reliability and discussing generally the positive effect that advanced meter deployment and grid modernization can have on future reliability. Entergy New Orleans has retained a national consulting firm with expertise in distribution system reliability to conduct a review of Entergy New Orleans's distribution system reliability-related practices and procedures and to provide recommendations for improving distribution system reliability. The report was filed with the City Council in October 2018. The City Council also approved a resolution that opens a prudence investigation into whether Entergy New Orleans was imprudent for not acting sooner to address outages in New Orleans and whether fines should be imposed. In January 2019, Entergy New Orleans filed testimony in response to the prudence investigation and asserting that it had been prudent in managing system reliability. In April 2019 the City Council advisors filed comments and testimony asserting that Entergy New Orleans did not act prudently in maintaining and improving its distribution system reliability in recent years and recommending that a financial penalty in the range of \$1.5 million to \$2 million should be assessed. Entergy New Orleans disagrees with the recommendation and submitted rebuttal testimony and rebuttal comments in June 2019. In November 2019 the City Council passed a resolution that penalized Entergy New Orleans \$1 million for alleged imprudence in the maintenance of its distribution system. In December 2019, Entergy New Orleans filed suit in Louisiana state court seeking judicial review of the City Council's resolution. Although the City Council evidentiary record has been lodged with the Civil District court, the court has not yet established a briefing schedule.

Renewable Portfolio Standard Rulemaking

In March 2019 the City Council initiated a rulemaking proceeding to consider whether to establish a renewable portfolio standard. The rulemaking will consider, among other issues, whether to adopt a renewable portfolio standard, whether such standard should be voluntary or mandatory, what kinds of technologies should qualify for inclusion in the rules, what level, if any, of renewable generation should be required, and whether penalties are an appropriate component of the proposed rules. Parties to the proceeding submitted initial comments in June 2019 and reply comments in July 2019. Entergy New Orleans recommended that the City Council adopt a voluntary clean energy standard of 70% of generation being clean energy by 2030, as so defined, which, in addition to renewable generation, would include nuclear, beneficial electrification, and demand-side management as compliant technologies. Several other industry leaders, academic researchers, and environmental advocates filed comments also supporting a clean energy standard. Other parties, including many representatives of the solar and wind industry, are recommending mandatory, renewables-only requirements of up to 100% renewable resources by 2040. In September 2019 the City Council advisors issued a report and recommendations, which also put forth three alternative rules for comment from the parties. Comments were submitted in October 2019 and replies were filed in November 2019. In March 2020 the City Council's Utility Committee recommended a resolution for approval by the City Council that directed the City Council advisors to work toward development of a rule for enacting a Renewable and Clean Portfolio Standard. The four components of the Renewable and Clean Portfolio Standard that the City Council expressed a desire to implement are: (1) a mandatory requirement that Entergy New Orleans achieve 100% net zero carbon emissions by 2040; (2) reliance on renewable energy credits purchased without the associated energy for compliance with the standard being phased out over the ten-year period from 2040 to 2050; (3) no carbon-emitting resources in the portfolio of resources Entergy New Orleans uses to serve New Orleans by 2050; and (4) a mechanism to limit costs in any one plan year to no more than one percent of plan year total utility retail sales revenues. The City Council adopted the Utility Committee resolution in April 2020. The first technical meeting of the parties occurred in June 2020; a second technical meeting occurred in July 2020. In August 2020 the City Council advisors issued a final draft of the rules for review and comment from the parties before final rules are proposed for consideration by the City Council. Entergy New Orleans filed comments in September and October 2020. In February 2021 the City Council amended the proposed draft rules to exclude beneficial electrification and carbon capture from the technologies eligible for credit under the Renewable and Clean Portfolio Standard and opened a 30-day comment period regarding the proposed amendments. Under the

rule, however, these technologies can be approved by the City Council as a “qualified measure” on a case-by-case basis. The City Council approved the draft rule, as amended, in May 2021. In January 2022 the City Council issued a resolution requiring the City of New Orleans and the Sewerage and Water Board use 100% renewable power. The resolution accelerates the City Council's Renewable and Clean Portfolio Standard goal of 100% carbon neutral by 2040 and carbon free by 2050. The resolution directs Entergy New Orleans to work with the City of New Orleans and the Sewerage and Water Board to develop details related to the new goal.

Load Shed Investigation

On February 16, 2021, due to high customer demand and limited generation, MISO issued an order requiring load-serving entities throughout its southern region to shed load to protect the integrity of the bulk electric system. Entergy New Orleans was required to shed load of at least 26 MW, but due to certain complications with its automated load shed program and certain load measurement issues, it inadvertently shed approximately 105 MW of load in its service area. The maximum time any customer was without power due to the load shed event was one hour and forty minutes. In late February 2021 the City Council ordered its advisors to conduct an investigation into the load shed event and to issue a report, which was completed and filed in April 2021. The report recommended that the City Council open an additional docket to determine whether any of Entergy New Orleans's actions were imprudent. In May 2021 the City Council opened a docket directing its advisors to conduct a prudence investigation and determine whether financial and/or other penalties should be imposed by the City Council. In June 2021, Entergy New Orleans filed a response to the show cause docket that outlined how its response to Winter Storm Uri was reasonable under the circumstances. In November 2021 the City Council's Advisors issued a report that criticized Entergy's response to the winter storm, including the inadvertent shedding of 105MW of load and communications with customers. The advisors' report, however, did not find that Entergy New Orleans was imprudent and did not recommend a fine under the circumstances. In February 2022 the City Council's advisors presented to the City Council their report and investigative findings. While the presentation was critical, it recommended remedial actions to the load shedding process and did not recommend a finding of imprudence or a fine. Entergy New Orleans would oppose any attempt to levy a fine under the circumstances presented.

Management Audit

In September 2021 the City Council issued a resolution initiating a management audit of Entergy New Orleans that has been proposed by certain solar advocates. The advocates have proposed a broad scope audit including, but not limited to, ensuring the corporate culture embraces climate solutions, employee salaries, expenses, and capital spending, but the City Council has not yet determined the full scope of the proposed audit. In September 2021 the City Council passed a resolution directing its staff to issue a request for qualifications for firms interested in conducting the audit.

Utility Alternative Investigation

In September 2021 the City Council issued a resolution directing its staff to initiate a request for qualifications for a third-party firm to study alternatives to Entergy New Orleans as the electric service provider for New Orleans. Entergy responded to the City Council and issued a press release stating that it stands ready to work with the City Council to quickly implement any action taken by the City Council in response to the study. In the press release, Entergy proposed four preliminary options for consideration by the City Council: merger of Entergy New Orleans with Entergy Louisiana, sale of Entergy New Orleans, spinoff of Entergy New Orleans to establish a standalone company, or municipalization of the assets of Entergy New Orleans by the City of New Orleans.

System Resiliency and Storm Hardening

In October 2021 the City Council passed a resolution and order establishing a docket and procedural schedule with respect to system resiliency and storm hardening. The docket will identify a plan for storm hardening and resiliency projects with other stakeholders. Entergy New Orleans's response is due March 1, 2022. In February 2022, Entergy New Orleans filed with the City Council a request for an extension of time to file its response, until July 1, 2022. The hearing officer set a briefing schedule and is expected to rule on the motion before the March 1, 2022 deadline.

Federal Regulation

See the “**Rate, Cost-recovery, and Other Regulation – Federal Regulation**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

Nuclear Matters

See the “**Nuclear Matters**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of nuclear matters.

Environmental Risks

Entergy New Orleans's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy New Orleans is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in “**Regulation of Entergy's Business - Environmental Regulation**” in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Utility Regulatory Accounting

See “**Utility Regulatory Accounting**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See “**Impairment of Long-lived Assets**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy New Orleans's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$202	\$5,196
Rate of return on plan assets	(0.25%)	\$372	\$—
Rate of increase in compensation	0.25%	\$225	\$987

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$68	\$878
Health care cost trend	0.25%	\$80	\$531

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

Costs and Employer Contributions

Total qualified pension cost for Entergy New Orleans in 2021 was \$9.9 million, including \$5.4 million in settlement costs. Entergy New Orleans anticipates 2022 qualified pension cost to be \$3 million. Entergy New Orleans contributed \$5.4 million to its qualified pension plans in 2021 and estimates 2022 pension contributions will be approximately \$922 thousand, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total postretirement health care and life insurance benefit income for Entergy New Orleans in 2021 was \$6.4 million. Entergy New Orleans expects 2022 postretirement health care and life insurance benefit income of approximately \$6.7 million. Entergy New Orleans contributed \$126 thousand to its other postretirement plans in 2021 and estimates 2022 contributions will be approximately \$175 thousand.

Other Contingencies

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of
Entergy New Orleans, LLC and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy New Orleans, LLC and Subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, cash flows, and changes in member’s equity (pages 395 through 400 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Rate and Regulatory Matters— Entergy New Orleans, LLC and Subsidiaries — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Council of the City of New Orleans, Louisiana (the “City Council”), which has jurisdiction with respect to the rates of electric companies in the City of New Orleans, Louisiana, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based

rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Company's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the City Council and the FERC set the rates the Company is allowed to charge customers based on allowable costs, including a reasonable return on equity, the Company applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Company assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the City Council and the FERC will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs, including major storm restoration costs, and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the City Council and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the City Council and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the City Council and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the City Council's and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, including major storm restoration costs, we inspected the Company's filings with the City Council and the FERC, including the base rate case filing, and considered the filings with the City Council and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including major storm restoration costs, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

We have served as the Company's auditor since 2001.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	\$672,231	\$560,632	\$594,417
Natural gas	96,621	73,209	91,806
TOTAL	768,852	633,841	686,223
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	150,018	76,781	105,217
Purchased power	268,568	243,572	258,306
Other operation and maintenance	145,377	125,756	121,057
Taxes other than income taxes	53,569	57,454	55,270
Depreciation and amortization	73,480	64,012	56,072
Other regulatory charges (credits) - net	13,177	1,854	21,616
TOTAL	704,189	569,429	617,538
OPERATING INCOME	64,663	64,412	68,685
OTHER INCOME			
Allowance for equity funds used during construction	2,371	6,339	9,941
Interest and investment income	48	120	428
Miscellaneous - net	(1,240)	316	(6,038)
TOTAL	1,179	6,775	4,331
INTEREST EXPENSE			
Interest expense	29,164	29,105	24,463
Allowance for borrowed funds used during construction	(1,056)	(3,049)	(4,262)
TOTAL	28,108	26,056	20,201
INCOME BEFORE INCOME TAXES	37,734	45,131	52,815
Income taxes	5,936	(4,207)	186
NET INCOME	\$31,798	\$49,338	\$52,629

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$31,798	\$49,338	\$52,629
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation and amortization	73,480	64,012	56,072
Deferred income taxes, investment tax credits, and non-current taxes accrued	12,573	3,938	21,350
Changes in assets and liabilities:			
Receivables	(42,612)	(12,003)	(9,372)
Fuel inventory	(967)	(58)	(387)
Accounts payable	22,457	5,582	(5,571)
Taxes accrued	(315)	398	234
Interest accrued	(104)	1,179	550
Deferred fuel costs	9,737	(7,048)	3,630
Other working capital accounts	(3,233)	(13,156)	5,021
Provisions for estimated losses	(83,569)	1,356	1,948
Other regulatory assets	18,173	(7,427)	(29,567)
Other regulatory liabilities	4,985	(4,728)	(22,105)
Pension and other postretirement liabilities	(32,144)	(14,063)	(14,624)
Other assets and liabilities	68,549	(3,296)	55,796
Net cash flow provided by operating activities	78,808	64,024	115,604
INVESTING ACTIVITIES			
Construction expenditures	(220,284)	(228,983)	(229,560)
Allowance for equity funds used during construction	2,371	6,339	9,941
Payment for purchase of assets	—	(1,584)	—
Changes in money pool receivable - net	(36,410)	5,191	16,825
Payments to storm reserve escrow account	(7)	(433)	(1,752)
Receipts from storm reserve escrow account	83,045	—	—
Changes in securitization account	1,365	(1,375)	236
Net cash flow used in investing activities	(169,920)	(220,845)	(204,310)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	183,403	138,925	113,876
Retirement of long-term debt	(36,873)	(56,593)	(35,376)
Repayment of long-term payable due to associated company	(1,618)	(1,838)	(1,979)
Capital contributions from parent	—	60,000	—
Changes in money pool payable - net	(10,190)	10,190	—
Other	(774)	146	(1,475)
Net cash flow provided by financing activities	133,948	150,830	75,046
Net increase (decrease) in cash and cash equivalents	42,836	(5,991)	(13,660)
Cash and cash equivalents at beginning of period	26	6,017	19,677
Cash and cash equivalents at end of period	\$42,862	\$26	\$6,017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$28,009	\$26,673	\$22,873
Income taxes	(\$3,839)	\$3,392	(\$5,310)
See Notes to Financial Statements.			

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents		
Cash	\$26	\$26
Temporary cash investments	42,836	—
Total cash and cash equivalents	42,862	26
Securitization recovery trust account	1,999	3,364
Accounts receivable:		
Customer	69,902	70,694
Allowance for doubtful accounts	(13,282)	(17,430)
Associated companies	74,146	2,381
Other	13,668	4,248
Accrued unbilled revenues	25,550	31,069
Total accounts receivable	169,984	90,962
Deferred fuel costs	—	2,130
Fuel inventory - at average cost	2,945	1,978
Materials and supplies - at average cost	19,216	16,550
Prepayments and other	5,428	3,715
TOTAL	242,434	118,725
OTHER PROPERTY AND INVESTMENTS		
Non-utility property at cost (less accumulated depreciation)	1,016	1,016
Storm reserve escrow account	—	83,038
TOTAL	1,016	84,054
UTILITY PLANT		
Electric	1,976,202	1,821,638
Natural gas	373,983	348,024
Construction work in progress	22,199	12,460
TOTAL UTILITY PLANT	2,372,384	2,182,122
Less - accumulated depreciation and amortization	774,309	740,796
UTILITY PLANT - NET	1,598,075	1,441,326
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Deferred fuel costs	4,080	4,080
Other regulatory assets (includes securitization property of \$25,761 as of December 31, 2021 and \$35,559 as of December 31, 2020)	248,617	266,790
Other	56,101	23,931
TOTAL	308,798	294,801
TOTAL ASSETS	\$2,150,323	\$1,938,906
See Notes to Financial Statements.		

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

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Payable due to associated company	\$1,326	\$1,618
Accounts payable:		
Associated companies	45,057	54,234
Other	146,921	60,766
Customer deposits	28,539	27,912
Taxes accrued	4,385	4,700
Interest accrued	7,991	8,095
Deferred fuel costs	7,607	—
Current portion of unprotected excess accumulated deferred income taxes	1,906	3,296
Other	6,204	5,462
TOTAL CURRENT LIABILITIES	249,936	166,083
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	365,384	338,714
Accumulated deferred investment tax credits	16,306	16,095
Regulatory liability for income taxes - net	40,589	55,675
Asset retirement cost liabilities	4,032	3,768
Accumulated provisions	6,329	89,898
Long-term debt (includes securitization bonds of \$29,661 as of December 31, 2021 and \$41,291 as of December 31, 2020)	777,254	629,704
Long-term payable due to associated company	9,585	10,911
Other	42,193	21,141
TOTAL NON-CURRENT LIABILITIES	1,261,672	1,165,906
Commitments and Contingencies		
EQUITY		
Member's equity	638,715	606,917
TOTAL	638,715	606,917
TOTAL LIABILITIES AND EQUITY	\$2,150,323	\$1,938,906

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Member's Equity
	(In Thousands)
Balance at December 31, 2018	\$444,950
Net income	52,629
Balance at December 31, 2019	\$497,579
Net income	49,338
Capital contributions from parent	60,000
Balance at December 31, 2020	\$606,917
Net income	31,798
Balance at December 31, 2021	\$638,715

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

2021 Compared to 2020

Net Income

Net income increased \$13.8 million primarily due to higher retail electric price and higher volume/weather. The increase was partially offset by higher depreciation and amortization expenses, lower other income, higher other operation and maintenance expenses, higher taxes other than income taxes, and a higher effective income tax rate.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2021 to 2020.

	Amount
	(In Millions)
2020 operating revenues	\$1,587.1
Fuel, rider, and other revenues that do not significantly affect net income	175.3
Retail electric price	123.2
Volume/weather	16.9
2021 operating revenues	\$1,902.5

Entergy Texas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to the implementation of the generation cost recovery rider, which includes the first-year revenue requirement for the Montgomery County Power Station, effective January 2021, an increase in the transmission cost recovery factor rider effective March 2021, and an increase in the distribution cost recovery factor rider effective March 2021. See Note 2 to the financial statements for further discussion of the generation cost recovery rider and transmission and distribution cost recovery factor rider filings.

The volume/weather variance is primarily due to an increase of 1,002 GWh, or 5%, in billed electricity usage, including an increase in industrial and commercial usage and the effect of more favorable weather on residential sales, partially offset by a decrease in weather-adjusted residential usage. The increase in industrial usage is primarily due to an increase in demand from expansion projects, primarily in the transportation and chemicals industries, and an increase in demand from cogeneration customers. The increase in commercial usage is primarily due to reduced impacts from the COVID-19 pandemic on businesses as compared to prior year. The decrease in weather-adjusted residential usage is primarily due to the impact that the COVID-19 pandemic had on prior year usage.

Billed electric energy sales for Entergy Texas for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	6,201	6,146	1
Commercial	4,494	4,386	2
Industrial	8,729	7,885	11
Governmental	255	260	(2)
Total retail	19,679	18,677	5
Sales for resale:			
Associated companies	1,364	1,203	13
Non-associated companies	1,008	810	24
Total	22,051	20,690	7

See Note 19 to the financial statements for additional discussion of Entergy Texas's operating revenues.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$15.4 million in non-nuclear generation expenses primarily due to higher expenses associated with the Montgomery County Power Station, which began commercial operation in January 2021, and a higher scope of work performed during outages in 2021 as compared to 2020;
- an increase of \$4.3 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing;
- an increase of \$4.2 million in distribution operations expenses primarily due to higher contractor costs and higher reliability costs;
- an increase of \$4.1 million in compensation and benefits costs in 2021 primarily due to higher incentive-based compensation accruals in 2021 as compared to prior year, lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, and an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs; and
- an increase of \$2.1 million as a result of the amount of transmission costs allocated by MISO.

The increase was partially offset by a decrease of \$5.2 million in meter reading expenses as a result of the deployment of advanced metering systems.

Taxes other than income taxes increased primarily due to an increase in ad valorem taxes, a sales tax audit assessment in 2021, and an increase in local franchise taxes. Ad valorem taxes increased as a result of higher assessments, primarily due to the addition of the Montgomery County Power Station. Local franchise taxes increased as a result of higher retail revenues in 2021 as compared to 2020.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Montgomery County Power Station, which was placed in service in January 2021.

Other income decreased primarily due to a decrease in the allowance for equity funds used during construction due to higher construction work in progress in 2020, including the Montgomery County Power Station project.

Interest expense increased primarily due to a decrease in the allowance for borrowed funds used during construction due to higher construction work in progress in 2020, including the Montgomery County Power Station project.

The effective income tax rates were 10% for 2021 and 1.4% for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy Texas’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$248,596	\$12,929	\$56
Net cash provided by (used in):			
Operating activities	356,933	375,325	286,739
Investing activities	(647,271)	(848,648)	(878,280)
Financing activities	41,770	708,990	604,414
Net increase (decrease) in cash and cash equivalents	(248,568)	235,667	12,873
Cash and cash equivalents at end of period	\$28	\$248,596	\$12,929

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased \$18.4 million in 2021 primarily due to:

- increased fuel costs, including those related to Winter Storm Uri, and the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- the timing of payments to vendors; and
- an increase of \$14.8 million in income taxes paid in 2021. The estimated income tax payments made in 2020 were offset by refunds received in accordance with an intercompany income tax allocation agreement.

The decrease was offset by higher collections from customers and a decrease of approximately \$13 million in storm spending in 2021, primarily due to increased spending on Hurricane Laura restoration efforts in 2020.

Investing Activities

Net cash flow used in investing activities decreased \$201.4 million in 2021 primarily due to:

- a decrease of \$128.8 million in non-nuclear generation construction expenditures primarily due to higher spending in 2020 on the Montgomery County Power Station project, partially offset by a higher scope of work performed during outages in 2021 as compared to 2020;
- a decrease of \$94 million in transmission construction expenditures primarily due to a lower scope of work on projects performed in 2021 as compared to 2020; and
- the sale of a 7.56% partial interest in the Montgomery County Power Station in June 2021 for approximately \$67.9 million. See Note 14 to the financial statements for further discussion of the transaction.

The decrease was partially offset by:

- an increase of \$27.6 million in distribution construction expenditures primarily due to increased spending on the reliability and infrastructure of the distribution system and higher capital expenditures for storm restoration in 2021, partially offset by lower spending in 2021 on advanced metering infrastructure; and
- the purchase of the Hardin County Peaking Facility in June 2021 for approximately \$36.7 million. See Note 14 to the financial statements for further discussion of the Hardin County Peaking Facility purchase.

Financing Activities

Net cash flow provided by financing activities decreased \$667.2 million in 2021 primarily due to:

- the issuances of \$175 million of 3.55% Series mortgage bonds in March 2020 and \$600 million of 1.75% Series mortgage bonds in October 2020;
- the repayment, prior to maturity, of \$125 million of 2.55% Series mortgage bonds in May 2021 and the repayment, at maturity, of \$75 million of 4.10% Series mortgage bonds in September 2021; and
- capital contributions of \$95 million received from Entergy Corporation in 2021 in order to maintain Entergy Texas's capital structure and in anticipation of various upcoming capital expenditures as compared to a capital contribution of \$175 million received from Entergy Corporation in 2020 in anticipation of upcoming expenditures, including Montgomery County Power Station.

The decrease was partially offset by:

- the repayment of \$135 million of 5.625% Series mortgage bonds in November 2020;
- the issuance of \$130 million of 1.50% Series mortgage bonds in August 2021;
- money pool activity; and
- the payment of \$30 million of common stock dividends in 2020. No common stock dividends were paid in 2021 in order to maintain Entergy Texas's capital structure.

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 \$79.6 million in 2021. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

See Note 5 to the financial statements for further details of long-term debt.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow**” in Item 7 of Entergy Texas’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Capital Structure

Entergy Texas’s debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due to the net repayment of long-term debt in 2021 and the \$95 million in capital contributions received from Entergy Corporation in 2021.

	December 31, 2021	December 31, 2020
Debt to capital	48.7 %	53.7 %
Effect of excluding securitization bonds	(0.5 %)	(1.3 %)
Debt to capital, excluding securitization bonds (a)	48.2 %	52.4 %
Effect of subtracting cash	— %	(2.7 %)
Net debt to net capital, excluding securitization bonds (a)	48.2 %	49.7 %

(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 finance lease obligations and long-term debt, including the currently maturing portion. Capital consists of debt and 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. 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.

Entergy Texas seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a dividend, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Texas may issue incremental debt or reduce dividends, or both, to maintain its capital structure. In addition, Entergy Texas may receive equity contributions to maintain its capital structure for certain circumstances such as financing of large transactions that would materially alter the capital structure if financed entirely with debt and reduced dividends.

Uses of Capital

Entergy Texas requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- dividend and interest payments.

Following are the amounts of Entergy Texas's planned construction and other capital investments.

	2022	2023	2024
	(In Millions)		
Planned construction and capital investment:			
Generation	\$90	\$195	\$470
Transmission	110	180	195
Distribution	260	380	350
Utility Support	70	70	40
Total	\$530	\$825	\$1,055

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Texas includes generation projects to modernize, decarbonize, and diversify Entergy Texas's portfolio, such as the Orange County Advanced Power Station; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

Following are the amounts of Entergy Texas's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
	(In Millions)				
Long-term debt (a)	\$133	\$133	\$77	\$284	\$3,088
Operating leases (b)	\$5	\$4	\$3	\$3	\$1
Finance leases (b)	\$2	\$2	\$1	\$2	\$1

- (a) Long-term debt is discussed in Note 5 to the financial statements.
(b) Lease obligations are discussed in Note 10 to the financial statements.

Other Obligations

Entergy Texas expects to contribute approximately \$1.9 million to its qualified pension plans and approximately \$66 thousand to other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Entergy Texas has \$11.6 million of unrecognized tax benefits and interest net of unused tax attributes and payments for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, Entergy Texas enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Texas has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations.

As a subsidiary, Entergy Texas dividends its earnings to Entergy Corporation at a percentage determined monthly.

Liberty County Solar Facility

In September 2020, Entergy Texas filed an application seeking PUCT approval to amend Entergy Texas's certificate of convenience and necessity to acquire the 100 MW Liberty County Solar Facility and a determination that Entergy Texas's acquisition of the facility through a tax equity partnership is in the public interest. In its preliminary order, the PUCT determined that, in considering Entergy Texas's application, it would not specifically address whether Entergy Texas's use of a tax equity partnership is in the public interest. In March 2021 intervenors and PUCT staff filed testimony, and Entergy Texas filed rebuttal testimony in April 2021. A hearing on the merits was held in April 2021. In July 2021 the presiding ALJs issued a proposal for decision recommending that the PUCT deny the certification requested in the application. In October 2021 the PUCT issued an order adopting the ALJs' proposal for decision and denying Entergy Texas's application. Following review of the order and without receipt of required regulatory approval by the PUCT, Entergy Texas is not proceeding with the acquisition of the Liberty County Solar Facility. Entergy Texas recorded a write-off of \$2.5 million in the fourth quarter of 2021 related to the Liberty County Solar Facility project.

Orange County Advanced Power Station

In September 2021, Entergy Texas filed an application seeking PUCT approval to amend Entergy Texas's certificate of convenience and necessity to construct, own, and operate the Orange County Advanced Power Station, a new 1,215 MW combined-cycle combustion turbine facility to be located in Bridge City, Texas at an expected total cost of \$1.2 billion inclusive of the estimated costs of the generation facilities, transmission upgrades, contingency, an allowance for funds used during construction, and necessary regulatory expenses, among others. The project includes combustion turbine technology with dual fuel capability, able to co-fire up to 30% hydrogen by volume upon commercial operation and upgradable to support 100% hydrogen operations in the future. In December 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A hearing on the merits is scheduled for April 2022. A final order by the PUCT is expected in September 2022. Subject to receipt of required regulatory approvals and other conditions, the facility is expected to be in-service by May 2026.

Sources of Capital

Entergy Texas's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- debt or preferred stock issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, Entergy Texas expects to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

All debt and common and preferred stock issuances by Entergy Texas require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. Entergy Texas has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Texas's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
(\$79,594)	\$4,601	\$11,181	(\$22,389)

See Note 4 to the financial statements for a description of the money pool.

Entergy Texas has a credit facility in the amount of \$150 million scheduled to expire in June 2026. 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 December 31, 2021, there were no cash borrowings and \$1.3 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 December 31, 2021, \$79.6 million in letters of credit were outstanding under Entergy Texas's letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy Texas obtained authorizations from the FERC through October 2023 for short-term borrowings, not to exceed an aggregate amount of \$200 million at any time outstanding, and long-term borrowings and security issuances. See Note 4 to the financial statements for further discussion of Entergy Texas's short-term borrowing limits.

Hurricane Laura, Hurricane Delta, and Winter Storm Uri

In August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to distribution and transmission infrastructure, and the loss of sales during the power outages. In April 2021, Entergy Texas filed an application with the PUCT requesting a determination that approximately \$250 million of system restoration costs associated with Hurricane Laura, Hurricane Delta, and Winter Storm Uri, including approximately \$200 million in capital costs and approximately \$50 million in non-capital costs, were reasonable and necessary to enable Entergy Texas to restore electric service to its customers and Entergy Texas's electric utility infrastructure. The filing also included the projected balance of approximately \$13 million of a regulatory asset containing previously approved system restoration costs related to Hurricane Harvey. In September 2021 the parties filed an unopposed settlement agreement, pursuant to which Entergy Texas removed from the amount to be securitized approximately \$4.3 million that will instead be charged to its storm reserve, \$5 million related to no particular issue, of which Entergy Texas would be permitted to seek recovery in a future proceeding, and approximately \$300 thousand related to attestation costs. In December 2021 the PUCT issued an order approving the unopposed settlement and determining system restoration costs of \$243 million related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri and the \$13 million projected remaining balance of the Hurricane Harvey system restoration costs were eligible for securitization. The order also determines that Entergy Texas can recover carrying costs on the system restoration costs related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri.

In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of the system restoration costs that are the subject of the April 2021 application. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that Entergy Texas charges for its services significantly influence its financial position, results of operations, and liquidity. Entergy Texas is regulated and the rates charged to its customers are determined in regulatory proceedings. The PUCT, a governmental agency, is primarily responsible for approval of the rates charged to customers.

Filings with the PUCT and Texas Cities

2018 Rate Case

In May 2018, Entergy Texas filed a base rate case with the PUCT seeking an increase in base rates and rider rates of approximately \$166 million, of which \$48 million was associated with moving costs then being collected through riders into base rates such that the total incremental revenue requirement increase was approximately \$118 million. The base rate case was based on a 12-month test year ending December 31, 2017. In addition, Entergy Texas included capital additions placed into service for the period of April 1, 2013 through December 31, 2017, as well as a post-test year adjustment to include capital additions placed in service by June 30, 2018.

In October 2018 the parties filed an unopposed settlement resolving all issues in the proceeding and a motion for interim rates effective for usage on and after October 17, 2018. The unopposed settlement reflected the following terms: a base rate increase of \$53.2 million (net of costs realigned from riders and including updated depreciation rates), a \$25 million refund to reflect the lower federal income tax rate applicable to Entergy Texas from January 25, 2018 through the date new rates were implemented, \$6 million of capitalized skylining tree hazard costs will not be recovered from customers, \$242.5 million of protected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and \$185.2 million of unprotected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider will include carrying charges and will be in effect over a period of 12 months for large customers and over a period of four years for other customers. The settlement also provided for the deferral of \$24.5 million of costs associated with the remaining book value of the Neches and Sabine 2 plants, previously taken out of service, to be recovered over a ten-year period and the deferral of \$20.5 million of costs associated with Hurricane Harvey to be recovered over a 12-year period, each beginning in October 2018. The settlement provided final resolution of all issues in the matter, including those related to the Tax Cuts and Jobs Act. In October 2018 the ALJ granted the unopposed motion for interim rates to be effective for service rendered on or after October 17, 2018. In December 2018 the PUCT issued an order approving the unopposed settlement.

Distribution Cost Recovery Factor (DCRF) Rider

In March 2019, Entergy Texas filed with the PUCT a request to set a new DCRF rider. The new DCRF rider was designed to collect approximately \$3.2 million annually from Entergy Texas's retail customers based on its capital invested in distribution between January 1, 2018 and December 31, 2018. In September 2019 the PUCT issued an order approving rates, which had been effective on an interim basis since June 2019, at the level proposed in Entergy Texas's application.

In March 2020, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$23.6 million annually, or \$20.4 million in incremental annual DCRF revenue beyond Entergy Texas's then-effective DCRF rider, based on its capital invested in distribution between January 1, 2019 and December 31, 2019. In May and June 2020 intervenors filed testimony recommending reductions in Entergy Texas's annual revenue requirement of approximately \$0.3 million and \$4.1 million. The parties briefed the contested issues in this matter and a proposal for decision was issued in September 2020 recommending a \$4.1 million revenue reduction related to non-advanced metering system meters included in the DCRF calculation. The parties filed exceptions to the proposal for decision and replies to

those exceptions in September 2020. In October 2020 the PUCT issued a final order approving a \$16.3 million incremental annual DCRF revenue increase.

In October 2020, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$26.3 million annually, or \$6.8 million in incremental annual revenues beyond Entergy Texas's then-effective DCRF rider based on its capital invested in distribution between January 1, 2020 and August 31, 2020. In February 2021 the ALJ with the State Office of Administrative Hearings approved Entergy Texas's agreed motion for interim rates, which went into effect in March 2021. In March 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding. In May 2021 the PUCT issued an order approving the settlement.

In August 2021, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The proposed rider is designed to collect from Entergy Texas's retail customers approximately \$40.2 million annually, or \$13.9 million in incremental annual revenues beyond Entergy Texas's currently effective DCRF rider based on its capital invested in distribution between September 1, 2020 and June 30, 2021. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in December 2021. In December 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding, including a motion for interim rates to take effect for usage on and after January 24, 2022. Also, in December 2021, the ALJ with the State Office of Administrative Hearings issued an order granting the motion for interim rates, which went into effect in January 2022, admitting evidence, and remanding the proceeding to the PUCT to consider the settlement.

Transmission Cost Recovery Factor (TCRF) Rider

In December 2018, Entergy Texas filed with the PUCT a request to set a new TCRF rider. The new TCRF rider was designed to collect approximately \$2.7 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and September 30, 2018. In April 2019 parties filed testimony proposing a load growth adjustment, which would fully offset Entergy Texas's proposed TCRF revenue requirement. In July 2019 the PUCT granted Entergy Texas's application as filed to begin recovery of the requested \$2.7 million annual revenue requirement, rejecting opposing parties' proposed adjustment; however, the PUCT found that the question of prudence of the actual investment costs should be determined in Entergy Texas's next rate case similar to the procedure used for the costs recovered through the DCRF rider. In October 2019 the PUCT issued an order on a motion for rehearing, clarifying and affirming its prior order granting Entergy Texas's application as filed. Also in October 2019 a second motion for rehearing was filed, and Entergy Texas filed a response in opposition to the motion. The second motion for rehearing was overruled by operation of law. In December 2019, Texas Industrial Energy Consumers filed an appeal to the PUCT order in district court alleging that the PUCT erred in declining to apply a load growth adjustment.

In August 2019, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended TCRF rider was designed to collect approximately \$19.4 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and June 30, 2019, which is \$16.7 million in incremental annual revenue above the \$2.7 million approved in the prior pending TCRF proceeding. In January 2020 the PUCT issued an order approving an unopposed settlement providing for recovery of the requested revenue requirement. Entergy Texas implemented the amended rider beginning with bills covering usage on and after January 23, 2020.

In October 2020, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$51 million annually, or \$31.6 million in incremental annual revenues beyond Entergy Texas's then-effective TCRF rider based on its capital invested in transmission between July 1, 2019 and August 31, 2020. In March 2021 the parties filed an unopposed

settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2021 and resolving all issues in the proceeding. In March 2021 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting. In June 2021 the PUCT issued an order approving the settlement.

In October 2021, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed rider is designed to collect from Entergy Texas's retail customers approximately \$66.1 million annually, or \$15.1 million in incremental annual revenues beyond Energy Texas's currently effective TCRF rider based on its capital invested in transmission between September 1, 2020 and July 31, 2021 and changes in approved transmission charges. In January 2022 the PUCT referred the proceeding to the State Office of Administrative Hearings. In February 2022 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2022. In February 2022 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting.

Generation Cost Recovery Rider

In October 2020, Entergy Texas filed an application to establish a generation cost recovery rider with an initial annual revenue requirement of approximately \$91 million to begin recovering a return of and on its generation capital investment in the Montgomery County Power Station through August 31, 2020. In December 2020, Entergy Texas filed an unopposed settlement supporting a generation cost recovery rider with an annual revenue requirement of approximately \$86 million. The settlement revenue requirement was based on a depreciation rate intended to fully depreciate Montgomery County Power Station over 38 years and the removal of certain costs from Entergy Texas's request. Under the settlement, Entergy Texas retained the right to propose a different depreciation rate and seek recovery of a majority of the costs removed from its request in its next base rate proceeding. On January 14, 2021, the PUCT approved the generation cost recovery rider settlement rates on an interim basis and abated the proceeding. In March 2021, Entergy Texas filed to update its generation cost recovery rider to include investment in Montgomery County Power Station after August 31, 2020. In April 2021 the ALJ issued an order unabating the proceeding and in May 2021 the ALJ issued an order finding Entergy Texas's application and notice of the application to be sufficient. In May 2021, Entergy Texas filed an amendment to the application to reflect the PUCT's approval of the sale of a 7.56% partial interest in the Montgomery County Power Station to East Texas Electric Cooperative, Inc., which closed in June 2021. In June 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. In July 2021 the ALJ with the State Office of Administrative Hearings adopted a procedural schedule setting a hearing on the merits for September 2021. In July 2021 the parties filed a motion to abate the procedural schedule noting they had reached an agreement in principle and to allow the parties time to finalize a settlement agreement, which motion was granted by the ALJ. In October 2021, Entergy Texas filed on behalf of the parties an unopposed settlement agreement that would adjust its generation cost recovery rider to recover an annual revenue requirement of approximately \$88.3 million related to Entergy Texas's investment in the Montgomery County Power Station through January 1, 2021, with Entergy Texas able to seek recovery of the remainder of its investment in its next base rate case. Also in October 2021 the ALJ granted a motion to admit evidence and remand the proceeding to the PUCT. In January 2022 the PUCT issued an order approving the unopposed settlement.

In December 2020, Entergy Texas also filed an application to amend its generation cost recovery rider to reflect its acquisition of the Hardin County Peaking Facility, which closed in June 2021. Because Hardin was to be acquired in the future, the initial generation cost recovery rider rates proposed in the application represented no change from the generation cost recovery rider rates established in Entergy Texas's previous generation cost recovery rider proceeding. In July 2021 the PUCT issued an order approving the application. In August 2021, Entergy Texas filed an update application to recover its actual investment in the acquisition of the Hardin County Peaking Facility. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in April 2022. In January 2022, Entergy Texas filed an update to its application to align the requested revenue requirement with the terms of the generation

cost recovery rider settlement approved by the PUCT in January 2022. See Note 14 to the financial statements for further discussion of the Hardin County Peaking Facility purchase.

COVID-19 Orders

In March 2020 the PUCT authorized electric utilities to record as a regulatory asset expenses resulting from the effects of the COVID-19 pandemic. In future proceedings the PUCT will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary, the appropriate period of recovery, and any amount of carrying costs thereon. In March 2020 the PUCT ordered a moratorium on disconnections for nonpayment for all customer classes, but, in April 2020, revised the disconnect moratorium to apply only to residential customers. The PUCT allowed the moratorium to expire on June 13, 2020, but on July 17, 2020, the PUCT re-established the disconnect moratorium for residential customers until August 31, 2020. In January 2021, Entergy Texas resumed disconnections for customers with past-due balances that have not made payment arrangements. As of December 31, 2021, Entergy Texas had a regulatory asset of \$11.7 million for costs associated with the COVID-19 pandemic.

Fuel and Purchased Power Cost Recovery

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, not recovered in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT. A fuel reconciliation is required to be filed at least once every three years and outside of a base rate case filing.

In September 2019, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period from April 2016 through March 2019. During the reconciliation period, Entergy Texas incurred approximately \$1.6 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an under-recovery balance of approximately \$25.8 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2019. In March 2020 an intervenor filed testimony proposing that the PUCT disallow: (1) \$2 million in replacement power costs associated with generation outages during the reconciliation period; and (2) \$24.4 million associated with the operation of the Spindletop natural gas storage facility during the reconciliation period. In April 2020, Entergy Texas filed rebuttal testimony refuting all points raised by the intervenor. In June 2020 the parties filed a stipulation and settlement agreement, which included a \$1.2 million disallowance not associated with any particular issue raised by any party. The PUCT approved the settlement in August 2020.

In July 2020, Entergy Texas filed an application with the PUCT to implement an interim fuel refund of \$25.5 million, including interest. Entergy Texas proposed that the interim fuel refund be implemented beginning with the first August 2020 billing cycle over a three-month period for smaller customers and in a lump sum amount in the billing month of August 2020 for transmission-level customers. The interim fuel refund was approved in July 2020, and Entergy Texas began refunds in August 2020.

In February 2021, Entergy Texas filed an application to implement a fuel refund for a cumulative over-recovery of approximately \$75 million that is primarily attributable to settlements received by Entergy Texas from MISO related to Hurricane Laura. Entergy Texas planned to issue the refund over the period of March through August 2021. On February 22, 2021, Entergy Texas filed a motion to abate its fuel refund proceeding to assess how the February 2021 winter storm impacted Entergy Texas's fuel over-recovery position. In March 2021, Entergy Texas withdrew its application to implement the fuel refund. Entergy Texas is continuing to evaluate its fuel balance and will file a subsequent refund or surcharge application consistent with the requirements of the PUCT's rules.

Federal Regulation

See the “**Rate, Cost-recovery, and Other Regulation – Federal Regulation**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

Nuclear Matters

See the “**Nuclear Matters**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of nuclear matters.

Industrial and Commercial Customers

Entergy Texas's large industrial and commercial customers continually explore ways to reduce their energy costs. In particular, cogeneration is an option available to a portion of Entergy Texas's industrial customer base. Entergy Texas responds by working with industrial and commercial customers and negotiating electric service contracts to provide, under existing rate schedules, competitive rates that match specific customer needs and load profiles. Entergy Texas actively participates in economic development, customer retention, and reclamation activities to increase industrial and commercial demand, from both new and existing customers.

Environmental Risks

Entergy Texas's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Texas is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in “**Regulation of Entergy's Business - Environmental Regulation**” in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Utility Regulatory Accounting

See “**Utility Regulatory Accounting**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See “**Impairment of Long-lived Assets**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy Texas's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries' Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$363	\$9,007
Rate of return on plan assets	(0.25%)	\$727	\$—
Rate of increase in compensation	0.25%	\$406	\$1,797

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$42	\$2,067
Health care cost trend	0.25%	\$74	\$1,370

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Texas in 2021 was \$18.6 million, including \$11.8 million in settlement costs. Entergy Texas anticipates 2022 qualified pension cost to be \$5.7 million. Entergy Texas contributed \$7 million to its qualified pension plans in 2021 and estimates 2022 pension contributions will be approximately \$1.9 million, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total postretirement health care and life insurance benefit income for Entergy Texas in 2021 was \$10.9 million. Entergy Texas expects 2022 postretirement health care and life insurance benefit income to approximate \$11.1 million. Entergy Texas contributed \$98 thousand to its other postretirement plans in 2021 and estimates 2022 contributions will be approximately \$66 thousand.

Other Contingencies

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of
Entergy Texas, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Texas, Inc. and Subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, cash flows, and changes in common equity (pages 418 through 422 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Rate and Regulatory Matters —Entergy Texas, Inc. and Subsidiaries — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Public Utility Commission of Texas (the “PUCT”), which has jurisdiction with respect to the rates of electric companies in Texas, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate

regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Company's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the PUCT and the FERC set the rates the Company is allowed to charge customers based on allowable costs, including a reasonable return on equity, the Company applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Company assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the PUCT and the FERC will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the PUCT and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the PUCT and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the PUCT and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the PUCT's and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the PUCT and the FERC, including the base rate case filing, and considered the filings with the PUCT and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

We have served as the Company's auditor since 2001.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	\$1,902,511	\$1,587,125	\$1,488,955
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	335,742	238,428	162,544
Purchased power	588,941	510,633	602,563
Other operation and maintenance	281,713	250,170	258,924
Taxes other than income taxes	94,989	72,909	76,366
Depreciation and amortization	214,838	177,738	153,286
Other regulatory charges (credits) - net	59,581	90,398	88,770
TOTAL	1,575,804	1,340,276	1,342,453
OPERATING INCOME	326,707	246,849	146,502
OTHER INCOME			
Allowance for equity funds used during construction	9,892	44,073	28,445
Interest and investment income	837	1,201	3,072
Miscellaneous - net	721	(28)	546
TOTAL	11,450	45,246	32,063
INTEREST EXPENSE			
Interest expense	87,787	92,920	86,333
Allowance for borrowed funds used during construction	(3,980)	(18,940)	(13,269)
TOTAL	83,807	73,980	73,064
INCOME BEFORE INCOME TAXES	254,350	218,115	105,501
Income taxes	25,526	3,042	(53,896)
NET INCOME	228,824	215,073	159,397
Preferred dividend requirements	1,909	1,882	580
EARNINGS APPLICABLE TO COMMON STOCK	\$226,915	\$213,191	\$158,817

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$228,824	\$215,073	\$159,397
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation and amortization	214,838	177,738	153,286
Deferred income taxes, investment tax credits, and non-current taxes accrued	48,813	36,033	20,143
Changes in assets and liabilities:			
Receivables	(16,455)	(30,082)	58,445
Fuel inventory	10,819	(5,938)	(4,926)
Accounts payable	(5,718)	(23,692)	(33,646)
Prepaid taxes and taxes accrued	(3,420)	2,730	(3,805)
Interest accrued	(1,854)	1,864	(5,363)
Deferred fuel costs	(133,636)	72,355	(6,696)
Other working capital accounts	(12,105)	(11,837)	(13,822)
Provisions for estimated losses	(140)	274	(5,748)
Other regulatory assets	103,380	(12,065)	85,400
Other regulatory liabilities	(28,747)	(57,477)	(105,517)
Pension and other postretirement liabilities	(42,502)	(28,825)	(7,152)
Other assets and liabilities	(5,164)	39,174	(3,257)
Net cash flow provided by operating activities	356,933	375,325	286,739
INVESTING ACTIVITIES			
Construction expenditures	(702,754)	(895,857)	(898,090)
Allowance for equity funds used during construction	9,892	44,073	28,526
Proceeds from sale of assets	67,920	—	—
Payment for purchase of assets	(36,534)	(4,931)	—
Changes in money pool receivable - net	4,601	6,580	(11,181)
Changes in securitization account	9,604	1,487	2,465
Net cash flow used in investing activities	(647,271)	(848,648)	(878,280)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	127,931	937,725	986,019
Retirement of long-term debt	(269,435)	(367,565)	(578,593)
Capital contributions from parent	95,000	175,000	185,000
Proceeds from the issuance of preferred stock	3,713	—	33,188
Changes in money pool payable - net	79,594	—	(22,389)
Dividends paid:			
Common stock	—	(30,000)	—
Preferred stock	(1,881)	(2,064)	—
Other	6,848	(4,106)	1,189
Net cash flow provided by financing activities	41,770	708,990	604,414
Net increase (decrease) in cash and cash equivalents	(248,568)	235,667	12,873
Cash and cash equivalents at beginning of period	248,596	12,929	56
Cash and cash equivalents at end of period	\$28	\$248,596	\$12,929
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$87,094	\$89,077	\$89,402
Income taxes	\$17,594	\$2,792	\$17,010
See Notes to Financial Statements.			

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$28	\$26
Temporary cash investments	—	248,570
Total cash and cash equivalents	28	248,596
Securitization recovery trust account	26,629	36,233
Accounts receivable:		
Customer	83,797	103,221
Allowance for doubtful accounts	(5,814)	(16,810)
Associated companies	31,720	18,892
Other	13,404	11,780
Accrued unbilled revenues	62,241	56,411
Total accounts receivable	185,348	173,494
Deferred fuel costs	48,280	—
Fuel inventory - at average cost	42,712	53,531
Materials and supplies - at average cost	72,884	56,227
Prepayments and other	17,515	20,165
TOTAL	393,396	588,246
OTHER PROPERTY AND INVESTMENTS		
Investments in affiliates - at equity	300	349
Non-utility property - at cost (less accumulated depreciation)	376	376
Other	18,128	19,889
TOTAL	18,804	20,614
UTILITY PLANT		
Electric	7,181,567	6,007,687
Construction work in progress	183,965	879,908
TOTAL UTILITY PLANT	7,365,532	6,887,595
Less - accumulated depreciation and amortization	2,049,750	1,864,494
UTILITY PLANT - NET	5,315,782	5,023,101
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$23,818 as of December 31, 2021 and \$78,590 as of December 31, 2020)	421,333	524,713
Other	112,096	70,397
TOTAL	533,429	595,110
TOTAL ASSETS	\$6,261,411	\$6,227,071

See Notes to Financial Statements.

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

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$—	\$200,000
Accounts payable:		
Associated companies	142,929	55,944
Other	164,981	350,947
Customer deposits	37,271	36,282
Taxes accrued	49,018	52,438
Interest accrued	19,002	20,856
Current portion of unprotected excess accumulated deferred income taxes	27,188	29,249
Deferred fuel costs	—	85,356
Other	16,120	12,370
TOTAL	456,509	843,442
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	692,496	639,422
Accumulated deferred investment tax credits	9,325	9,942
Regulatory liability for income taxes - net	144,145	175,594
Other regulatory liabilities	37,060	32,297
Asset retirement cost liabilities	8,520	8,063
Accumulated provisions	8,242	8,382
Long-term debt (includes securitization bonds of \$53,979 as of December 31, 2021 and \$123,066 as of December 31, 2020)	2,354,148	2,293,708
Other	67,760	58,643
TOTAL	3,321,696	3,226,051
Commitments and Contingencies		
EQUITY		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2021 and 2020	49,452	49,452
Paid-in capital	1,050,125	955,162
Retained earnings	1,344,879	1,117,964
Total common shareholder's equity	2,444,456	2,122,578
Preferred stock without sinking fund	38,750	35,000
TOTAL	2,483,206	2,157,578
TOTAL LIABILITIES AND EQUITY		
	\$6,261,411	\$6,227,071

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Preferred Stock	Common Equity			Total
		Common Stock	Paid-in Capital	Retained Earnings	
(In Thousands)					
Balance at December 31, 2018	\$—	\$49,452	\$596,994	\$775,956	\$1,422,402
Net income	—	—	—	159,397	159,397
Capital contributions from parent	—	—	185,000	—	185,000
Preferred stock issuance	35,000	—	(1,812)	—	33,188
Preferred stock dividends	—	—	—	(580)	(580)
Balance at December 31, 2019	\$35,000	\$49,452	\$780,182	\$934,773	\$1,799,407
Net income	—	—	—	215,073	215,073
Capital contributions from parent	—	—	175,000	—	175,000
Common stock dividends	—	—	—	(30,000)	(30,000)
Preferred stock dividends	—	—	—	(1,882)	(1,882)
Other	—	—	(20)	—	(20)
Balance at December 31, 2020	\$35,000	\$49,452	\$955,162	\$1,117,964	\$2,157,578
Net income	—	—	—	228,824	228,824
Capital contributions from parent	—	—	95,000	—	95,000
Preferred stock issuance	3,750	—	(37)	—	3,713
Preferred stock dividends	—	—	—	(1,909)	(1,909)
Balance at December 31, 2021	\$38,750	\$49,452	\$1,050,125	\$1,344,879	\$2,483,206

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

System Energy’s principal asset 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. As discussed in “**Complaints Against System Energy**” below, System Energy is currently involved in proceedings at the FERC commenced by the retail regulators of its customers regarding its return on equity, its capital structure, its renewal of the sale-leaseback of 11.5% of Grand Gulf, the treatment of uncertain tax positions in rate base, and the rates it charges under the Unit Power Sales Agreement.

Results of Operations

2021 Compared to 2020

Net Income

Net income increased \$7.7 million primarily due to the increase in operating revenues resulting from changes in rate base and due to a provision for rate refund recorded in 2020 to reflect a one-time credit of \$25.2 million provided for in the Federal Power Act section 205 filing made by System Energy in December 2020. See “**Complaints Against System Energy**” below for further discussion of these items and other proceedings involving System Energy at the FERC. The one-time credit is discussed in the **Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue** part of that section. The return on equity complaint is discussed in the **Return on Equity and Capital Structure Complaints** part of that section.

Income Taxes

The effective income tax rates were (1.9%) for 2021 and 17.2% for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of System Energy’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of results of operations for 2020 compared to 2019.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$242,469	\$68,534	\$95,685
Net cash provided by (used in):			
Operating activities	201,211	(145,462)	300,141
Investing activities	(193,392)	(206,443)	(119,553)
Financing activities	(161,087)	525,840	(207,739)
Net increase (decrease) in cash and cash equivalents	(153,268)	173,935	(27,151)
Cash and cash equivalents at end of period	<u>\$89,201</u>	<u>\$242,469</u>	<u>\$68,534</u>

2021 Compared to 2020

Operating Activities

System Energy's operating activities provided \$201.2 million of cash in 2021 compared to using \$145.5 million of cash in 2020 primarily due to a decrease of \$329.4 million in income taxes paid in 2021 and a decrease in spending of \$35.9 million on nuclear refueling outage costs in 2021 as compared to prior year, partially offset by proceeds of \$35 million received in December 2020 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. System Energy made income tax payments of \$55 million in 2021, which included payments made as a result of the amended Mississippi tax returns filed based on federal adjustments related to the resolution of the 2014-2015 IRS audit and additional payments made in accordance with an intercompany income tax allocation agreement. System Energy made income tax payments of \$384.3 million in 2020 in accordance with an intercompany income tax allocation agreement. The 2020 income tax payments are primarily related to the resolution of the 2014-2015 IRS audit regarding the treatment of nuclear decommissioning costs included in cost of goods sold, which is discussed in Note 3 to the financial statements in "**Tax Accounting Methods.**" See Note 8 to the financial statements for a discussion of the spent nuclear fuel litigation.

Investing Activities

Net cash flow used in investing activities decreased by \$13.1 million in 2021 primarily due to:

- a decrease of \$100.8 million in nuclear construction expenditures as a result of spending in 2020 on Grand Gulf outage projects and upgrades; and
- a decrease of \$45.7 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, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

The decrease was partially offset by money pool activity.

Increases in System Energy's receivable from the money pool are a use of cash flow and System Energy's receivable from the money pool increased by \$71.7 million in 2021 compared to decreasing by \$55.3 million in 2020. 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 used \$161.1 million of cash in 2021 compared to providing \$525.8 million of cash in 2020 primarily due to the following activity:

- a \$350 million capital contribution from Entergy Corporation in 2020 in order to maintain System Energy's capital structure in conjunction with the 2020 tax payments discussed above in "Operating Activities";
- the issuance in December 2020 of \$200 million of 2.14% Series mortgage bonds;
- the issuance in October 2020 of \$90 million of 2.05% Series K notes by the System Energy nuclear fuel company variable interest entity;
- the repayment in February 2021 of \$100 million of 3.42% Series J notes by the System Energy nuclear fuel company variable interest entity; and
- net borrowings of \$36.1 million of long-term borrowings in 2021 compared to net repayments of \$31.6 million of long-term borrowings in 2020 on the nuclear fuel company variable interest entity's credit facility.

See Note 5 to the financial statements for additional details of long-term debt.

2020 Compared to 2019

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow" in Item 7 of System Energy's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Capital Structure

System Energy's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due to the net repayment of long-term debt in 2021.

	December 31, 2021	December 31, 2020
Debt to capital	40.4 %	42.7 %
Effect of subtracting cash	(3.0 %)	(8.5 %)
Net debt to net capital	37.4 %	34.2 %

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 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.

System Energy seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a dividend or a capital distribution, or a combination of the three, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments and other uses of cash, System Energy may issue incremental debt or reduce

dividends, or both, to maintain its capital structure. In addition, System Energy may receive equity contributions to maintain its capital structure for certain circumstances that would materially alter the capital structure if financed entirely with debt and reduced dividends.

Uses of Capital

System Energy requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel costs and tax payments; and
- dividend, distribution, and interest payments.

Following are the amounts of System Energy's planned construction and other capital investments.

	2022	2023	2024
	(In Millions)		
Planned construction and capital investment:			
Generation	\$140	\$135	\$180
Utility Support	20	20	15
Total	<u>\$160</u>	<u>\$155</u>	<u>\$195</u>

In addition to routine spending to maintain operations, the planned capital investment estimate includes amounts associated with Grand Gulf investments and initiatives.

Following are the amounts of System Energy's existing debt obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
	(In Millions)				
Long-term debt (a)	\$87	\$314	\$25	\$246	\$381

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

Other Obligations

System Energy expects to contribute approximately \$12.8 million to its qualified pension plans and approximately \$22 thousand to other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See "**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

System Energy has \$14.8 million of unrecognized tax benefits and interest net of unused tax attributes and payments for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, System Energy enters into nuclear fuel purchase agreements that contain minimum purchase obligations. As discussed in Note 8 to the financial statements, System Energy recovers these costs through charges under the Unit Power Sales Agreement.

As a wholly-owned subsidiary, System Energy dividends its earnings to Entergy Corporation at a percentage determined monthly.

Sources of Capital

System Energy's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- debt issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- equity contributions; and
- bank financing under new or existing facilities.

Circumstances such fuel and purchased power price fluctuations and unanticipated expenses, including unscheduled plant outages, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, System Energy expects to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

All debt issuances by System Energy require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. System Energy has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

System Energy's receivables from the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
\$75,745	\$4,004	\$59,298	\$107,122

See Note 4 to the financial statements 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 June 2024. As of December 31, 2021, \$36.1 million in loans were outstanding under the System Energy nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements for additional discussion of the variable interest entity credit facility.

System Energy obtained authorizations from the FERC through October 2023 for the following:

- short-term borrowings not to exceed an aggregate amount of \$200 million at any time outstanding;
- long-term borrowings and security issuances; and
- borrowings by its nuclear fuel company variable interest entity.

See Note 4 to the financial statements for further discussion of System Energy's short-term borrowing limits.

Federal Regulation

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

Complaints Against System Energy

System Energy and the Unit Power Sales Agreement are currently the subject of several litigation proceedings at the FERC, including challenges with respect to System Energy's authorized return on equity and capital structure, renewal of its sale-leaseback arrangement, treatment of uncertain tax positions, a broader investigation of rates under the Unit Power Sales Agreement, and a prudence complaint challenging the extended power uprate completed at Grand Gulf in 2012 and the operation and management of Grand Gulf, particularly in the 2016-2020 time period. The claims in these proceedings include claims for refunds and claims for rate adjustments; the aggregate amount of refunds claimed in these proceedings substantially exceeds the net book value of System Energy. Following are discussions of the proceedings.

Return on Equity and Capital Structure Complaints

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%, which was established in a rate proceeding that became final in July 2001.

The APSC and MPSC complaint alleges that the return on equity is unjust and unreasonable because capital market and other considerations indicate that it is excessive. The complaint requests proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017 as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes that a return on equity of 8.37% to 8.67% is just and reasonable. The LPSC and the City Council intervened in the proceeding expressing support for the complaint. In September 2017 the FERC established a refund effective date of January 23, 2017 and directed the parties to engage in settlement proceedings before an ALJ. The parties were unable to settle the return on equity issue and a FERC hearing judge was assigned in July 2018. The 15-month refund period 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 15-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. The APSC, MPSC, and City Council intervened in the proceeding, filed an answer expressing support for the complaint, and asked the FERC to consolidate this proceeding with the proceeding initiated by the complaint of the APSC and MPSC in January 2017. System Energy answered the LPSC complaint in May 2018 and also filed a motion to dismiss the complaint. In August 2018 the FERC issued an order dismissing the LPSC's request to investigate System Energy's capital structure and setting for hearing the return on equity complaint, with a refund effective date of April 27, 2018. The 15-month refund period in connection with the LPSC return on equity complaint expired on July 26, 2019.

The portion of the LPSC's complaint dealing with return on equity was subsequently consolidated with the APSC and MPSC complaint for hearing. The parties addressed an order (issued in a separate FERC proceeding involving New England transmission owners) that proposed modifying the FERC's standard methodology for determining return on equity. In September 2018, System Energy filed a request for rehearing and the LPSC filed a request for rehearing or reconsideration of the FERC's August 2018 order. The LPSC's request referenced an amended complaint that it filed on the same day raising the same capital structure claim the FERC had earlier dismissed. The FERC initiated a new proceeding for the amended capital structure complaint, and System Energy submitted a response in October 2018. In January 2019 the FERC set the amended complaint for settlement and

hearing proceedings. Settlement proceedings in the capital structure proceeding commenced in February 2019. As noted below, in June 2019 settlement discussions were terminated and the amended capital structure complaint was consolidated with the ongoing return on equity proceeding. The 15-month refund period in connection with the capital structure complaint was from September 24, 2018 to December 23, 2019.

In January 2019 the LPSC and the APSC and MPSC filed direct testimony in the return on equity proceeding. For the refund period January 23, 2017 through April 23, 2018, the LPSC argues for an authorized return on equity for System Energy of 7.81% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.24%. For the refund period April 27, 2018 through July 27, 2019, and for application on a prospective basis, the LPSC argues for an authorized return on equity for System Energy of 7.97% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.41%. In March 2019, System Energy submitted answering testimony. For the first refund period, System Energy's testimony argues for a return on equity of 10.10% (median) or 10.70% (midpoint). For the second refund period, System Energy's testimony shows that the calculated returns on equity for the first period fall within the range of presumptively just and reasonable returns on equity, and thus the second complaint should be dismissed (and the first period return on equity used going forward). If the FERC nonetheless were to set a new return on equity for the second period (and going forward), System Energy argues the return on equity should be either 10.32% (median) or 10.69% (midpoint).

In May 2019 the FERC trial staff filed its direct and answering testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.89% based on the application of FERC's proposed methodology. The FERC trial staff's direct and answering testimony noted that an authorized return on equity of 9.89% for the first refund period was within the range of presumptively just and reasonable returns on equity for the second refund period, as calculated using a study period ending January 31, 2019 for the second refund period.

In June 2019, System Energy filed testimony responding to the testimony filed by the FERC trial staff. Among other things, System Energy's testimony rebutted arguments raised by the FERC trial staff and provided updated calculations for the second refund period based on the study period ending May 31, 2019. For that refund period, System Energy's testimony shows that strict application of the return on equity methodology proposed by the FERC staff indicates that the second complaint would not be dismissed, and the new return on equity would be set at 9.65% (median) or 9.74% (midpoint). System Energy's testimony argues that these results are insufficient in light of benchmarks such as state returns on equity and treasury bond yields, and instead proposes that the calculated returns on equity for the second period should be either 9.91% (median) or 10.3% (midpoint). System Energy's testimony also argues that, under application of its proposed modified methodology, the 10.10% return on equity calculated for the first refund period would fall within the range of presumptively just and reasonable returns on equity for the second refund period.

Also in June 2019, the FERC's Chief ALJ issued an order terminating settlement discussions in the amended complaint addressing System Energy's capital structure. The ALJ consolidated the amended capital structure complaint with the ongoing return on equity proceeding and set new procedural deadlines for the consolidated hearing.

In August 2019 the LPSC and the APSC and MPSC filed rebuttal testimony in the return on equity proceeding and direct and answering testimony relating to System Energy's capital structure. The LPSC re-argues for an authorized return on equity for System Energy of 7.81% for the first refund period and 7.97% for the second refund period. The APSC and MPSC argue for an authorized return on equity for System Energy of 8.26% for the first refund period and 8.32% for the second refund period. With respect to capital structure, the LPSC proposes that the FERC establish a hypothetical capital structure for System Energy for ratemaking purposes. Specifically, the LPSC proposes that System Energy's common equity ratio be set to Entergy Corporation's equity ratio of 37% equity and 63% debt. In the alternative, the LPSC argues that the equity ratio should be no higher than 49%, the composite equity ratio of System Energy and the other Entergy operating companies who purchase under the Unit Power Sales Agreement. The APSC and MPSC recommend that 35.98% be set as the common equity ratio for

System Energy. As an alternative, the APSC and MPSC propose that System Energy's common equity be set at 46.75% based on the median equity ratio of the proxy group for setting the return on equity.

In September 2019 the FERC trial staff filed its rebuttal testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.40% based on the application of the FERC's proposed methodology and an updated proxy group. For the second refund period, based on the study period ending May 31, 2019, the FERC trial staff rebuttal testimony argues for a return on equity of 9.63%. In September 2019 the FERC trial staff also filed direct and answering testimony relating to System Energy's capital structure. The FERC trial staff argues that the average capital structure of the proxy group used to develop System Energy's return on equity should be used to establish the capital structure. Using this approach, the FERC trial staff calculates the average capital structure for its proposed proxy group of 46.74% common equity, and 53.26% debt.

In October 2019, System Energy filed answering testimony disputing the FERC trial staff's, the LPSC's, and the APSC's and MPSC's arguments for the use of a hypothetical capital structure and arguing that the use of System Energy's actual capital structure is just and reasonable.

In November 2019, in a proceeding that did not involve System Energy, the FERC issued an order addressing the methodology for determining the return on equity applicable to transmission owners in MISO. Thereafter, the procedural schedule in the System Energy proceeding was amended to allow the participants to file supplemental testimony addressing the order in the MISO transmission owner proceeding (Opinion No. 569).

In February 2020 the LPSC, the MPSC and APSC, and the FERC trial staff filed supplemental testimony addressing Opinion No. 569 and how it would affect the return on equity evaluation for the two complaint periods concerning System Energy. For the first refund period, based on their respective interpretations and applications of the Opinion No. 569 methodology, the LPSC argues for an authorized return on equity for System Energy of 8.44%; the MPSC and APSC argue for an authorized return on equity of 8.41%; and the FERC trial staff argues for an authorized return on equity of 9.22%. For the second refund period and on a prospective basis, based on their respective interpretations and applications of the Opinion No. 569 methodology, the LPSC argues for an authorized return on equity for System Energy of 7.89%; the MPSC and APSC argue that an authorized return on equity of 8.01% may be appropriate; and the FERC trial staff argues for an authorized return on equity of 8.66%.

In April 2020, System Energy filed supplemental answering testimony addressing Opinion No. 569. System Energy argues that the Opinion No. 569 methodology is conceptually and analytically defective for purposes of establishing just and reasonable authorized return on equity determinations and proposes an alternative approach. As its primary recommendation, System Energy continues to support the return on equity determinations in its March 2019 testimony for the first refund period and its June 2019 testimony for the second refund period. Under the Opinion No. 569 methodology, System Energy calculates a "presumptively just and reasonable range" for the authorized return on equity for the first refund period of 8.57% to 9.52%, and for the second refund period of 8.28% to 9.11%. System Energy argues that these ranges are not just and reasonable results. Under its proposed alternative methodology, System Energy calculates an authorized return on equity of 10.26% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively.

In May 2020 the FERC issued an order on rehearing of Opinion No. 569 (Opinion No. 569-A). In June 2020 the procedural schedule in the System Energy proceeding was further revised in order to allow parties to address the Opinion No. 569-A methodology. Pursuant to the revised schedule, in June 2020, the LPSC, MPSC and APSC, and the FERC trial staff filed supplemental testimony addressing Opinion No. 569-A and how it would affect the return on equity evaluation for the two complaint periods concerning System Energy. For the first refund period, based on their respective interpretations and applications of the Opinion No. 569-A methodology, the LPSC argues for an authorized return on equity for System Energy of 7.97%; the MPSC and APSC argue for an authorized return on equity of 9.24%; and the FERC trial staff argues for an authorized return on equity of 9.49%. For the

second refund period and on a prospective basis, based on their respective interpretations and applications of the Opinion No. 569-A methodology, the LPSC argues for an authorized return on equity for System Energy of 7.78%; the MPSC and APSC argue that an authorized return on equity of 9.15% may be appropriate if the second complaint is not dismissed; and the FERC trial staff argues for an authorized return on equity of 9.09% if the second complaint is not dismissed.

Pursuant to the revised procedural schedule, in July 2020, System Energy filed supplemental testimony addressing Opinion No. 569-A. System Energy argues that strict application of the Opinion No. 569-A methodology produces results inconsistent with investor requirements and does not provide a sound basis on which to evaluate System Energy's authorized return on equity. As its primary recommendation, System Energy argues for the use of a methodology that incorporates four separate financial models, including the constant growth form of the discounted cash flow model and the empirical capital asset pricing model. Based on application of its recommended methodology, System Energy argues for an authorized return on equity of 10.12% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively. Under the Opinion No. 569-A methodology, System Energy calculates an authorized return on equity of 9.44% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively.

The parties and FERC trial staff filed final rounds of testimony in August 2020. The hearing before a FERC ALJ occurred in late-September through early-October 2020, post-hearing briefing took place in November and December 2020.

In March 2021 the FERC ALJ issued an initial decision. With regard to System Energy's authorized return on equity, the ALJ determined that the existing return on equity of 10.94% is no longer just and reasonable, and that the replacement authorized return on equity, based on application of the Opinion No. 569-A methodology, should be 9.32%. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (January 2017-April 2018) based on the difference between the current return on equity and the replacement authorized return on equity. The ALJ determined that the April 2018 complaint concerning the authorized return on equity should be dismissed, and that no refunds for a second fifteen-month refund period should be due. With regard to System Energy's capital structure, the ALJ determined that System Energy's actual equity ratio is excessive and that the just and reasonable equity ratio is 48.15% equity, based on the average equity ratio of the proxy group used to evaluate the return on equity for the second complaint. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (September 2018-December 2019) based on the difference between the actual equity ratio and the 48.15% equity ratio. If the ALJ's initial decision is upheld, the estimated refund for this proceeding is approximately \$60 million, which includes interest through December 31, 2021, and the estimated resulting annual rate reduction would be approximately \$45 million. The estimated refund will continue to accrue interest until a final FERC decision is issued. Based on the course of the proceeding to date, System Energy has recorded a provision of \$37 million, including interest, as of December 31, 2021.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. In April 2021, System Energy filed its brief on exceptions, in which it challenged the initial decision's findings on both the return on equity and capital structure issues. Also in April 2021 the LPSC, APSC, MPSC, City Council, and the FERC trial staff filed briefs on exceptions. Reply briefs opposing exceptions were filed in May 2021 by System Energy, the FERC trial staff, the LPSC, APSC, MPSC, and the City Council. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue

In May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. The complaint alleges that System Energy violated the filed rate and the FERC's

ratemaking and accounting requirements when it included in Unit Power Sales Agreement billings the cost of capital additions associated with the sale-leaseback interest, and that System Energy is double-recovering costs by including both the lease payments and the capital additions in Unit Power Sales Agreement billings. The complaint also claims that System Energy was imprudent in entering into the sale-leaseback renewal because the Utility operating companies that purchase Grand Gulf's output from System Energy could have obtained cheaper capacity and energy in the MISO markets. The complaint further alleges that System Energy violated various other reporting and accounting requirements and should have sought prior FERC approval of the lease renewal. The complaint seeks various forms of relief from the FERC. The complaint seeks refunds for capital addition costs for all years in which they were recorded in allegedly non-formula accounts or, alternatively, the disallowance of the return on equity for the capital additions in those years plus interest. The complaint also asks that the FERC disallow and refund the lease costs of the sale-leaseback renewal on grounds of imprudence, investigate System Energy's treatment of a DOE litigation payment, and impose certain forward-looking procedural protections, including audit rights for retail regulators of the Unit Power Sales Agreement formula rates. The APSC, MPSC, and City Council intervened in the proceeding.

In June 2018, System Energy and Entergy Services filed a motion to dismiss and an answer to the LPSC complaint denying that System Energy's treatment of the sale-leaseback renewal and capital additions violated the terms of the filed rate or any other FERC ratemaking, accounting, or legal requirements or otherwise constituted double recovery. The response also argued that the complaint is inconsistent with a FERC-approved settlement to which the LPSC is a party and that explicitly authorizes System Energy to recover its lease payments. Finally, the response argued that both the capital additions and the sale-leaseback renewal were prudent investments and the LPSC complaint fails to justify any disallowance or refunds. The response also offered to submit formula rate protocols for the Unit Power Sales Agreement similar to the procedures used for reviewing transmission rates under the MISO tariff. In September 2018 the FERC issued an order setting the complaint for hearing and settlement proceedings. The FERC established a refund effective date of May 18, 2018.

In February 2019 the presiding ALJ ruled that the hearing ordered by the FERC includes the issue of whether specific subcategories of accumulated deferred income tax should be included in, or excluded from, System Energy's formula rate. In March 2019 the LPSC, MPSC, APSC and City Council filed direct testimony. The LPSC testimony sought refunds that include the renewal lease payments (approximately \$17.2 million per year since July 2015), rate base reductions for accumulated deferred income tax associated with uncertain tax positions, and the cost of capital additions associated with the sale-leaseback interest, as well as interest on those amounts.

In June 2019 System Energy filed answering testimony arguing that the FERC should reject all claims for refunds. Among other things, System Energy argued that claims for refunds of the costs of lease renewal payments and capital additions should be rejected because those costs were recovered consistent with the Unit Power Sales Agreement formula rate, System Energy was not over or double recovering any costs, and ratepayers will save costs over the initial and renewal terms of the leases. System Energy argued that claims for refunds associated with liabilities arising from uncertain tax positions should be rejected because the liabilities do not provide cost-free capital, the repayment timing of the liabilities is uncertain, and the outcome of the underlying tax positions is uncertain. System Energy's testimony also challenged the refund calculations supplied by the other parties.

In August 2019 the FERC trial staff filed direct and answering testimony seeking refunds for rate base reductions for liabilities associated with uncertain tax positions. The FERC trial staff also argued that System Energy recovered \$32 million more than it should have in depreciation expense for capital additions. In September 2019, System Energy filed cross-answering testimony disputing the FERC trial staff's arguments for refunds, stating that the FERC trial staff's position regarding depreciation rates for capital additions is not unreasonable, but explaining that any change in depreciation expense is only one element of a Unit Power Sales Agreement re-billing calculation. Adjustments to depreciation expense in any re-billing under the Unit Power Sales Agreement formula rate will also involve changes to accumulated depreciation, accumulated deferred income taxes, and other formula elements as needed. In October 2019 the LPSC filed rebuttal testimony increasing the amount of refunds sought for liabilities associated with uncertain tax positions. The LPSC seeks approximately \$512 million plus interest, which

is approximately \$216 million through December 31, 2021. The FERC trial staff also filed rebuttal testimony in which it seeks refunds of a similar amount as the LPSC for the liabilities associated with uncertain tax positions. The LPSC testimony also argued that adjustments to depreciation rates should affect rate base on a prospective basis only.

A hearing was held before a FERC ALJ in November 2019. In April 2020 the ALJ issued the initial decision. Among other things, the ALJ determined that refunds were due on three main issues. First, with regard to the lease renewal payments, the ALJ determined that System Energy is recovering an unjust acquisition premium through the lease renewal payments, and that System Energy's recovery from customers through rates should be limited to the cost of service based on the remaining net book value of the leased assets, which is approximately \$70 million. The ALJ found that the remedy for this issue should be the refund of lease payments (approximately \$17.2 million per year since July 2015) with interest determined at the FERC quarterly interest rate, which would be offset by the addition of the net book value of the leased assets in the cost of service. The ALJ did not calculate a value for the refund expected as a result of this remedy. In addition, System Energy would no longer recover the lease payments in rates prospectively. Second, with regard to the liabilities associated with uncertain tax positions, the ALJ determined that the liabilities are accumulated deferred income taxes and that System Energy's rate base should have been reduced for those liabilities. If the ALJ's initial decision is upheld, the estimated refund for this issue through December 31, 2021, is approximately \$422 million, plus interest, which is approximately \$128 million through December 31, 2021. The ALJ also found that System Energy should include liabilities associated with uncertain tax positions as a rate base reduction going forward. Third, with regard to the depreciation expense adjustments, the ALJ found that System Energy should correct for the error in re-billings retroactively and prospectively, but that System Energy should not be permitted to recover interest on any retroactive return on enhanced rate base resulting from such corrections. If the initial decision is affirmed on this issue, System Energy estimates refunds of approximately \$19 million, which includes interest through December 31, 2021.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. The ALJ in the initial decision acknowledges that these are issues of first impression before the FERC. In June 2020, System Energy, the LPSC, and the FERC trial staff filed briefs on exceptions, challenging several of the initial decision's findings. System Energy's brief on exceptions challenged the initial decision's limitations on recovery of the lease renewal payments, its proposed rate base refund for the liabilities associated with uncertain tax positions, and its proposal to asymmetrically treat interest on bill corrections for depreciation expense adjustments. The LPSC's and the FERC trial staff's briefs on exceptions each challenged the initial decision's allowance for recovery of the cost of service associated with the lease renewal based on the remaining net book value of the leased assets, its calculation of the remaining net book value of the leased assets, and the amount of the initial decision's proposed rate base refund for the liabilities associated with uncertain tax positions. The LPSC's brief on exceptions also challenged the initial decision's proposal that depreciation expense adjustments include retroactive adjustments to rate base and its finding that section 203 of the Federal Power Act did not apply to the lease renewal. The FERC trial staff's brief on exceptions also challenged the initial decision's finding that the FERC need not institute a formal investigation into System Energy's tariff. In October 2020, System Energy, the LPSC, the MPSC, the APSC, and the City Council filed briefs opposing exceptions. System Energy opposed the exceptions filed by the LPSC and the FERC trial staff. The LPSC, MPSC, APSC, City Council, and the FERC trial staff opposed the exceptions filed by System Energy. Also in October 2020 the MPSC, APSC, and the City Council filed briefs adopting the exceptions of the LPSC and the FERC trial staff. The case is pending before the FERC, which will review the case and issue an order on the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in whole or in part. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

In addition, in September 2020, the IRS issued a Notice of Proposed Adjustment (NOPA) and Entergy executed it. The NOPA memorializes the IRS's decision to adjust the 2015 consolidated federal income tax return of Entergy Corporation and certain of its subsidiaries, including System Energy, with regard to the uncertain decommissioning tax position. Pursuant to the audit resolution documented in the NOPA, the IRS allowed System

Energy's inclusion of \$102 million of future nuclear decommissioning costs in System Energy's cost of goods sold for the 2015 tax year, roughly 10% of the requested deduction, but disallowed the balance of the position. In September 2020, System Energy filed a motion to lodge the NOPA into the record in the FERC proceeding. In October 2020 the LPSC, the APSC, the MPSC, the City Council, and the FERC trial staff filed oppositions to System Energy's motion. As a result of the NOPA issued by the IRS in September 2020, System Energy filed, in October 2020, a new Federal Power Act section 205 filing at FERC to establish an ongoing rate base credit for the accumulated deferred income taxes resulting from the decommissioning uncertain tax position. On a prospective basis beginning with the October 2020 bill, System Energy proposes to include the accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position as a credit to rate base under the Unit Power Sales Agreement. In November 2020 the LPSC, APSC, MPSC, and City Council filed a protest to the filing, and System Energy responded.

In November 2020 the IRS issued a Revenue Agent's Report (RAR) for the 2014/2015 tax year and in December 2020 Entergy executed it. The RAR contained the same adjustment to the uncertain nuclear decommissioning tax position as that which the IRS had announced in the NOPA. In December 2020, System Energy filed a motion to lodge the RAR into the record in the FERC proceeding addressing the uncertain tax position rate base issue. In January 2021 the LPSC, APSC, MPSC, and City Council filed a protest to the motion.

As a result of the RAR, in December 2020, System Energy filed amendments to its new Federal Power Act section 205 filings to establish an ongoing rate base credit for the accumulated deferred income taxes resulting from the decommissioning uncertain tax position and to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. The amendments both propose the inclusion of the RAR as support for the filings. In December 2020 the LPSC, APSC, and City Council filed a protest in response to the amendments, reiterating their prior objections to the filings. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filings subject to refund, setting them for hearing, and holding the hearing in abeyance.

In December 2020, System Energy filed a new Federal Power Act section 205 filing to provide a one-time, historical credit of \$25.2 million for the accumulated deferred income taxes that would have been created by the decommissioning uncertain tax position if the IRS's decision had been known in 2016. In January 2021 the LPSC, APSC, MPSC, and City Council filed a protest to the filing. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filing subject to refund, setting it for hearing, and holding the hearing in abeyance. The one-time credit was made during the first quarter 2021.

LPSC Authorization of Additional Complaints

In May 2020 the LPSC authorized its staff to file additional complaints at the FERC related to the rates charged by System Energy for Grand Gulf energy and capacity supplied to Entergy Louisiana under the Unit Power Sales Agreement. The LPSC directive notes that the initial decision issued by the presiding ALJ in the Grand Gulf sale-leaseback complaint proceeding did not address, for procedural reasons, certain rate issues raised by the LPSC and declined to order further investigation of rates charged by System Energy. The LPSC directive authorizes its staff to file complaints at the FERC "necessary to address these rate issues, to request a full investigation into the rates charged by System Energy for Grand Gulf power, and to seek rate refund, rate reduction, and such other remedies as may be necessary and appropriate to protect Louisiana ratepayers." The LPSC directive further stated that the LPSC has seen "information suggesting that the Grand Gulf plant has been significantly underperforming compared to other nuclear plants in the United States, has had several extended and unexplained outages, and has been plagued with serious safety concerns." The LPSC expressed concern that the costs paid by Entergy Louisiana's retail customers may have been detrimentally impacted, and authorized "the filing of a FERC complaint to address these performance issues and to seek appropriate refund, rate reduction, and other remedies as may be appropriate."

Unit Power Sales Agreement Complaint

The first of the additional complaints was filed by the LPSC, the APSC, the MPSC, and the City Council in September 2020. The complaint raises two sets of rate allegations: violations of the filed rate and a corresponding request for refunds for prior periods; and elements of the Unit Power Sales Agreement are unjust and unreasonable and a corresponding request for refunds for the 15-month refund period and changes to the Unit Power Sales Agreement prospectively. Several of the filed rate allegations overlap with the previous complaints. The filed rate allegations not previously raised are that System Energy: failed to provide a rate base credit to customers for the "time value" of sale-leaseback lease payments collected from customers in advance of the time those payments were due to the owner-lessors; improperly included certain lease refinancing costs in rate base as prepayments; improperly included nuclear decommissioning outage costs in rate base; failed to include categories of accumulated deferred income taxes as a reduction to rate base; charged customers based on a higher equity ratio than would be appropriate due to excessive retained earnings; and did not correctly reflect money pool investments and imprudently invested cash into the money pool. The elements of the Unit Power Sales Agreement that the complaint alleges are unjust and unreasonable include: incentive and executive compensation, lack of an equity re-opener, lobbying, and private airplane travel. The complaint also requests a rate investigation into the Unit Power Sales Agreement and System Energy's billing practices pursuant to section 206 of the Federal Power Act, including any issue relevant to the Unit Power Sales Agreement and its inputs. System Energy filed its answer opposing the complaint in November 2020. In its answer, System Energy argued that all of the claims raised in the complaint should be dismissed and agreed that bill adjustment with respect to two discrete issues were justified. System Energy argued that dismissal is warranted because all claims fall into one or more of the following categories: the claims have been raised and are being litigated in another proceeding; the claims do not present a *prima facie* case and do not satisfy the threshold burden to establish a complaint proceeding; the claims are premised on a theory or request relief that is incompatible with federal law or FERC policy; the claims request relief that is inconsistent with the filed rate; the claims are barred or waived by the legal doctrine of laches; and/or the claims have been fully addressed and do not warrant further litigation. In December 2020, System Energy filed a bill adjustment report indicating that \$3.4 million had been credited to customers in connection with the two discrete issues concerning the inclusion of certain accumulated deferred income taxes balances in rates. In January 2021 the complainants filed a response to System Energy's November 2020 answer, and in February 2021, System Energy filed a response to the complainant's response.

In May 2021 the FERC issued an order addressing the complaint, establishing a refund effective date of September 21, 2020, establishing hearing procedures, and holding those procedures in abeyance pending FERC's review of the initial decision in the Grand Gulf sale-leaseback renewal complaint discussed above. System Energy agreed that the hearing should be held in abeyance but sought rehearing of FERC's decision as related to matters set for hearing that were beyond the scope of FERC's jurisdiction or authority. The complainants sought rehearing of FERC's decision to hold the hearing in abeyance and filed a motion to proceed, which motion System Energy subsequently opposed. In June 2021, System Energy's request for rehearing was denied by operation of law, and System Energy filed an appeal of FERC's orders in the Court of Appeals for the Fifth Circuit. The appeal was initially stayed for a period of 90 days, but the stay expired. In November 2021 the Fifth Circuit dismissed the appeal as premature.

In August 2021 the FERC issued an order addressing System Energy's and the complainants' rehearing requests. The FERC dismissed part of the complaint seeking an equity re-opener, maintained the abeyance for issues related to the proceeding addressing the sale-leaseback renewal and uncertain tax positions, lifted the abeyance for issues unrelated to that proceeding, and clarified the scope of the hearing. A procedural schedule was established, with the hearing scheduled for June 2022 and the ALJ's initial decision scheduled for November 2022. Discovery is ongoing.

In November 2021 the LPSC, APSC, and City Council filed direct testimony and requested the FERC to order refunds for prior periods and prospective amendments to the Unit Power Sales Agreement. The LPSC's refund claims include, among other things, allegations that: (1) System Energy should not have included certain

sale-leaseback transaction costs in prepayments; (2) System Energy should have credited rate base to reflect the time value of money associated with the advance collection of lease payments; (3) System Energy incorrectly included refueling outage costs that were recorded in account 174 in rate base; and (4) System Energy should have excluded several accumulated deferred income tax balances in account 190 from rate base. The LPSC is also seeking a retroactive adjustment to retained earnings and capital structure in conjunction with the implementation of its proposed refunds. In addition, the LPSC seeks amendments to the Unit Power Sales Agreement going forward to address below-the-line costs, incentive compensation, the working capital allowance, litigation expenses, and the 2019 termination of the capital funds agreement. The APSC argues that: (1) System Energy should have included borrowings from the Entergy System money pool in its determination of short-term debt in its cost of capital; and (2) System Energy should credit customers with System Energy's allocation of earnings on money pool investments. The City Council alleges that System Energy has maintained excess cash on hand in the money pool and that retention of excess cash was imprudent. Based on this allegation, the City Council's witness recommends a refund of approximately \$98.8 million for the period 2004-September 2021 or other alternative relief. The City Council further recommends that the FERC impose a hypothetical equity ratio such as 48.15% equity to capital on a prospective basis.

In January 2022, System Energy filed answering testimony arguing that the FERC should not order refunds for prior periods or any prospective amendments to the Unit Power Sales Agreement. In response to the LPSC's refund claims, System Energy argues, among other things, that (1) the inclusion of sale-leaseback transaction costs in prepayments was correct; (2) that the filed rate doctrine bars the request for a retroactive credit to rate base for the time value of money associated with the advance collection of lease payments; (3) that an accounting misclassification for deferred refueling outage costs has been corrected, caused no harm to customers, and requires no refunds; and (4) that its accounting and ratemaking treatment of specified accumulated deferred income tax balances in account 190 has been correct. System Energy further responds that no retroactive adjustment to retained earnings or capital structure should be ordered because there is no general policy requiring such a remedy and there was no showing that the retained earnings element of the capital structure was incorrectly implemented. Further, System Energy presented evidence that all of the costs that are being challenged were long known to the retail regulators and were approved by them for inclusion in retail rates, and the attempt to retroactively challenge these costs, some of which have been included in rates for decades, is unjust and unreasonable. In response to the LPSC's proposed going-forward adjustments, System Energy presents evidence to show that none of the proposed adjustments are needed. On the issue of below-the-line expenses, during discovery procedures System Energy identified a historical allocation error in certain months and agreed to provide a bill credit to customers to correct the error. In response to the APSC's claims, System Energy argues that the Unit Power Sales Agreement does not include System Energy's borrowings from the Entergy System money pool or earnings on deposits to the Entergy System money pool in the determination of the cost of capital; and accordingly, no refunds are appropriate on those issues. In response to the City Council's claims, System Energy argues that it has reasonably managed its cash and that the City Council's theory of cash management is defective because it fails to adequately consider the relevant cash needs of System Energy and it makes faulty presumptions about the operation of the Entergy System money pool. System Energy further points out that the issue of its capital structure is already subject to pending FERC litigation.

Grand Gulf Prudence Complaint

The second of the additional complaints was filed at the FERC in March 2021 by the LPSC, the APSC, and the City Council against System Energy, Entergy Services, Entergy Operations, and Entergy Corporation. The second complaint contains two primary allegations. First, it alleges that, based on the plant's capacity factor and alleged safety performance, System Energy and the other respondents imprudently operated Grand Gulf during the period 2016-2020, and it seeks refunds of at least \$360 million in alleged replacement energy costs, in addition to other costs, including those that can only be identified upon further investigation. Second, it alleges that the performance and/or management of the 2012 extended power uprate of Grand Gulf was imprudent, and it seeks refunds of all costs of the 2012 uprate that are determined to result from imprudent planning or management of the project. In addition to the requested refunds, the complaint asks that the FERC modify the Unit Power Sales

Agreement to provide for full cost recovery only if certain performance indicators are met and to require pre-authorization of capital improvement projects in excess of \$125 million before related costs may be passed through to customers in rates. In April 2021, System Energy and the other respondents filed their motion to dismiss and answer to the complaint. System Energy requested that the FERC dismiss the claims within the complaint. With respect to the claim concerning operations, System Energy argues that the complaint does not meet its legal burden because, among other reasons, it fails to allege any specific imprudent conduct. With respect to the claim concerning the uprate, System Energy argues that the complaint fails because, among other reasons, the complainants' own conduct prevents them from raising a serious doubt as to the prudence of the uprate. System Energy also requests that the FERC dismiss other elements of the complaint, including the proposed modifications to the Unit Power Sales Agreement, because they are not warranted. Additional responsive pleadings were filed by the complainants and System Energy during the period from March through July 2021. The pleadings are pending FERC action.

Nuclear Matters

System Energy owns and, through an affiliate, operates Grand Gulf. System Energy is, therefore, subject to the risks related to owning and operating a nuclear plant. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Grand Gulf to meet its operational goals; the performance and capacity factors of Grand Gulf, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license renewal and amendments, and decommissioning; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of the site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of Grand Gulf, System Energy may be required to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. Grand Gulf's operating license expires in 2044.

In March 2021 the NRC placed Grand Gulf in Column 3 based on the incidence of five unplanned plant scrams during calendar year 2020, some of which were related to upgrades made to the plant's turbine control system during the spring 2020 refueling outage. The NRC conducted a supplemental inspection of Grand Gulf in accordance with its inspection procedures for nuclear plants in Column 3 and, in October 2021, notified Entergy that all inspection objectives were met. The NRC issued its report in November 2021 and Grand Gulf was returned to Column 1.

Environmental Risks

System Energy's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that System Energy is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

The preparation of System Energy's financial statements in conformity with generally accepted accounting principles requires management to apply appropriate accounting policies and to make estimates and judgments that can have a significant effect on reported financial position, results of operations, and cash flows. Management has identified the following accounting policies and estimates as critical because they are based on assumptions and

measurements that involve a high degree of uncertainty, and there is the potential for future changes in the assumptions and measurements that could produce estimates that would have a material impact on the presentation of System Energy's financial position or results of operations.

Nuclear Decommissioning Costs

See “**Nuclear Decommissioning Costs**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

Utility Regulatory Accounting

See “**Utility Regulatory Accounting**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See “**Impairment of Long-lived Assets**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

System Energy's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$483	\$10,885
Rate of return on plan assets	(0.25%)	\$685	\$—
Rate of increase in compensation	0.25%	\$464	\$1,952

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$50	\$1,591
Health care cost trend	0.25%	\$69	\$1,132

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

Costs and Employer Contributions

Total qualified pension cost for System Energy in 2021 was \$29.3 million, including \$12.3 million in settlement costs. System Energy anticipates 2022 qualified pension cost to be \$12.1 million. System Energy contributed \$18.7 million to its qualified pension plans in 2021 and estimates 2022 pension contributions will approximate \$12.8 million, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total postretirement health care and life insurance benefit income for System Energy in 2021 was \$1.3 million. System Energy expects 2022 postretirement health care and life insurance benefit income to approximate \$1 million. System Energy contributed \$1.2 million to its other postretirement plans in 2021 and expects 2022 contributions to approximate \$22 thousand.

Other Contingencies

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of System Energy Resources, Inc. (the “Company”) as of December 31, 2021 and 2020, the related statements of income, cash flows, and changes in common equity (pages 442 through 446 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that is material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Rate and Regulatory Matters —System Energy Resources, Inc. — Refer to Notes 2 to the financial statements

Critical Audit Matter Description

The Company is subject to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; operating revenues; operation and maintenance expense; income taxes; and depreciation and amortization expense.

The Company's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the FERC sets the rates the Company is allowed to charge customers based on allowable costs, including a reasonable return on equity, the Company applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Company assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the FERC will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the (1) likelihood of recovery in future rates of incurred costs, (2) likelihood of refunds to customers, and (3) ongoing complaints filed with the FERC against the Company which include aggregate claims for refunds that substantially exceed the net book value of the Company. Auditing management's judgments regarding the outcome of future decisions by the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings and ongoing complaints filed with the FERC, including the Return on Equity, Capital Structure, Grand Gulf Sale-Leaseback Renewal, Unit Power Sales Agreement and Prudence complaints, and considered the filings with the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including the complaints filed with the FERC against the Company, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

We have served as the Company's auditor since 2001.

SYSTEM ENERGY RESOURCES, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	\$570,848	\$495,458	\$573,410
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	58,313	23,026	82,438
Nuclear refueling outage expenses	27,244	27,737	33,376
Other operation and maintenance	214,322	178,249	206,444
Decommissioning	38,693	37,181	35,729
Taxes other than income taxes	27,842	28,657	29,018
Depreciation and amortization	105,978	110,395	106,630
Other regulatory charges (credits) - net	26,214	(26,531)	(35,210)
TOTAL	498,606	378,714	458,425
OPERATING INCOME			
	72,242	116,744	114,985
OTHER INCOME			
Allowance for equity funds used during construction	6,188	9,122	8,709
Interest and investment income	82,744	36,478	29,488
Miscellaneous - net	(18,991)	(10,012)	(5,516)
TOTAL	69,941	35,588	32,681
INTEREST EXPENSE			
Interest expense	38,393	34,467	35,328
Allowance for borrowed funds used during construction	(1,047)	(1,809)	(2,131)
TOTAL	37,346	32,658	33,197
INCOME BEFORE INCOME TAXES			
	104,837	119,674	114,469
Income taxes	(1,977)	20,543	15,349
NET INCOME	\$106,814	\$99,131	\$99,120
See Notes to Financial Statements.			

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$106,814	\$99,131	\$99,120
Adjustments to reconcile net income to net cash flow provided by (used in) operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	198,067	184,429	212,170
Deferred income taxes, investment tax credits, and non-current taxes accrued	11,191	(455,732)	95
Changes in assets and liabilities:			
Receivables	6,054	13,932	(23,382)
Accounts payable	23,973	(11,587)	18,204
Prepaid taxes and taxes accrued	(50,059)	69,145	19,247
Interest accrued	(1,008)	729	(1,302)
Other working capital accounts	25,096	(34,158)	15,879
Other regulatory assets	143,417	(48,880)	(43,712)
Other regulatory liabilities	40,884	140,965	130,949
Pension and other postretirement liabilities	(49,308)	15,596	11,177
Other assets and liabilities	(253,910)	(119,032)	(138,304)
Net cash flow provided by (used in) operating activities	201,211	(145,462)	300,141
INVESTING ACTIVITIES			
Construction expenditures	(100,474)	(193,857)	(166,695)
Allowance for equity funds used during construction	6,188	9,122	8,709
Nuclear fuel purchases	(45,180)	(94,991)	(18,170)
Proceeds from the sale of nuclear fuel	21,724	25,836	26,223
Decrease (increase) in other investments	(300)	—	—
Proceeds from nuclear decommissioning trust fund sales	1,022,170	418,943	500,384
Investment in nuclear decommissioning trust funds	(1,025,779)	(432,249)	(517,828)
Changes in money pool receivable - net	(71,741)	55,294	47,824
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	5,459	—
Net cash flow used in investing activities	(193,392)	(206,443)	(119,553)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	662,423	1,147,903	1,103,917
Retirement of long-term debt	(727,510)	(891,410)	(1,187,406)
Capital contribution from parent	—	350,000	—
Common stock dividends and distributions	(96,000)	(80,653)	(124,250)
Net cash flow provided by (used in) financing activities	(161,087)	525,840	(207,739)
Net increase (decrease) in cash and cash equivalents	(153,268)	173,935	(27,151)
Cash and cash equivalents at beginning of period	242,469	68,534	95,685
Cash and cash equivalents at end of period	\$89,201	\$242,469	\$68,534
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$39,340	\$35,061	\$21,052
Income taxes	\$54,959	\$384,329	\$2,284
See Notes to Financial Statements.			

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$87	\$26,086
Temporary cash investments	89,114	216,383
Total cash and cash equivalents	89,201	242,469
Accounts receivable:		
Associated companies	118,977	57,743
Other	7,003	2,550
Total accounts receivable	125,980	60,293
Materials and supplies - at average cost	127,093	123,006
Deferred nuclear refueling outage costs	10,123	34,459
Prepayments and other	1,870	6,864
TOTAL	354,267	467,091
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	1,385,254	1,215,868
TOTAL	1,385,254	1,215,868
UTILITY PLANT		
Electric	5,362,494	5,309,458
Construction work in progress	97,968	59,831
Nuclear fuel	171,438	175,005
TOTAL UTILITY PLANT	5,631,900	5,544,294
Less - accumulated depreciation and amortization	3,396,136	3,355,367
UTILITY PLANT - NET	2,235,764	2,188,927
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	395,546	538,963
Other	1,793	3,119
TOTAL	397,339	542,082
TOTAL ASSETS	\$4,372,624	\$4,413,968

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$50,329	\$100,015
Accounts payable:		
Associated companies	23,682	15,309
Other	62,573	41,313
Taxes accrued	32,918	82,977
Interest accrued	11,714	12,722
Other	4,101	4,248
TOTAL	185,317	256,584
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	382,931	359,835
Accumulated deferred investment tax credits	43,003	38,902
Regulatory liability for income taxes - net	113,165	151,829
Other regulatory liabilities	744,944	665,396
Decommissioning	1,007,603	968,910
Pension and other postretirement liabilities	76,104	125,412
Long-term debt	690,967	705,259
Other	37,230	61,295
TOTAL	3,095,947	3,076,838
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2021 and 2020	951,850	951,850
Retained earnings	139,510	128,696
TOTAL	1,091,360	1,080,546
TOTAL LIABILITIES AND EQUITY		
	\$4,372,624	\$4,413,968

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Common Equity		
	Common Stock	Retained Earnings	Total
	(In Thousands)		
Balance at December 31, 2018	\$601,850	\$135,348	\$737,198
Net income	—	99,120	99,120
Common stock dividends and distributions	—	(124,250)	(124,250)
Balance at December 31, 2019	\$601,850	\$110,218	\$712,068
Net income	—	99,131	99,131
Capital contribution from parent	350,000	—	350,000
Common stock dividends and distributions	—	(80,653)	(80,653)
Balance at December 31, 2020	\$951,850	\$128,696	\$1,080,546
Net income	—	106,814	106,814
Common stock dividends and distributions	—	(96,000)	(96,000)
Balance at December 31, 2021	<u>\$951,850</u>	<u>\$139,510</u>	<u>\$1,091,360</u>

See Notes to Financial Statements.

Item 2. Properties

Information regarding the registrant’s properties is included in Part I. Item 1. - Entergy’s Business under the sections titled “Utility - Property and Other Generation Resources” and “Entergy Wholesale Commodities - Property” in this report.

Item 3. Legal Proceedings

Details of the registrant’s material environmental regulation and proceedings and other regulatory proceedings and litigation that are pending or those terminated in the fourth quarter of 2021 are discussed in Part I. Item 1. - Entergy’s Business under the sections titled “**Retail Rate Regulation**,” “**Environmental Regulation**,” and “**Litigation**.”

Item 4. Mine Safety Disclosures

Not applicable.

INFORMATION ABOUT EXECUTIVE OFFICERS OF ENTERGY CORPORATION

Executive Officers

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
Leo P. Denault (a)	62	Chairman of the Board and Chief Executive Officer of Entergy Corporation	2013-Present
A. Christopher Bakken, III (a)	60	Executive Vice President and Chief Nuclear Officer of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy	2016-Present
Marcus V. Brown (a)	60	Executive Vice President and General Counsel of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2013-Present
Andrew S. Marsh (a)	50	Executive Vice President and Chief Financial Officer of Entergy Corporation	2013-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2013-Present
		Chief Financial Officer of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2014-Present

Name	Age	Position	Period
Roderick K. West (a)	53	Group President Utility Operations of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas	2017-Present
		President, Chief Executive Officer, and Director of System Energy	2017-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2017-Present
		President and Chief Executive Officer of Entergy New Orleans	2018
		Executive Vice President of Entergy Corporation	2010-2017
Paul D. Hinnenkamp (a)	60	Executive Vice President and Chief Operating Officer of Entergy Corporation	2017-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas	2015-Present
		Senior Vice President and Chief Operating Officer of Entergy Corporation	2015-2017
Kathryn A. Collins	58	Senior Vice President and Chief Human Resources Officer, Entergy Corporation	2020-Present
		Chief Human Resources Officer, Arcosa, Inc.	2018-2020
		Vice President, Human Resources, Trinity, Inc.	2014-2018
Julie E. Harbert (a)	48	Senior Vice President, Corporate Business Services of Entergy Corporation	2019-Present
		Vice President, Shared Services of Entergy Services, Inc.	2017-2019
		Senior Vice President, Global Business Services of Philips Health Tech	2015-2017
Kimberly A. Fontan (a)	48	Senior Vice President and Chief Accounting Officer of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2019-Present
		Vice President, System Planning of Entergy Services, Inc.	2017-2019
		Vice President, Regulatory Services of Entergy Services, Inc.	2015-2017
Peter S. Norgeot, Jr. (a)	56	Senior Vice President, Transformation of Entergy Corporation	2018-Present
		Senior Vice President, Power Generation of Entergy Services	2017-2018
		Vice President, Fossil Generation of Entergy Services	2015-2017

(a) In addition, this officer is an executive officer and/or director of various other wholly owned subsidiaries of Entergy Corporation and its operating companies.

Each officer of Entergy Corporation is elected yearly by the Board of Directors. Each officer's age and title are provided as of December 31, 2021.

PART II

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

Entergy Corporation

The shares of Entergy Corporation's common stock are listed on the New York Stock and Chicago Stock Exchanges under the ticker symbol ETR. As of January 31, 2022, there were 21,707 stockholders of record of Entergy Corporation.

Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (1)

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 (2)
10/01/2021 - 10/31/2021	—	\$—	—	\$350,052,918
11/01/2021 - 11/30/2021	—	\$—	—	\$350,052,918
12/01/2021 - 12/31/2021	—	\$—	—	\$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 2021, Entergy withheld 81,434 shares of its common stock at \$95.12 per share, 40,476 shares of its common stock at \$95.15 per share, 36,804 shares of its common stock at \$94.75 per share, 36,347 shares of its common stock at \$95.33 per share, 1,188 shares of its common stock at \$91.16 per share, 853 shares of its common stock at \$96.47 per share, 719 shares of its common stock at \$98.01 per share, 678 shares of its common stock at \$92.70 per share, 584 shares of its common stock at \$94.69 per share, 118 shares of its common stock at \$95 per share, and 10 shares of its common stock at \$95.25 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.

- (1) See Note 12 to the financial statements for additional discussion of the stock-based compensation plans.
- (2) Maximum amount of shares that may yet be repurchased relates only to the \$500 million plan and does not include an estimate of the amount of shares that may be purchased to fund the exercise of grants under the stock-based compensation plans.

Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy

There is no market for the common equity of the Registrant Subsidiaries. Information with respect to restrictions that limit the ability of the Registrant Subsidiaries to pay dividends or distributions is presented in Note 7 to the financial statements.

Item 6. Reserved

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

Refer to “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS OF ENTERGY CORPORATION AND SUBSIDIARIES, ENTERGY ARKANSAS, LLC AND SUBSIDIARIES, ENTERGY LOUISIANA, LLC AND SUBSIDIARIES, ENTERGY MISSISSIPPI, LLC, ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES, ENTERGY TEXAS, INC. AND SUBSIDIARIES, and SYSTEM ENERGY RESOURCES, INC.”

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Refer to “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS OF ENTERGY CORPORATION AND SUBSIDIARIES - Market and Credit Risk Sensitive Instruments.”

Item 8. Financial Statements and Supplementary Data

Refer to “TABLE OF CONTENTS - Entergy Corporation and Subsidiaries, Entergy Arkansas, LLC and Subsidiaries, Entergy Louisiana, LLC and Subsidiaries, Entergy Mississippi, LLC, Entergy New Orleans, LLC and Subsidiaries, Entergy Texas, Inc. and Subsidiaries, and System Energy Resources, Inc.”

Item 9. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure

No event that would be described in response to this item has occurred with respect to Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, or System Energy.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2021, 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.

Internal Control over Financial Reporting (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

The managements of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) are responsible for establishing and maintaining adequate internal control over financial reporting for the Registrants. Each Registrant’s internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of each Registrant’s financial statements presented in accordance with generally

accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Each Registrant's management assessed the effectiveness of each Registrant's internal control over financial reporting as of December 31, 2021. In making this assessment, each Registrant's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. The 2013 COSO Framework was utilized for management's assessment.

Based on each management's assessment and the criteria set forth by the 2013 COSO Framework, each Registrant's management believes that each Registrant maintained effective internal control over financial reporting as of December 31, 2021.

The report of Deloitte & Touche LLP, Entergy Corporation's independent registered public accounting firm, regarding Entergy Corporation's internal control over financial reporting is included herein. The report of Deloitte & Touche LLP is not applicable to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy because these Registrants are non-accelerated filers.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrant's management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended December 31, 2021 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Attestation Report of Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2021, based on criteria established in *Internal Control —Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021 of the Corporation and our report dated February 25, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Corporation’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 9A, Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance of the Registrants (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Information required by this item concerning directors of Entergy Corporation is set forth under the heading “Proposal 1 – Election of Directors” contained in the Proxy Statement of Entergy Corporation, to be filed in connection with its Annual Meeting of Stockholders to be held May 6, 2022, and is incorporated herein by reference.

All officers and directors listed below held the specified positions with their respective companies as of the date of filing this report, unless otherwise noted.

Name	Age	Position	Period
Entergy Arkansas, LLC			
Directors			
Laura R. Landreaux	48	President and Chief Executive Officer of Entergy Arkansas	2018-Present
		Director of Entergy Arkansas	2018-Present
		Operational Finance Director of Entergy Arkansas	2017-2018
		Vice President, Regulatory Affairs of Entergy Arkansas	2014-2017
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Officers			
A. Christopher Bakken, III		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Marcus V. Brown		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Leo P. Denault		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Laura R. Landreaux		See information under the Entergy Arkansas Directors Section above.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Kimberly A. Fontan		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	

ENTERGY LOUISIANA, LLC

Directors

Phillip R. May, Jr.	59	President and Chief Executive Officer of Entergy Louisiana Director of Entergy Louisiana	2013-Present 2013-Present
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	

Officers

A. Christopher Bakken, III		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Marcus V. Brown		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Leo P. Denault		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Phillip R. May, Jr.		See information under the Entergy Louisiana Directors Section above.	
Kimberly A. Fontan		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	

ENTERGY MISSISSIPPI, LLC

Directors

Haley R. Fisackerly	56	President and Chief Executive Officer of Entergy Mississippi Director of Entergy Mississippi	2008-Present 2008-Present
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	

Officers

Marcus V. Brown	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Leo P. Denault	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Haley R. Fisackerly	See information under the Entergy Mississippi Directors Section above.
Andrew S. Marsh	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Kimberly A. Fontan	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Roderick K. West	See information under the Information about Executive Officers of Entergy Corporation in Part I.

ENTERGY NEW ORLEANS, LLC

Directors

Deanna D. Rodriguez	57	President and Chief Executive Officer of Entergy New Orleans	2021-Present
		Director of Entergy New Orleans	2021-Present
		Vice President, Regulatory and Public Affairs, Entergy Texas	2014-2021

Paul D. Hinnenkamp	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Andrew S. Marsh	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Roderick K. West	See information under the Information about Executive Officers of Entergy Corporation in Part I.

Officers

Marcus V. Brown	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Leo P. Denault	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Deanna D. Rodriguez	See information under the Entergy New Orleans Directors Section above.
Andrew S. Marsh	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Kimberly A. Fontan	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Roderick K. West	See information under the Information about Executive Officers of Entergy Corporation in Part I.

ENTERGY TEXAS, INC.

Directors			
Eliecer Viamontes	39	President and Chief Executive Officer of Entergy Texas	2021-Present
		Director of Entergy Texas	2021-Present
		Vice President, Utility Distribution Operations, Entergy Services, Inc.	2020-2021
		Senior Director of Labor Relations and Corporate Safety, Florida Power and Light Corporation	2018-2020
		Director, Major and Governmental Accounts, Florida Power and Light Corporation	2017-2018
		Senior Manager, Customer and Employee Experience, Florida Power and Light Corporation	2016-2017
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Officers			
Marcus V. Brown		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Leo P. Denault		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Kimberly A. Fontan		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Eliecer Viamontes		See information under the Entergy Texas Directors Section above.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	

The directors and officers of Entergy Texas are elected annually to serve by the unanimous consent of its sole common stockholder. The directors and officers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are elected annually to serve by the unanimous consent of the sole common membership owner, Entergy Utility Holding Company, LLC. Entergy Corporation's directors are elected annually at the annual meeting of shareholders. Entergy Corporation's officers are elected annually at a meeting of its Board of Directors, which immediately follows the annual meeting of shareholders. The age of each officer and director for whom information is presented above is as of December 31, 2021.

Directors, Director Nomination Process and Audit Committee

The information required under Item 10 concerning directors and nominees for election as directors of Entergy Corporation at the annual meeting of shareholders (Item 401 of Regulation S-K), the director nomination process (Item 407(c)(3)), the audit committee (Item 407(d)(4) and (d)(5)), and the beneficial reporting compliance (Sec. 16(a)) is incorporated herein by reference to information to be contained in Entergy's definitive 2022 proxy statement ("2022 Entergy Proxy Statement") to be filed with the SEC on or before March 31, 2022 pursuant to Regulation 14A under the Securities Exchange Act of 1934.

Code of Ethics

Entergy Corporation's Code of Business Conduct and Ethics (Code of Business Conduct) is the code of ethics that applies to Entergy's Chief Executive Officer and other senior financial officers, including those of the Registrant Subsidiaries. The Code of Business Conduct is filed as Exhibit 14 to this report and is available on Entergy Corporation's website at www.entergy.com. The Code of Business Conduct will be made available, without charge, in print to any shareholder who requests such document from Entergy Corporation's Corporate Secretary at Entergy Corporation, 639 Loyola Avenue, New Orleans, Louisiana 90013.

If any substantive amendments to the Code of Business Conduct are made or any waivers are granted, including any implicit waiver, from a provision of the Code of Business Conduct, for any director or executive officer of Entergy Corporation, Entergy will disclose the nature of such amendment or waiver on Entergy's website, www.entergy.com, or in a report on Form 8-K.

Item 11. Executive Compensation

ENTERGY CORPORATION

Information concerning compensation earned by the directors and officers of Entergy Corporation is set forth in its 2022 Entergy Proxy Statement, to be filed in connection with the Annual Meeting of Shareholders to be held May 6, 2022, under the headings “Compensation Discussion and Analysis,” “Annual Compensation Programs Risk Assessment,” “Compensation Tables,” “Pay Ratio Disclosure,” and “2021 Non-Employee Director Compensation,” all of which information is incorporated herein by reference. In this section Entergy Corporation is also referred to as “Entergy” or the “Company.”

ENTERGY ARKANSAS, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, AND ENTERGY TEXAS

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (“CD&A”) describes the executive compensation policies, programs, philosophy and decisions regarding the Named Executive Officers (“NEOs”) for 2021. It also explains how and why the Personnel Committee of Entergy Corporation’s Board of Directors arrived at the specific compensation decisions involving the NEOs in 2021 who were:

Name ⁽¹⁾	Title
Marcus V. Brown	Executive Vice President and General Counsel, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Leo P. Denault	Chairman of the Board and Chief Executive Officer
David D. Ellis ⁽²⁾	Former President and Chief Executive Officer, Entergy New Orleans
Haley R. Fisackerly	President and Chief Executive Officer, Entergy Mississippi
Laura R. Landreaux	President and Chief Executive Officer, Entergy Arkansas
Andrew S. Marsh	Executive Vice President and Chief Financial Officer, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Phillip R. May, Jr.	President and Chief Executive Officer, Entergy Louisiana
Sallie T. Rainer ⁽³⁾	Former President and Chief Executive Officer, Entergy Texas
Deanna D. Rodriguez ⁽²⁾	President and Chief Executive Officer, Entergy New Orleans
Eliecer Viamontes ⁽³⁾	President and Chief Executive Officer, Entergy Texas
Roderick K. West	Group President, Utility Operations, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas

- (1) Messrs. Brown, Denault, Marsh, and West hold the positions referenced above as executive officers of Entergy Corporation and are members of Entergy Corporation’s Office of the Chief Executive (“OCE”). No additional compensation was paid in 2021 to any of these officers for their service as NEOs of the Utility operating companies.
- (2) Mr. Ellis is included in the Executive Compensation section of this Form 10-K because he served as President and Chief Executive Officer, Entergy New Orleans for a portion of 2021. Mr. Ellis currently serves as Entergy Services, Senior Vice President, Chief Customer Officer. Ms. Rodriguez became President and Chief Executive Officer, Entergy New Orleans in May 2021.
- (3) Ms. Rainer is included in the Executive Compensation section of this Form 10-K because she served as President and Chief Executive Officer, Entergy Texas for a portion of 2021. Ms. Rainer retired in November 2021. Mr. Viamontes became President and Chief Executive Officer, Entergy Texas in November 2021 upon Ms. Rainer’s retirement.

Entergy Corporation's Compensation Principles and Philosophy

Entergy Corporation's executive compensation programs are based on a philosophy of pay for performance that supports its strategy and business objectives. It believes the executive pay programs:

- **Motivate** its management team to drive strong financial and operational results by linking pay to performance.
- **Attract** and retain a highly experienced, diverse and successful management team.
- **Incentivize and reward** the achievement of results that are deemed by the Personnel Committee to be consistent with the overall goals and strategic direction that the Entergy Corporation Board has approved.
- **Create** sustainable value for the benefit of all of Entergy Corporation's stakeholders, including its customers, employees, communities and owners.
- **Align** the interests of the executives and Entergy Corporation's investors in its long-term business strategy by directly tying the value of equity-based awards to Entergy Corporation's stock price performance and relative total shareholder return ("TSR").

Compensation Best Practices

Practice	Description
Pay for Performance	The executive compensation programs yield pay outcomes that are highly correlated with performance and drive long-term value creation.
Short and Long-Term Incentive Measures Drive Desired Employee Behaviors	Performance measures for the Short-Term Incentive (STI) and Long-Term Incentive programs incentivize employee behaviors that serve the Company's key stakeholders: <ul style="list-style-type: none"> • Customers – Net Promoter Score (NPS). • Employees – Diversity, Inclusion & Belonging (DIB) and Safety. • Communities – Environmental Stewardship, DIB. • Owners – Earnings Per Share, Credit, TSR.
Double Trigger Change-in-Control	The Company requires both a change-in-control and an involuntary termination without cause or voluntary termination with good reason for cash severance payments and vesting of equity awards.
Long-Term Incentives Paid in Stock	All long-term incentives are settled in shares of Entergy common stock.
Robust Stock Ownership Guidelines	The Company requires executive officers to own a significant amount of Entergy stock.
Cap on Incentive Awards for OCE Members	The maximum payout for members of the OCE is capped at 200% of the target opportunity for the STI and Long-Term Performance Unit Program (PUP) awards.
Rigorous Goals	We set financial goals based on externally disclosed annual and multi-year guidance and outlooks, and non-financial goals based on rigorous internal review.
Clawback Policy	This policy allows recovery of incentive cash, equity compensation and severance payments where a payment was based on financial results that were the subject of a material restatement, a material miscalculation of a performance award or an executive officer engaged in fraud that caused or partially caused the need for a restatement or a material miscalculation of a performance award.
No Hedging of Company Stock	Entergy's directors, executive officers and employees may not directly or indirectly engage in transactions intended to hedge or offset the market value of the Company's common stock owned by them.
No Pledging of Company Stock	Entergy's directors and executive officers may not directly or indirectly pledge Entergy common stock as collateral for any obligation.

Practice	Description
No Tax Gross-Ups	The Company does not provide tax gross ups to OCE members, other than relocation benefits.
No Dividends on Unearned Performance Awards	The Company does not pay dividends on unearned performance awards.
No Repricing or Exchange of Underwater Stock Options	The Company's equity incentive plan does not permit repricing or the exchange of underwater stock options without the approval of its shareholders.
No Employment Agreements	The Company does not have employment contracts with its executive officers.
Independent Compensation Consultant	The Personnel Committee retains an independent compensation consultant to advise on the executive compensation programs and practices.
Annual Say-on-Pay	The Company values the input of its shareholders on the executive compensation programs. Entergy's Board seeks an annual non-binding advisory vote from shareholders to approve the executive compensation disclosed in the CD&A, tabular disclosure, and related narrative of the Company's annual proxy statements.
Annual Compensation Risk Assessment	A risk assessment of the compensation programs is performed on an annual basis to ensure that the programs and policies do not incentivize unnecessary or excessive risk-taking behavior.

2021 Incentive Payouts

Performance measures and targets for the 2021 STI awards were determined by the Personnel Committee in January 2021. Targets and measures for the 2019 – 2021 performance cycle for the long-term performance units were established in January 2019. In January 2022, the Personnel Committee certified the results for the Entergy Achievement Multiplier (“EAM”) for the 2021 STI awards and the 2019 – 2021 long-term performance period.

STI Awards

In January 2021, the Personnel Committee determined that the EAM that would determine the overall funding level for the 2021 STI awards would be based on financial and ESG measures with the financial measure weighted 60% and the ESG measures collectively accounting for the remaining 40%.

Financial Measure: Keeping with the Personnel Committee's goal of aligning performance measures with financial results that link to externally communicated investor guidance, Entergy Tax Adjusted Earnings Per Share (“ETR Tax Adjusted EPS”) was used as the financial measure to determine the EAM.

ESG Measures: To demonstrate Entergy's strong commitment to its ESG goals and link executive compensation more directly to the achievement of those objectives, the Personnel Committee decided that 40% of the EAM would be determined on the basis of progress achieved in the following areas, each of which would be weighted equally: Safety; Diversity, Inclusion and Belonging; Environmental Stewardship; and the Customer Net Promoter Score, or NPS.

The 2021 STI targets and results determined by the Personnel Committee were:

STI Performance Goals ⁽¹⁾	2021 Percentage of EAM	Target	2021 Results	Level of Achievement
ETR Tax Adjusted EPS (\$)	60%	5.95	6.22	144%
Safety (SIF Rate)	10%	0.03	— ⁽²⁾	0%
Diversity, Inclusion and Belonging	10%	Qualitative		110%
Environmental Stewardship	10%	Qualitative		140%
Customer NPS	10%	9	11.2	131%
EAM as a percentage of target		100%		125% ⁽³⁾

(1) See “What Entergy Corporation Pays and Why – 2021 Compensation Decisions – STI Compensation – ESG Measures and Targets” for a discussion of the performance assessment of the Diversity, Inclusion and Belonging and Environmental Stewardship performance measures.

(2) Measure defaulted to achievement level of 0% due to one employee and two contractor fatalities in 2021. 2021 SIF results were 0.05 for employees and 0.15 for contractors.

(3) After consideration of individual performance, NEO payouts averaged 124% of target.

Long-Term Performance Unit Program

In January 2019, the Personnel Committee chose relative TSR and Cumulative ETR Adjusted Earnings Per Share (“Cumulative ETR Adjusted EPS”) as the performance measures for the 2019 – 2021 performance period, with relative TSR weighted 80% and Cumulative ETR Adjusted EPS weighted 20%. Cumulative ETR Adjusted EPS adjusts Entergy’s as reported (GAAP) results to eliminate the impact of the Entergy Wholesale Commodities (“EWC”) business and other non-routine items, consistent with the manner in which we communicated earnings guidance and outlooks to investors at the time the measure was chosen.

The targets and results for the 2019 – 2021 performance period as determined by the Personnel Committee were:

Long-Term PUP Results	2019-2021 PUP Target	2019-2021 PUP Results
Relative TSR	Median	2nd Quartile
Cumulative ETR Adjusted EPS(\$)	16.60	17.44
Payout (as a percentage of target)	100%	120%

What Entergy Corporation Pays and Why

How Entergy Corporation Makes Compensation Decisions

Role of the Personnel Committee

The Personnel Committee, comprised solely of independent directors, determines the compensation for each member of the OCE and oversees the design and administration of Entergy’s executive compensation programs. Each year, the Personnel Committee reviews and considers a comprehensive assessment and analysis of the executive compensation programs, including the elements of each OCE member’s compensation, with input from the committee’s independent compensation consultant. When establishing the compensation programs for the NEOs, the Personnel Committee also considers input and recommendations from management, including Mr. Denault and Ms. Collins, Entergy’s Chief Human Resource Officer, who attend the Personnel Committee meetings.

The committee annually conducts an independence assessment of its advisors including the compensation consultant, consistent with NYSE listing standards and SEC rules governing proxy disclosure.

Role of the Independent Compensation Consultant

In 2021, the Personnel Committee continued to retain Pay Governance, LLC (“Pay Governance”) as its independent compensation consultant. Pay Governance attended each of the 2021 Personnel Committee meetings and provides advice, including reviewing and commenting on market compensation data used to establish the compensation of the executive officers and Entergy Corporation’s directors, the terms and performance goals applicable to incentive plan awards, the process for certifying achievement of the incentive goals, and analysis with respect to specific projects and information regarding trends and competitive practices. The compensation consultant also meets with the Personnel Committee members without management present.

Competitive Positioning

➤ Market Data for Compensation Comparison

Annually, the Personnel Committee reviews:

- published and private compensation survey data compiled by Pay Governance;
- both utility and general industry data to determine total cash compensation (base salary and annual incentive) for non-industry specific roles;
- data from utility companies to determine total cash compensation for management roles that are utility-specific, such as Group President, Utility Operations; and
- utility market data to determine long-term incentives for all positions.

➤ How the Personnel Committee Uses Market Data

The Personnel Committee uses this survey data to develop compensation opportunities that are designed to deliver total direct compensation (“TDC”) within a targeted range of approximately the 50th percentile of the surveyed companies in the aggregate. In most cases, the committee considers its objectives to have been met if the Company’s Chief Executive Officer and the eight other executive officers who constitute the OCE each has a TDC opportunity that falls within a targeted range of 85% – 115% of the 50th percentile of the survey data. In general, compensation levels for an executive officer who is new to a position tend to be at the lower end of the competitive range, while seasoned executive officers whose experience and skillset are viewed as critical to retain may be positioned at the higher end of the competitive range.

➤ Proxy Peer Group

Although the survey data described above are the primary data used in benchmarking compensation, the Personnel Committee uses compensation information from the companies included in the Philadelphia Utility Index to evaluate the overall reasonableness of the Company’s compensation programs and to determine relative TSR for the 2021 – 2023 PUP performance period. The Personnel Committee identified the Philadelphia Utility Index as the appropriate industry peer group for determining relative TSR because the companies included in this index, in the aggregate, are viewed as comparable to the Company in terms of business and scale.

The companies included in the Philadelphia Utility Index at the time the Personnel Committee approved the 2021 compensation model and framework were:

AES Corporation	Consolidated Edison Inc.	Eversource Energy	Public Service Enterprise Group, Inc.
Ameren Corporation	Dominion Energy	Exelon Corporation	Southern Company
American Electric Power Co. Inc.	DTE Energy Company	FirstEnergy Corporation	WEC Energy, Inc.
American Water Works Company, Inc.	Duke Energy Corporation	NextEra Energy, Inc.	Xcel Energy, Inc.
CenterPoint Energy Inc.	Edison International	Pinnacle West Capital Corporation	

2021 Compensation Structure and Incentive Metrics

In 2021, the compensation programs consisted of base salary and short and long-term incentives as outlined in the table below:

Compensation Element	Form	Objective	Metrics/Performance Period	Subject to Clawback
Base Salary	Cash	Provides a base level of competitive cash compensation for executive talent.	N/A	
Short-Term Incentive	Cash	Motivates and rewards executives for performance on key financial and ESG measures during the year; incentivizes behaviors that serve the Company's four stakeholders - customers, employees, communities and owners.	<ul style="list-style-type: none"> ETR Tax Adjusted EPS Safety DIB Environmental Stewardship Customer NPS Measured over a one-year period	ü
Long-Term Performance Units	Equity	Focuses the executives on driving utility growth, building long-term shareholder value, and growing earnings. Provides market competitive compensation that retains skills and knowledge while increasing our executives' ownership in the Company further enhancing their focus on driving continuous improvement in operational results.	<ul style="list-style-type: none"> Relative TSR Adjusted FFO/Debt Ratio Measured over a 3-year performance period	ü
Stock Options	Equity	Align interests of executives with long-term shareholder value, provide market competitive compensation, and increase executives' ownership in the Company further enhancing their focus on driving continuous improvement in operational results.	Service-based with 3-year pro rata vesting	ü
Restricted Stock	Equity	Aligns interests of executives with long-term shareholder value, provides market competitive compensation, retains executive talent and increases executives' ownership in the Company further enhancing their focus on driving continuous improvement in operational results.	Service-based with 3-year pro rata vesting	ü

2021 Compensation Decisions

Base Salary

The salary for each NEO is based on the outcome of the annual merit review, the need to retain an experienced team, job promotion, individual performance, scope of responsibility, leadership skills and values, current compensation and internal equity. For the NEOs who are members of the OCE, the Personnel Committee also considers the results of the annual market assessment of OCE compensation as provided by its independent compensation consultant described above. In 2021, all of the NEOs received increases in their base salaries ranging from approximately 3% to 6% effective April 1, 2021.

The following table sets forth the 2020 and 2021 base salaries for the Named Executive Officers. Except as indicated below, changes in base salaries for 2021 were effective in April.

Named Executive Officer	2020 Base Salary	2021 Base Salary
Marcus V. Brown	\$690,000	\$710,700
Leo P. Denault	\$1,260,000	\$1,300,000
David D. Ellis ⁽¹⁾	\$321,849	\$415,000
Haley R. Fisackerly	\$388,244	\$399,891
Laura R. Landreaux ⁽²⁾	\$326,755	\$380,000
Andrew S. Marsh	\$690,000	\$710,700
Phillip R. May, Jr.	\$404,784	\$416,928
Sallie T. Rainer	\$358,713	\$369,474
Deanna D. Rodriguez ⁽¹⁾	\$284,480	\$330,000
Eliecer Viamontes ⁽¹⁾	\$315,000	\$340,000
Roderick K. West	\$731,863	\$753,819

(1) Mr. Ellis's and Ms. Rodriguez's salaries were increased in May 2021, and Mr. Viamontes's salary was increased in November 2021. Each of their salaries was increased in conjunction with their promotion to the new positions they assumed in 2021. The compensation levels for each of these officers were determined using competitive compensation data provided by Pay Governance. For Ms. Rodriguez and Mr. Viamontes, their previous compensation levels and the compensation paid to their predecessors at Entergy New Orleans and Entergy Texas, respectively, were also considered. Mr. Ellis's salary was established, in consultation with Pay Governance, to reflect his unique responsibilities and accountability as the Company's first Chief Customer Officer.

(2) Ms. Landreaux's base salary was further adjusted in 2021 following an external market competitive pay analysis.

STI Compensation

The NEOs are eligible for STI awards under our 2019 Omnibus Incentive Plan ("2019 OIP"). Maximum funding for the STI awards is determined by the EAM performance measure. Annually, after a review of the Company's strategic plan, the Personnel Committee engages in a rigorous process to determine the financial, strategic and operational measures and the targets for each measure that will be used to determine the EAM. The Personnel Committee also annually establishes target opportunities for each NEO who is a member of the OCE. For the other NEOs, target award opportunities are determined based on their management level within the Entergy organization. Executive management levels at Entergy Corporation range from ML level 1 through ML level 4. At December 31, 2021, Mr. Ellis and Mr. May held a Level 3 position, and Mr. Fisackerly, Ms. Landreaux, Ms. Rodriguez and Mr. Viamontes held Level 4 positions. Ms. Rainer held a Level 4 position when she retired in November 2021. Accordingly, their respective incentive award opportunities differ from one another based on either their management level or the external market data developed by Pay Governance. In 2021, the target opportunities for Mr. Ellis and Ms. Rodriguez were increased in conjunction with their promotions during the year. The target opportunities for the other NEOs in 2021 remained at the same level as those established for 2020.

In January, after the end of the fiscal year, the Finance and Personnel Committees jointly review the Company's results, and the Personnel Committee determines the EAM based on the level of achievement of the performance measures established. The Personnel Committee retains discretion to modify the EAM based on its assessment of the degree of management's achievement of various operational and regulatory goals and overcoming any challenges that occurred during the year.

Individual executive officer awards are determined based on the Personnel Committee's consideration of each executive's role in executing the Company's strategies and delivering the financial performance achieved, but also the individual's accountability for any challenges and achievements the Company experienced during the year.

2021 Performance Measures and Methodology

For 2021, the Personnel Committee decided that the EAM would be based on both financial and ESG measures, with the financial measure weighted 60% and four ESG measures each weighted at 10%. Targets and ranges of performance were established for each of the measures, with no payout for results less than the designated minimum, a 25% payout opportunity for results at the minimum, a 100% payout opportunity for results at target, and a 200% payout opportunity for results equal to or exceeding the maximum. Payout opportunities for results between the minimum and target and between target and the maximum were determined by straight line interpolation, with the EAM result being determined by the weighted average of the payout opportunities for each of the performance measures.

Financial Measure and Target

For the EAM financial measure, the Personnel Committee decided to use ETR Tax Adjusted EPS. This measure is based on the Company's Adjusted EPS, the measure by which the Company provides external guidance, which is then adjusted to add back the effect of significant tax items and to eliminate the effect of: (i) major storms, including the impact on total debt of pending securitizations; (ii) any resolution during the year of certain unresolved regulatory litigation matters, (iii) unrealized gains or losses on equity securities, (iv) effects of federal income tax law changes; and (v) any adjustments to contributions to pension investments or trusts related to post-retirement benefits that are elective and deviate from original plan assumptions (collectively, the "Pre-Determined Exclusions"). The Personnel Committee determined that target performance for this metric would equal management's expectation for the Company's Adjusted EPS as reflected in its financial plan, or \$5.95 per share, with minimum performance determined to be \$5.35 per share and maximum performance being \$6.55 per share.

ETR Tax Adjusted EPS was used as the financial measure for the EAM because:

- It is based on an objective financial measure that the Company and their investors consider to be important in evaluating financial performance.
- It is based on the same metrics used for internal and external financial reporting.
- It provides both discipline and transparency.

The Personnel Committee considered it appropriate to use ETR Tax Adjusted EPS, which adds back the effect of significant tax items that may have been excluded from ETR Adjusted EPS, as the earnings measure because of the significant financial benefits to the Company resulting from such tax items and the management effort required to achieve them.

The committee also considered, both at the time it chose ETR Tax Adjusted EPS as the EAM financial measure and when it established the targets for this measure, the appropriateness of excluding the effect of each of the specific Pre-Determined Exclusions it had identified from the financial measure. It viewed the exclusion of major storms as appropriate because although the Company includes estimates for storm costs in its financial plan, it does not include estimates for a major storm event, such as a hurricane. The Personnel Committee considered the exclusion of the effects of any unanticipated changes in federal income tax law to be appropriate because of the inability of management to impact those results. It approved the exclusion of elective adjustments to Company contributions to pension and post-retirement benefit plan trusts because such elective adjustments are not reflective of the underlying performance of the business. The Personnel Committee approved the other exclusions from reported results — for the impact of certain legacy unresolved regulatory litigation and unanticipated unrealized gains and losses on securities — primarily because of management's inability to influence either of the related outcomes.

ESG Measures and Targets

To demonstrate Entergy's strong commitment to its ESG goals and to more directly link executive compensation to successful execution on its strategies to achieve those objectives, the Personnel Committee decided to use the ESG measures described below to determine 40% of the EAM, with each of the measures weighted at 10%. These measures were selected because the committee considered them to represent keyways that the Company creates sustainable value for its stakeholders that may not be fully captured in its quarterly and annual financial results.

Following is a summary description of each of the ESG measures, including the metric or methodology used for determining the level of achievement and the rationale for each of the selected measures:

Measure	Metrics and Targets	Objective
Safety	Rate of serious injuries and fatalities per 100 employees or contractors (SIF rate). Minimum performance = 50th percentile, target = 75th percentile, and maximum performance = 90th percentile of published Edison Electric Institute member SIF rate data as published in 2021, with no payout if any fatalities.	Ensures Entergy maintains a safe and incident-free workplace for all of its employees and contractors.
Diversity, Inclusion & Belonging (DIB)	Overall qualitative assessment of DIB key performance indicators assessed in the workforce, workplace and marketplace, informed by quantitative measures; progress on DIB initiatives; and responsiveness to emergent issues.	<ul style="list-style-type: none"> Reinforces Entergy's commitment to be a fair and equitable work environment that is welcoming to all and allows us to attract and retain superb talent, allowing the Company to execute on its strategy. Rewards progress toward meeting Entergy's commitment to develop and retain a workforce that reflects the rich diversity of the communities the Company serves. Drives an engaged workforce; customer-centric service and solutions; enhancement of owner value; and community partnerships.
Environmental Stewardship	Assessment of progress toward environmental commitments through performance on key initiatives and Utility CO ₂ emission rate outcomes.	<ul style="list-style-type: none"> Reinforces Entergy's commitment to long-term sustainability and a reduced impact on the environment. Ensures accountability for achieving the Company's significant external commitments to reduce carbon emissions.
Customer Net Promoter Score (NPS)	Customer NPS is determined through a blind survey of residential customers who are asked how likely they are to recommend Entergy, on a scale of 1 to 10. The NPS is the percentage of promoters (scores 9-10) less the percentage of detractors (scores less than 6). Minimum performance = 2, target = 9, and maximum performance = 16.	<ul style="list-style-type: none"> Incentivizes actions that drive positive customer outcomes (as measured through customer feedback) including impacts on reliability improvements, responsiveness, continuous improvement and innovation. Signals overall health and loyalty of our customer relationship.

In determining the targets to set for 2021, the Personnel Committee reviewed anticipated drivers and risks to the Company's expectations for its adjusted earnings for 2021 as set forth in the Company's financial plan, as well as factors driving the strong financial performance achieved in 2020. The Personnel Committee confirmed that the proposed plan targets for ETR Tax Adjusted EPS reflected significant growth in the core earnings measure

underlying the STI target. The Personnel Committee also considered the potential impact of a wide range of identified risks and opportunities and confirmed that both the financial and ESG STI targets reflected a reasonable balancing of such risks and opportunities and an appropriate degree of challenge. The goals were designed to be achievable, but also to require the strong coordinated performance of the management team.

2021 Performance Assessment

In January 2022, the Finance and Personnel Committees jointly reviewed the Company's financial and operational results and assessed management's performance against the performance objectives and targets described above in order to determine the EAM. The following table summarizes the STI targets and performance results for 2021, resulting in an EAM of 125%:

Performance Measure	Targets and Results					
	Weighting	Minimum	Target	Maximum	2021 Results	Level of Achievement
ETR Tax Adjusted EPS (\$)	60%	5.35	5.95	6.55	6.22	144%
Safety (SIF Rate)	10%	0.07	0.03	0.00	— ⁽¹⁾	0%
Diversity, Inclusion & Belonging	10%	Qualitative assessment (see below)				110%
Environmental Stewardship	10%	Qualitative assessment (see below)				140%
Customer Net Promoter Score	10%	2	9	16	11.2	131%
EAM	100%	25%	100%	200%		125%

(1) Measure defaulted to achievement level of 0% due to one employee and two contractor fatalities in 2021. 2021 SIF results were 0.05 for employees and 0.15 for contractors.

In assessing 2021 financial performance, the Finance and Personnel Committees reviewed various factors explaining how the 2021 ETR Tax Adjusted EPS result compared to the 2021 business plan and STI target set in January 2021. ETR Tax Adjusted EPS exceeded the ETR Tax Adjusted EPS target of \$5.95 per share by \$0.27. This outperformance resulted in part from the fact that ETR Adjusted EPS exceeded the midpoint of the guidance set at the beginning of the year by \$0.07 per share. The ETR Tax Adjusted EPS result also reflected a positive adjustment of \$0.26 to ETR Adjusted EPS for the net effects on earnings of major storms impacting the Company's service area during 2021, consistent with the Pre-Determined Exclusions approved when the target was set at the beginning of the year. The results also reflected a negative adjustment of \$0.06 for the effect on 2021 ETR Adjusted EPS of certain changes in tax law, also consistent with the Pre-Determined Exclusions.

In assessing management's 2021 performance on the new ESG measures, the committees focused particularly on the qualitative assessments required with respect to the Diversity, Inclusion & Belonging and Environmental Stewardship measures. In each area, the committees reviewed a wide range of key performance indicators and assessed progress on strategies and initiatives that had been identified at the beginning of the performance period as key to achieving the Company's strategic objectives. Following are selected performance milestones and highlights considered as part of the assessment:

Performance Measure	2021 Developments
Diversity, Inclusion & Belonging Level of Achievement <ul style="list-style-type: none"> 110% 	<ul style="list-style-type: none"> Increased representation of women and underrepresented racial and ethnic groups in employee population and at director level and above in management from 2020 Established Diversity & Workforce Strategies Center of Excellence led by Vice President, Diversity & Workforce Strategies Developed and deployed targeted DIB interventions designed to engage a diverse workforce, including in mentoring, unconscious bias, inclusive leadership and psychological safety Infused DIB into hiring policies, practices and procedures and hiring manager/recruiter training Integrated DIB skill building in leadership development programs for diverse group of participants Engaged with partners in the utility industry and education to support mentoring programs to connect diverse students with industry mentors and expanded educational opportunity pipeline to non-traditional education partners to attract diverse students Organizational health and inclusive climate survey scores declined from 2020 Increased diverse supplier managed spend from 2020 levels
Environmental Stewardship Level of Achievement <ul style="list-style-type: none"> 140% 	<ul style="list-style-type: none"> Integration of substantially higher levels of renewable power generation into planned generation mix, leading to expected achievement of 2030 climate goal ahead of schedule Utility equity CO₂ emission rate initially projected at slightly below target of 659 lbs./MWh; subsequently determined to be above target for 2021, due in part to higher natural gas prices resulting in more dispatch of our coal generation by the Midcontinent Independence System Operator (MISO) as compared to 2020 Completed Orange County Advanced Power Station hydrogen design, project investment plan and hydrogen supply plan Arkansas and Louisiana coal plant retirement plan refined and integrated into business plan Regulatory progress advancing customer solutions, including filings focused on green tariffs, PowerThrough backup power solutions, electric vehicles, energy efficiency and distributed resources Progress on electrification of Entergy vehicle fleet Progress advancing eTech offerings to promote adoption of electric-powered alternatives to fossil fuel applications Progress on transmission and distribution system and water resilience planning and investment in reforestation and wetland restoration

In addition to the foregoing financial and operational results, the Personnel Committee considered management's degree of success in achieving various operational and regulatory goals set out at the beginning of the year and in overcoming certain challenges that arose in the business during the course of the year. The committee took note of not only various ways management had created value for all the Company's key stakeholders during 2021, but also major external challenges that were overcome in the process, including particularly Winter Storm Uri and Hurricane Ida, as well as the continuing COVID-19 pandemic, inflationary pressure on customer bills, supply chain constraints and labor market shortages. The committee also noted that despite these challenges, management had remained focused on achieving strong financial results for the benefit of all of its stakeholders while at the same time driving positive outcomes in areas that would contribute to the long-term sustainability of the Company.

Under the STI program, NEOs who are members of the OCE could earn a payout ranging from 0% to 200% of the NEO's target opportunity while NEOs who are not members of the OCE could earn a payout ranging from 0% to 300% of the NEO's target opportunity, subject to the overall funding limitation determined by the EAM. To determine individual NEO STI awards for members of the OCE, the Personnel Committee considered individual performance in executing on the Company's strategies and delivering the strong financial performance achieved in 2021, as well as the executive's success in achieving individual goals within the executive's scope of responsibilities. In addition, the Personnel Committee considered the individual's key accountabilities and accomplishments in relation to major external challenges the Company experienced during the year, including those referenced above. With these considerations in mind, the Personnel Committee approved payouts to each of the NEOs, who are members of the OCE, that were modestly higher than the EAM, ranging from 135% to 150% of target.

After the EAM was established to determine overall funding for the STI awards, Entergy's Chief Executive Officer allocated incentive award funding to individual business units based on business unit results. Individual awards were determined for the remaining NEOs who are not members of the OCE by their immediate supervisor based on the individual officer's key accountabilities, accomplishments, and performance. This resulted in payouts that ranged from 87% of target to 145% of target for the NEOs who are not members of the OCE.

Based on the foregoing evaluation of management performance, the NEOs received the following STI payouts:

Named Executive Officer	Base Salary	Target as Percentage of Base Salary ⁽¹⁾	Payout as Percentage of Target	2021 Annual Incentive Award
Marcus V. Brown	\$710,700	80%	135%	\$852,840
Leo P. Denault	\$1,300,000	140%	135%	\$2,457,000
David D. Ellis	\$415,000	60%	92%	\$228,225
Haley R. Fisackerly	\$399,891	40%	135%	\$216,186
Laura R. Landreaux	\$380,000	40%	145%	\$220,093
Andrew S. Marsh	\$710,700	85%	150%	\$906,143
Phillip R. May, Jr.	\$416,928	60%	133%	\$333,205
Sallie T. Rainer ⁽²⁾	\$369,474	40%	87%	\$127,949
Deanna D. Rodriguez	\$330,000	40%	110%	\$144,662
Eliecer Viamontes	\$340,000	40%	99%	\$134,793
Roderick K. West	\$753,819	80%	140%	\$844,277

(1) The target opportunities, as a percentage of salary, were determined based on the individual's position and salary at the end of 2021.

(2) Ms. Rainer received a pro-rated STI award since she retired prior to the end of the performance year.

Long-Term Incentive Compensation

Overview

Long-term incentive compensation delivered in shares of Entergy common stock represents the largest portion of executive officer compensation. The Company believes the combination of long-term incentives it employs provides a compelling performance-based compensation opportunity, is effective at retaining a strong senior management team, and aligns the interests of the executive officers with the interests of Entergy's customers and shareholders by enhancing executives' focus on the Company's long-term goals.

For each NEO, a dollar value is established to determine that NEO's long-term incentive awards. The award value for each NEO is determined based on market median compensation data for the officer's role, adjusted to reflect individual performance and internal equity. In January 2021, the Personnel Committee approved the 2021

long-term incentive award target amounts for each NEO. Mr. Denault's target opportunity was increased in recognition of his strong performance and the Company's significant achievements in 2020. This amount for each NEO was then converted into the number of performance units, stock options and shares of restricted stock granted to each NEO based on an allocation of 60% PUP, 20% stock options and 20% restricted stock.

NEO	Long-Term Incentive Grant Date Value
Marcus V. Brown	\$1,507,328
Leo P. Denault	\$8,986,053
David D. Ellis	\$310,982
Haley R. Fisackerly	\$282,240
Laura R. Landreaux	\$266,557
Andrew S. Marsh	\$2,008,880
Phillip R. May, Jr.	\$371,053
Sallie T. Rainer	\$47,522
Deanna D. Rodriguez	\$258,603
Eliecer Viamontes	\$298,154
Roderick K. West	\$1,840,794

2021 Long-Term Incentive Award Mix

Long-Term Performance Units

The NEOs are issued performance unit awards under the PUP with payout opportunities established by the Personnel Committee at the beginning of each three-year performance period.

The PUP specifies a minimum, target and maximum achievement level, the achievement of which determines the number of performance units that may be earned by each participant. For the 2021 – 2023 PUP performance period, the Personnel Committee chose the performance measures and targets set forth below.

2021-2023 PUP Performance Period: Measures and Goals

Performance Measures ⁽¹⁾	PUP Measure Weight	Goals ⁽²⁾
Relative TSR	80%	Minimum (25%) - Bottom of 3 rd Quartile Target (100%) - Median Percentile Maximum (200%) - Top Quartile
Adjusted FFO/Debt Ratio ⁽³⁾	20%	Minimum (25%) - 14.5% Target (100%) - 15.5% Maximum (200%) - 17.0%

(1) Payouts for performance between achievement levels are calculated using straight-line interpolation, between minimum and target and between target and maximum, with no payouts for performance below the minimum achievement level with respect to the applicable performance measure, and payouts are capped at the maximum achievement level with respect to the applicable performance measure.

(2) No payout if the TSR falls within the lowest quartile of the peer companies in the Philadelphia Utility Index and the Adjusted FFO/Debt Ratio is below the minimum performance goal.

(3) Results for the Adjusted FFO/Debt Ratio will be adjusted to exclude the Pre-Determined Exclusions.

Performance Measures

Relative TSR:

- The Personnel Committee chose relative TSR as a performance measure because it reflects the Company's creation of shareholder value relative to other electric utilities included in the Philadelphia Utility Index over the performance period. By measuring performance in relation to an industry benchmark, this measure is intended to isolate and reward management for the creation of shareholder value that is not driven by events that affect the industry as a whole.
- Minimum, target and maximum performance levels are determined by reference to the ranking of Entergy's TSR in relation to the TSR of the companies in the Philadelphia Utility Index. The Personnel Committee identified the Philadelphia Utility Index as the appropriate industry peer group for determining relative TSR because the companies included in this index, in the aggregate, are viewed as comparable to the Company in terms of business and scale.

Adjusted FFO/Debt Ratio:

- In recent years, we have used two financial measures to determine awards under the PUP — a cumulative EPS measure and relative TSR. To emphasize the importance of strong credit for the long-term health of our business, for the 2021 – 2023 PUP performance period we replaced the EPS measure with a credit measure – Adjusted FFO/Debt Ratio.
- The adjusted FFO/Debt ratio is the ratio of: (i) adjusted funds from operations calculated as operating cash flow adjusted for allowance for funds used during construction, working capital and the effects of securitization revenue, and the Pre-Determined Exclusions; to (ii) total debt, excluding outstanding or pending securitization debt.
- The Personnel Committee decided to use this ratio because it emphasizes financial stability, noting that a financially healthy utility creates the capacity to make investments on behalf of customers, addresses the needs of our communities, provides low-cost access to capital markets, and promotes employee confidence.

Stock Options and Restricted Stock

The Company grants stock options and shares of restricted stock as part of its long-term incentive award mix because it aligns the interests of the executive officers with long-term shareholder value, provides competitive compensation, and increases the executives' ownership in Entergy's common stock. Generally, stock options are granted with a maximum term of ten years and vest one-third on each of the first three anniversaries of the date of grant. The exercise price for each option granted in January 2021 was \$95.87, which was the closing price of Entergy's common stock on the date of grant. Shares of restricted stock vest one-third on each of the first three anniversaries of the date of grant, are paid dividends which are reinvested in shares of Entergy stock and have full voting rights. The dividend reinvestment shares are subject to forfeiture similar to the terms of the original grant.

2021 Long-Term Incentive Awards

In January 2021, the Personnel Committee granted the following PUP performance units, stock options and shares of restricted stock to each NEO. The number of performance units, options and shares of restricted stock were determined as discussed above under "Long-Term Incentive Compensation – Overview."

Named Executive Officer	2021 – 2023 Target PUP Units	Stock Options	Shares of Restricted Stock
Marcus V. Brown	8,784	21,906	3,045
Leo P. Denault	52,365	130,600	18,154
David D. Ellis ⁽¹⁾	2,056	3,490	486
Haley R. Fisackerly	1,645	4,101	570
Laura R. Landreaux	1,553	3,873	539
Andrew S. Marsh	11,706	29,196	4,059
Phillip R. May, Jr.	2,162	5,392	750
Sallie T. Rainer ⁽²⁾	1,553	3,873	539
Deanna D. Rodriguez ⁽³⁾	1,301	—	1,235
Eliecer Viamontes	1,737	4,332	603
Roderick K. West	10,727	26,752	3,719

(1) Mr. Ellis’s target PUP units were increased in connection with his promotion in 2021.

(2) Ms. Rainer retired in 2021, and forfeited the 2021 – 2023 PUP units and shares of restricted stock granted to her in January 2021.

(3) As a new officer in 2021, Ms. Rodriguez received a pro-rated target PUP award for the 2021 – 2023 performance period. Stock options are only awarded to individuals who are officers at the time of grant. Ms. Rodriguez did not receive stock options in 2021 as she was not an officer at the time of grant.

All of the performance units, the shares of restricted stock and stock options granted to our NEOs in 2021 were granted pursuant to the 2019 OIP. The 2019 OIP requires both a change in control and an involuntary job loss without cause or a resignation by the NEO for good reason within 24 months following a change in control (a “double trigger”) for the acceleration of these awards upon a change in control.

Payouts for the 2019 – 2021 PUP Performance Period

In January 2019, the Personnel Committee chose relative TSR and Cumulative ETR Adjusted EPS as the performance measures for the 2019 – 2021 PUP performance period, with relative TSR weighted 80% and Cumulative ETR Adjusted EPS weighted 20%. Cumulative ETR Adjusted EPS, which adjusts Entergy’s as reported (GAAP) results to eliminate the impact of EWC and other non-routine items, was selected in 2019 as a performance measure because the committee wished to incentivize management to achieve steady, predictable earnings growth for the Company over the three-year performance period, and because it aligns with the earnings measure used to communicate the Company’s earnings expectations externally to investors. Similar to the way targets are established for the STI awards, targets for the Cumulative ETR Adjusted EPS performance measure were established by the Personnel Committee after the Board’s review of the Company’s strategic plan. These targets also exclude the effect of major storms, the resolution of certain unresolved regulatory litigation matters, changes in federal income tax law and unrealized gains or losses on equity securities. The payout was determined based on the achievement of the following performance goals established for both performance measures by the committee at the beginning of the performance period:

2019 – 2021 PUP Performance Period: Measure and Goals

Performance Measure⁽¹⁾	PUP Measure Weight	Payout
Relative TSR	80%	Minimum (25%) - Bottom of 3 rd Quartile Target (100%) - Median Percentile Maximum (200%) - Top Quartile
Cumulative ETR Adjusted EPS (\$) ⁽²⁾	20%	Minimum (25%) - 14.94 Target (100%) - 16.60 Maximum (200%) - 18.26

- (1) Payouts for performance between achievement levels are calculated using straight-line interpolation between minimum and target and between target and maximum, with no payouts for performance below the minimum achievement level and payouts are capped for performance at or above the maximum performance level.
- (2) EPS targets were established to drive multi-year key growth measures consistent with those that were externally communicated to investors.

In January 2022, the Personnel Committee reviewed the Company's TSR and the Cumulative ETR Adjusted EPS for the 2019 – 2021 PUP performance period in order to determine the payout to participants based upon the performance measures and range of potential payouts for the 2019 – 2021 PUP performance period as provided above. The committee compared the Company's TSR against the TSR of the companies that were included in the Philadelphia Utility Index throughout the three-year performance period, which were:

AES Corporation	Edison International
Ameren Corporation	Eversource Energy
American Electric Power Co. Inc.	Exelon Corporation
American Water Works Company, Inc.	FirstEnergy Corporation
CenterPoint Energy Inc.	NextEra Energy, Inc.
Consolidated Edison Inc.	PG&E Corporation
Dominion Energy	Public Service Enterprise Group, Inc.
DTE Energy Company	Southern Company
Duke Energy Corporation	Xcel Energy, Inc.

As recommended by the Finance Committee, the Personnel Committee concluded that Entergy Corporation's relative TSR for the 2019 – 2021 PUP performance period was in the second quartile, and that Cumulative ETR Adjusted EPS was \$17.44, yielding a payout of 120% of target for the NEOs.

Named Executive Officer	2019 - 2021 Target	Number of Shares Issued⁽¹⁾	Value of Shares Actually Issued⁽²⁾	Grant Date Fair Value⁽³⁾
Marcus V. Brown	9,383	12,385	\$1,366,685	\$933,552
Leo P. Denault	40,508	53,648	\$5,900,194	\$4,030,303
David D. Ellis ⁽⁴⁾	1,586	2,078	\$229,307	\$157,797
Haley R. Fisackerly	1,450	1,913	\$211,100	\$144,266
Laura R. Landreaux	1,450	1,913	\$211,100	\$144,266
Andrew S. Marsh	11,869	15,666	\$1,728,743	\$1,180,894
Phillip R. May, Jr.	2,150	2,837	\$313,063	\$213,912
Sallie T. Rainer ⁽⁵⁾	1,369	1,792	\$197,747	\$136,207
Deanna D. Rodriguez ⁽⁶⁾	—	—	\$—	\$—
Eliecer Viamontes ⁽⁷⁾	926	1,185	\$130,765	\$92,131
Roderick K. West	10,073	13,296	\$1,467,214	\$1,002,203

- (1) Includes accrued dividends.
- (2) Value determined based on the closing price of Entergy Corporation common stock on January 19, 2022 (\$110.35), the date the Personnel Committee certified the 2019 – 2021 performance period results.
- (3) Represents the aggregate grant date fair value calculated in accordance with applicable accounting rules as reflected in the 2019 Summary Compensation Table.
- (4) Mr. Ellis experienced a change in officer status in 2021, and accordingly, his target opportunity was increased for the 2019 – 2021 performance period.
- (5) Ms. Rainer retired in 2021, and accordingly, received a pro-rated award opportunity for the 2019 – 2021 performance period.
- (6) As a new officer in 2021, Ms. Rodriguez was not eligible to participate in the 2019 – 2021 performance period.
- (7) As a new hire in 2020, Mr. Viamontes received a pro-rata target award opportunity for the 2019 – 2021 performance period.

Benefits and Perquisites

Entergy Corporation's NEOs are eligible to participate in or receive the following benefits:

Plan Type	Description
Retirement Plans	<p>Entergy Corporation-sponsored:</p> <p><u>Entergy Retirement Plan</u> - a tax-qualified final average pay defined benefit pension plan that covers a broad group of employees hired before July 1, 2014.</p> <p><u>Cash Balance Plan</u> - a tax-qualified cash balance defined benefit pension plan that covers a broad group of employees hired on or after July 1, 2014 and before January 1, 2021.</p> <p><u>Pension Equalization Plan</u> - a non-qualified pension restoration plan for a select group of management or highly compensated employees who participate in the Entergy Retirement Plan.</p> <p><u>Cash Balance Equalization Plan</u> - a non-qualified restoration plan for a select group of management or highly compensated employees who participate in the Cash Balance Plan.</p> <p><u>System Executive Retirement Plan</u> - a non-qualified supplemental retirement plan for individuals who became executive officers before July 1, 2014.</p> <p>See "2021 Pension Benefits" for additional information regarding the operation of the plans described above.</p>
Savings Plan	Entergy Corporation-sponsored 401(k) Savings Plan that covers a broad group of employees.
Health & Welfare Benefits	<p>Medical, dental and vision coverage, health care and dependent care reimbursement plans, life and accidental death and dismemberment insurance, business travel accident insurance, and long-term disability insurance.</p> <p>Eligibility, coverage levels, potential employee contributions, and other plan design features are the same for the NEOs as for the broad employee population.</p>
2021 Perquisites	<p>Corporate aircraft usage and annual mandatory physical exams. The NEOs who are members of the OCE do not receive tax gross ups on any benefits, except for relocation assistance.</p> <p>In 2021, the NEOs who are not members of the OCE also were provided with club dues, relocation assistance and tax gross up payments on these perquisites.</p> <p>For additional information regarding perquisites, see the "All Other Compensation" column in the 2021 Summary Compensation Table.</p>
Deferred Compensation	The NEOs are eligible to defer up to 100% of their base salary and STI awards into the Entergy Corporation sponsored Executive Deferred Compensation Plan.
Executive Disability Plan	Eligible individuals who become disabled under the terms of the plan are eligible for 65% of the difference between their annual base salary and \$276,923 (i.e. the annual base salary that produces the maximum \$15,000 monthly disability payment under the general long-term disability plan).

Entergy Corporation provides these benefits to the NEOs as part of its effort to provide a competitive executive compensation program and because it believes that these benefits are important retention and recruitment tools since many of the companies with which it competes for executive talent provide similar arrangements to their senior executive officers.

Severance and Retention Arrangements

System Executive Continuity Plan

The Personnel Committee believes that retention and transitional compensation arrangements are an important part of overall compensation as they help to secure the continued employment and dedication of the NEOs, notwithstanding any concern that they might have at the time of a change in control regarding their own continued employment. In addition, the Personnel Committee believes that these arrangements are important as recruitment and retention devices, as many of the companies with which Entergy Corporation competes for executive talent have similar arrangements in place for their senior employees.

To achieve these objectives, Entergy Corporation has established a System Executive Continuity Plan under which each of our NEOs is entitled to receive “change in control” payments and benefits if such officer’s employment is involuntarily terminated without cause or if the officer resigns for good reason, in each case, in connection with a change in control of the Company. Entergy strives to ensure that the benefits and payment levels under the System Executive Continuity Plan are consistent with market practices. Entergy’s executive officers, including the NEOs, are not entitled to any tax gross up payments on any severance benefits received under this plan. For more information regarding our severance arrangements, see “Potential Payments Upon Termination or Change in Control.”

Restricted Stock Units

Restricted stock units granted under our 2019 OIP represent phantom shares of our common stock that have an economic value equivalent to one share of our common stock. Entergy Corporation occasionally grants restricted units for retention purposes, to offset forfeited compensation from a previous employer or for other limited purposes. If all conditions of the grant are satisfied, restrictions on the restricted units lift at the end of the restricted period and the restricted stock units are settled in shares of Entergy common stock. Restricted stock units are generally time-based awards for which restrictions lift, subject to continued employment, generally over a two- to five-year period.

In May 2021, the Personnel Committee granted Mr. Brown 14,216 restricted stock units. Mr. Brown’s award was made in recognition of Mr. Brown’s senior leadership role and direction as the Company’s Executive Vice President and General Counsel and to encourage retention of his leadership in light of his marketability as the Company’s General Counsel. The committee noted, based on the advice of its independent consultant, that such grants are an effective means for retention. Mr. Brown’s restricted stock units will vest in one installment on May 17, 2024 if he satisfies the vesting requirements. Mr. Brown will vest in a pro rata portion of his restricted stock units if his employment is terminated without cause or due to a disability or death prior to May 17, 2024. If during a change in control period (as defined in the 2019 OIP), Mr. Brown’s employment is terminated without cause or by Mr. Brown for good reason his restricted stock units will vest immediately.

Mr. Denault’s 2006 Retention Agreement

Entergy Corporation currently has a retention agreement with Leo Denault, Entergy’s Chief Executive Officer. In general, Mr. Denault’s retention agreement provides for certain payments and benefits in the event of his termination of employment by his Entergy employer other than for cause, by Mr. Denault for good reason (as defined in the retention agreement), or on account of his death or disability. For additional information about Mr. Denault’s retention agreement, see “Potential Payments Upon Termination or Change in Control – Mr. Denault’s 2006 Retention Agreement.” Mr. Denault’s retention agreement provided him additional years of service and permission to retire under the System Executive Retirement Plan (“SERP”) in the event his employment is terminated by his Entergy employer other than for cause (as defined in the retention agreement), by Mr. Denault for good reason, or on account of his death or disability. His retention agreement also provided that if he terminates employment for any other reason, he is entitled to up to an additional 15 years of service under the SERP only if his Entergy employer grants him permission to retire, subject to the overall 30-year cap on service credit under the

SERP. Mr. Denault's retention agreement was entered into in 2006 when he was Entergy's Chief Financial Officer and was designed to reflect the competition for chief financial officer talent in the marketplace at that time and the Personnel Committee's assessment of the critical role this position played in executing the Company's long-term financial and other strategic objectives. Based on the market data provided by the Company's former independent compensation consultant, the committee, at the time the agreement was entered into, believed the benefits and payment levels under Mr. Denault's retention agreement were consistent with market practices.

On May 7, 2021, Mr. Denault's retention agreement was amended to align the permission requirements of his retention agreement with those of the SERP. Generally, SERP participants who separate from employment with an Entergy system company prior to age 65 are required to obtain permission to retire to receive their benefits. Permission is not required after age 65. Prior to the amendment, Mr. Denault's retention agreement required him to obtain permission to retire even after age 65 to receive the 15 additional years of service under the SERP provided by the retention agreement. With the amendment, Mr. Denault no longer needs such post-age-65 permission to retire to receive the 15 additional years of service under the SERP. The amendment does not change the requirement that Mr. Denault obtain permission to retire before age 65 to receive his SERP benefits.

Non-Qualified Pension Plan Modifications

On November 2, 2021, we entered into an agreement with Leo Denault that: (i) amends the Pension Equalization Plan ("PEP") to terminate his participation in that plan; and (ii) provides that when he terminates employment with the Company the benefit payable to him or his surviving spouse under the SERP will be frozen and determined as if Mr. Denault separated from the Company as of November 30, 2021 (including the use of compensation, service and actuarial assumptions applicable to separations as of such date). As a result of the agreement and the amendment to the SERP, the SERP benefits payable to Mr. Denault are fixed at \$37,025,593 and will not change due to any changes in his compensation, service or actuarial assumptions. Except as amended, benefits payable to Mr. Denault (or his surviving spouse, if applicable) under the SERP will otherwise generally continue to be subject to the provisions of the SERP (including applicable forfeiture conditions) and Mr. Denault's retention agreement. Based on the advice of its independent compensation consultant, the Personnel Committee approved these modifications to the PEP and SERP to ensure the SERP remains an important retention tool for Entergy's Chief Executive Officer while mitigating future risk of cost volatility of the SERP benefit through a freeze.

Risk Mitigation and Other Pay Practices

Entergy Corporation strives to ensure that its compensation philosophy and practices are in line with the best practices of companies in its industry as well as other companies in the S&P 500. Some of these practices include the following:

Clawback Provisions

Under the clawback policy, all incentives paid to all individuals subject to Section 16 of the Exchange Act, including all of the NEOs, are required to be reimbursed where:

- the payment was based on the achievement of certain financial results that were subsequently determined to be the subject of a material restatement other than a restatement due to changes in accounting policy; or a material miscalculation of a performance award occurs, whether or not the financial statements were restated and, in either case, a lower payment would have been made to the executive officer based upon the restated financial results or correct calculation; or
- in the Entergy Board of Directors' view, the executive officer engaged in fraud that caused or partially caused the need for a restatement or caused a material miscalculation of a performance award, in each case, whether or not the financial statements were restated.

The amount required to be reimbursed is equal to the excess of the gross incentive payment made over the gross payment that would have been made if the original payment had been determined based on the restated financial results or correct calculation. In addition, Entergy Corporation will seek to recover any compensation received by its Chief Executive Officer and Chief Financial Officer that is required to be reimbursed under Sarbanes-Oxley following a material restatement of Entergy Corporation's financial statements.

Stock Ownership Guidelines and Share Retention Requirements

Entergy Corporation requires their NEOs to own Entergy stock to further align their interests with Entergy's shareholders' interests. Annually, the Personnel Committee monitors the executive officers' compliance with these guidelines with all of the NEOs satisfying the applicable ownership guidelines at that time. The ownership guidelines are as follows:

The ownership guidelines are as follows:

Role	Value of Common Stock to be Owned
Chief Executive Officer	6 x base salary
Executive Vice Presidents	3 x base salary
Senior Vice Presidents	2 x base salary
Vice Presidents	1 x base salary

Further, to facilitate compliance with the guidelines, until an executive officer satisfies the stock ownership guidelines, the officer must retain:

- all net after-tax shares paid out under the PUP;
- all net after-tax shares of our restricted stock and all net after-tax shares received upon the vesting of restricted stock units; and
- at least 75% of the after-tax net shares received upon the exercise of Entergy Corporation stock options.

Trading Controls

Executive officers, including the NEOs, are required to receive permission from the Company's General Counsel or his designee prior to entering into any transaction involving Company securities, including gifts, other than an exercise of employee stock options that is not funded through a sale in the market. Trading is generally permitted only during specified open trading windows beginning shortly after the release of earnings. Employees who are subject to trading restrictions, including the NEOs, may enter into trading plans under Rule 10b5-1 of the Exchange Act, but these trading plans or any amendment to an existing plan may be entered into only during an open trading window and must be approved by the Company. An NEO bears full responsibility if he or she violates Company policy by buying or selling shares without pre-approval or when trading is restricted.

Entergy Corporation also prohibits directors and executive officers, including the NEOs, from pledging any Entergy Corporation securities or entering into margin accounts involving Entergy Corporation securities. Entergy Corporation prohibits these transactions because of the potential that sales of Entergy Corporation securities could occur outside trading periods and without the required approval of the General Counsel. In addition, Entergy Corporation prohibits directors and executive officers, including the NEOs, from engaging in any hedging transactions with respect to Entergy securities.

Compensation Consultant Independence

Annually, the Personnel Committee reviews the relationship with its compensation consultant to determine whether any conflicts of interest exist that would prevent Pay Governance from independently advising the Personnel Committee. When assessing the independence of its compensation consultant the committee considered the following factors, among others:

- Pay Governance has policies in place to prevent conflicts of interest;
- No member of Pay Governance’s consulting team serving the committee has a business relationship with any member of the committee or any of Entergy Corporation’s executive officers;
- Neither Pay Governance nor any of its principals own any shares of Entergy Corporation’s common stock; and
- The amount of fees paid to Pay Governance is less than 1% of Pay Governance’s total consulting income.

Based on these factors, the Personnel Committee concluded that Pay Governance is independent in accordance with SEC and NYSE rules and that no conflicts of interest exist that would prevent Pay Governance from independently advising the committee.

In addition, Pay Governance has agreed that it will not accept any engagement with management without prior approval from the Personnel Committee, and Entergy Corporation’s Board has adopted a policy that prohibits a compensation consultant from providing other services to it if the aggregate amount for those services would exceed \$120,000 in any year. During 2021, Pay Governance did not provide any services to Entergy Corporation other than the services it performed on behalf of the Personnel and Corporate Governance Committees, and it worked with Entergy Corporation’s management only as directed by the committees.

PERSONNEL COMMITTEE REPORT

The Personnel Committee Report included in the 2022 Entergy Proxy Statement is incorporated by reference, but will not be deemed to be “filed” in this Annual Report on Form 10-K. None of the Registrant Subsidiaries has a compensation committee or other board committee performing equivalent functions. The board of directors of each of the Registrant Subsidiaries is comprised of individuals who are officers or employees of Entergy Corporation or one of the Registrant Subsidiaries. These boards do not make determinations regarding the compensation paid to executive officers of the Registrant Subsidiaries.

EXECUTIVE COMPENSATION TABLES

2021 Summary Compensation Tables

The following table summarizes the total compensation paid or earned by each of the NEOs for the fiscal year ended December 31, 2021, and to the extent required by SEC executive compensation disclosure rules, the fiscal years ended December 31, 2020 and 2019. For information on the principal positions held by each of the NEOs, see Item 10, “Directors, Executive Officers, and Corporate Governance of the Registrants.”

The compensation set forth in the table represents the aggregate compensation paid by all Entergy System companies. For additional information regarding the material terms of the awards reported in the following tables, including a general description of the formula or criteria to be applied in determining the amounts payable, see “Compensation Discussion and Analysis.”

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Name and Principal Position (1)	Year	Salary (2)	Bonus	Stock Awards (3)	Option Awards (4)	Non-Equity Incentive Plan Compensation (5)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (6)	All Other Compensation (7)	Total	Total Without Change in Pension Value (8)
Marcus V. Brown	2021	\$705,286	\$—	\$2,752,829	\$268,787	\$852,840	\$491,400	\$60,135	\$5,131,277	\$4,639,877
Executive Vice President and	2020	\$709,688	\$—	\$1,626,512	\$327,172	\$662,400	\$1,746,000	\$78,631	\$5,150,403	\$3,404,403
General Counsel - Entergy Corp.	2019	\$661,563	\$—	\$1,248,839	\$297,182	\$684,573	\$1,455,300	\$69,955	\$4,417,412	\$2,962,112
Leo P. Denault	2021	\$1,289,538	\$—	\$7,383,591	\$1,602,462	\$2,457,000	\$4,178,300	\$319,164	\$17,230,055	\$13,051,755
Chairman of the	2020	\$1,308,462	\$—	\$6,716,017	\$1,350,986	\$2,116,800	\$4,416,700	\$289,632	\$16,198,597	\$11,781,897
Board and CEO - Entergy Corp.	2019	\$1,260,000	\$—	\$5,391,253	\$1,282,994	\$2,416,680	\$3,704,500	\$208,822	\$14,264,249	\$10,559,749
David D. Ellis	2021	\$381,971	\$—	\$320,279	\$42,822	\$228,225	\$31,300	\$24,408	\$1,029,005	\$997,705
Former CEO -	2020	\$331,803	\$—	\$219,889	\$36,640	\$164,955	\$32,200	\$19,323	\$804,810	\$772,610
Entergy New Orleans	2019	\$311,004	\$—	\$188,861	\$39,104	\$159,804	\$18,000	\$15,267	\$732,040	\$714,040
Haley R. Fisackerly	2021	\$396,604	\$—	\$231,921	\$50,319	\$216,186	\$190,000	\$41,723	\$1,126,753	\$936,753
CEO - Entergy	2020	\$384,848	\$—	\$252,819	\$49,235	\$232,737	\$836,200	\$48,101	\$1,803,940	\$967,740
Mississippi	2019	\$373,313	\$—	\$197,780	\$51,584	\$274,570	\$644,700	\$37,897	\$1,579,844	\$935,144
Laura R. Landreaux	2021	\$350,660	\$—	\$219,035	\$47,522	\$220,093	\$125,000	\$20,683	\$982,993	\$857,993
CEO - Entergy	2020	\$323,907	\$—	\$252,819	\$49,235	\$167,153	\$330,700	\$26,698	\$1,150,512	\$819,812
Arkansas	2019	\$314,407	\$—	\$188,861	\$42,432	\$263,523	\$228,700	\$26,536	\$1,064,459	\$835,759

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Name and Principal Position (1)	Year	Salary (2)	Bonus	Stock Awards (3)	Option Awards (4)	Non-Equity Incentive Plan Compensation (5)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (6)	All Other Compensation (7)	Total	Total Without Change in Pension Value (8)
Andrew S. Marsh	2021	\$705,286	\$—	\$1,650,645	\$358,235	\$906,143	\$213,000	\$56,018	\$3,889,327	\$3,676,327
Executive Vice	2020	\$704,692	\$—	\$2,053,717	\$413,105	\$703,800	\$2,054,000	\$77,741	\$6,007,055	\$3,953,055
President and CFO -	2019	\$641,923	\$—	\$1,579,663	\$375,914	\$712,400	\$1,554,300	\$69,863	\$4,934,063	\$3,379,763
Entergy Corp.,										
Entergy Arkansas,										
Entergy Louisiana,										
Entergy Mississippi,										
Entergy New										
Orleans,										
Entergy Texas										
Phillip R. May, Jr.	2021	\$413,752	\$—	\$304,893	\$66,160	\$333,205	\$2,000	\$25,261	\$1,145,271	\$1,143,271
CEO - Entergy	2020	\$416,677	\$—	\$371,882	\$83,585	\$284,881	\$1,072,100	\$28,836	\$2,257,961	\$1,185,861
Louisiana	2019	\$389,016	\$—	\$294,183	\$77,376	\$407,922	\$877,100	\$28,297	\$2,073,894	\$1,196,794
Sallie T. Rainer	2021	\$344,453	\$—	\$219,035	\$47,522	\$127,949	\$479,100	\$28,151	\$1,246,210	\$767,110
Former CEO -	2020	\$369,133	\$—	\$252,819	\$49,235	\$175,713	\$663,100	\$33,383	\$1,543,383	\$880,283
Entergy Texas	2019	\$344,722	\$—	\$197,780	\$51,584	\$219,069	\$617,200	\$37,361	\$1,467,716	\$850,516
Deanna D. Rodriguez	2021	\$314,450	\$—	\$339,833	\$—	\$144,662	\$144,900	\$59,161	\$1,003,006	\$858,106
CEO - Entergy										
New Orleans										
Eliecer Viamontes	2021	\$324,120	\$—	\$245,000	\$53,154	\$134,793	\$22,300	\$102,190	\$881,557	\$859,257
CEO - Entergy										
Texas										
Roderick K. West	2021	\$748,087	\$—	\$1,512,547	\$328,247	\$844,277	\$77,500	\$75,540	\$3,586,198	\$3,508,698
Group President	2020	\$754,742	\$—	\$1,804,816	\$363,022	\$673,314	\$1,976,400	\$59,730	\$5,632,024	\$3,655,624
Utility Operations -	2019	\$709,023	\$—	\$1,340,679	\$319,039	\$674,742	\$1,604,100	\$67,191	\$4,714,774	\$3,110,674
Entergy Corp.										

- (1) Ms. Rodriguez was named Chief Executive Officer, Entergy New Orleans in May 2021, and Mr. Viamontes was named Chief Executive Officer, Entergy Texas in November 2021.
- (2) The amounts in column (c) represent the actual base salary paid to the NEOs in the applicable year. The 2020 base salary amounts include an amount attributable to an extra pay period that occurred in 2020 as the NEOs are paid on a bi-weekly basis. The 2021 changes in base salaries noted in the CD&A were effective in April 2021, except where otherwise indicated.
- (3) The amounts in column (e) represent the aggregate grant date fair value of restricted stock and performance units granted under the 2015 Equity Ownership Plan of Entergy Corporation and Subsidiaries (the “2015 EOP”) and the 2019 OIP (together with the 2015 EOP, the “Equity Plans”), each calculated in accordance with FASB ASC Topic 718, without taking into account estimated forfeitures. The grant date fair value of the restricted stock, restricted stock units, and the portion of the performance units with vesting based on the Adjusted FFO/Debt Ratio is based on the closing price of Entergy Corporation common stock on the date of grant. The grant date fair value of the portion of the performance units with vesting based on the TSR was measured using a Monte Carlo simulation valuation model. The simulation model applies a risk-free interest rate and an expected volatility assumption. The risk-free interest rate is assumed to equal the yield on a three-year treasury bond on the grant date. Volatility is based on historical volatility for the 36-month period

preceding the grant date. The performance units in the table are also valued based on the probable outcome of the applicable performance condition at the time of grant. The maximum value of shares that would be received if the highest achievement level is attained with respect to both the TSR and Adjusted FFO/Debt Ratio, for performance units granted in 2021 are as follows: Mr. Brown, \$1,684,244; Mr. Denault, \$10,040,465; Mr. Ellis, \$465,928; Mr. Fisackerly, \$315,412; Ms. Landreaux \$297,772; Mr. Marsh, \$2,244,508; Mr. May, \$414,542; Ms. Rodriguez \$345,515; Mr. Viamontes \$333,052; and Mr. West, \$2,056,795. Ms. Rainer retired in 2021 and forfeited the 2021 - 2023 PUP units and shares of restricted stock granted to her in January 2021.

- (4) The amounts in column (f) represent the aggregate grant date fair value of stock options granted under the Equity Plans calculated in accordance with FASB ASC Topic 718. For a discussion of the relevant assumptions used in valuing these awards, see Note 12 to the financial statements.
- (5) The amounts in column (g) for 2020 and 2021 represent STI award cash payments made under the 2019 OIP, and the amounts for 2019 represent the cash payments made under the annual incentive program.
- (6) For all NEOs, the amounts in column (h) include the annual actuarial increase in the present value of these NEOs' benefits under all pension plans established by Entergy Corporation using interest rate and mortality rate assumptions consistent with those used in Entergy Corporation's financial statements and include amounts which the NEOs may not currently be entitled to receive because such amounts are not vested (see "2021 Pension Benefits"). None of the increases for any of the NEOs is attributable to above-market or preferential earnings on non-qualified deferred compensation.
- (7) The amounts in column (i) for 2021 include (a) matching contributions by Entergy Corporation under the Savings Plan to each of the NEOs; (b) dividends paid on restricted stock when vested; (c) life insurance premiums; (d) tax gross up payments on club dues; and (e) perquisites and other compensation as described further below. The amounts are listed in the following table:

Named Executive Officer	Company Contribution – Savings Plan	Dividends Paid on Restricted Stock	Life Insurance Premium	Tax Gross Up Payments	Perquisites and Other Compensation	Total
Marcus V. Brown	\$12,180	\$30,184	\$11,484	\$—	\$6,287	\$60,135
Leo P. Denault	\$12,180	\$107,961	\$11,484	\$—	\$187,539	\$319,164
David D. Ellis	\$17,400	\$1,618	\$915	\$101	\$4,374	\$24,408
Haley R. Fisackerly	\$12,180	\$5,032	\$5,883	\$4,952	\$13,676	\$41,723
Laura R. Landreaux	\$—	\$6,358	\$1,173	\$4,225	\$8,927	\$20,683
Andrew S. Marsh	\$12,180	\$33,989	\$9,849	\$—	\$—	\$56,018
Phillip R. May, Jr.	\$12,180	\$6,837	\$6,151	\$93	\$—	\$25,261
Sallie T. Rainer	\$12,180	\$5,032	\$2,301	\$2,327	\$6,311	\$28,151
Deanna D. Rodriguez	\$12,350	\$6,742	\$1,364	\$7,920	\$30,785	\$59,161
Eliecer Viamontes	\$18,127	\$—	\$647	\$16,084	\$67,332	\$102,190
Roderick K. West	\$12,672	\$31,895	\$3,997	\$—	\$26,976	\$75,540

- (8) In order to show the effect that the year-over-year change in pension value had on total compensation, as determined under applicable SEC rules, we have included an additional column to show total compensation minus the change in pension value. The amounts reported in the Total Without Change in Pension Value column may differ substantially from the amounts reported in the Total column required under SEC rules and are not a substitute for total compensation. Total Without Change in Pension Value represents total compensation, as determined under applicable SEC rules, minus the change in pension value reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column. The change in pension value is subject to many external variables, such as interest rates, assumptions about life expectancy and changes in the discount rate determined at each year end, which are functions of economic factors and actuarial calculations that are not related to Entergy Corporation's performance and are outside of the control of the Personnel Committee.

Perquisites and Other Compensation

The amounts set forth in column (i) also include perquisites and other personal benefits that Entergy Corporation provides to its NEOs as part of providing a competitive executive compensation program and for employee retention. The following perquisites were provided to the NEOs in 2021.

Named Executive Officer	Relocation	Personal Use of Corporate Aircraft	Club Dues	Executive Physical Exams
Marcus V. Brown		X		X
Leo P. Denault		X		X
David D. Ellis		X		X
Haley R. Fisackerly			X	X
Laura R. Landreaux			X	
Andrew S. Marsh				X
Phillip R. May, Jr.				
Sallie T. Rainer			X	
Deanna D. Rodriguez	X		X	
Eliecer Viamontes	X			
Roderick K. West		X		X

For security and business reasons, Entergy Corporation's Chief Executive Officer is permitted to use its corporate aircraft for personal use at the expense of Entergy Corporation. The other NEOs may use the corporate aircraft for personal travel subject to the approval of Entergy Corporation's Chief Executive Officer. Annually, the Personnel Committee reviews the level of usage. Entergy Corporation believes that its officers' ability to use its plane for limited personal use saves time and helps to ensure their personal health and safety in light of the ongoing pandemic, in addition to providing them additional security while traveling, thereby benefiting the Company. The amounts included in column (i) for the personal use of corporate aircraft, reflect the incremental cost to Entergy Corporation for use of the corporate aircraft, determined on the basis of the variable operational costs of each flight, including fuel, maintenance, flight crew travel expense, catering, communications, and fees, including flight planning, ground handling, and landing permits. The aggregate incremental aircraft usage cost associated with Mr. Denault's and Mr. West's personal use of the corporate aircraft was \$184,311 and \$25,066, respectively, for fiscal year 2021. In addition, Entergy Corporation offers its executives comprehensive annual physical exams at Entergy Corporation's expense.

Entergy Corporation also provides relocation benefits to a broad base of employees which include assistance with moving expenses, transportation of household goods and in certain circumstances, assistance with the sale of the employee's home. In connection with employment, and in accordance with its relocation policies, Entergy Corporation paid \$37,452 and \$83,323 in relocation expense for Ms. Rodriguez and Mr. Viamontes, respectively, in 2021. The relocation assistance amounts reported above represent the amount paid to Entergy's relocation service provider or Ms. Rodriguez and Mr. Viamontes, as applicable. If Ms. Rodriguez or Mr. Viamontes separates from the Company prior to the two year anniversary of their promotion, certain of Ms. Rodriguez and Mr. Viamontes relocation benefits are subject to forfeiture.

None of the other perquisites referenced above exceeded \$25,000 for any of the other NEOs.

2021 Grants of Plan-Based Awards

The following table summarizes award grants during 2021 to the NEOs.

(a)	(b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts under Equity Incentive Plan Awards ⁽²⁾			(i) All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	(j) All Other Option Awards: Number of Securities Under-lying Options (#) (4)	(k) Exercise or Base Price of Option Awards (\$/Sh)	(l) Grant Date Fair Value of Stock and Option Awards (\$) (5)
		(c) Thresh- old (\$)	(d) Target (\$)	(e) Maximum (\$)	(f) Thresh- old (#)	(g) Target (#)	(h) Maximum (#)				
Marcus V. Brown	1/28/21	\$-	\$568,560	\$1,137,120							
	1/28/21				2,196	8,784	17,568				\$946,617
	1/28/21							3,045			\$291,924
	5/17/21							14,216 ⁽⁶⁾			
	1/28/21								21,906	\$95.87	\$268,787
Leo P. Denault	1/28/21	\$-	\$1,820,000	\$3,640,000							
	1/28/21				13,091	52,365	104,730				\$5,643,167
	1/28/21							18,154			\$1,740,424
	1/28/21								130,600	\$95.87	\$1,602,462
David D. Ellis ⁽⁷⁾	1/28/21	\$-	\$249,000	\$498,000							
	1/28/21				514	2,056	4,112				\$221,567
	5/9/21				60	238	476				\$38,588
	5/9/21				34	136	272				\$13,531
	1/28/21							486			\$46,593
	1/28/21								3,490	\$95.87	\$42,822
Haley R. Fisackerly	1/28/21	\$-	\$159,956	\$319,912							
	1/28/21				411	1,645	3,290				\$177,275
	1/28/21							570			\$54,646
	1/28/21								4,101	\$95.87	\$50,319
Laura R. Landreaux	1/28/21	\$-	\$152,000	\$304,000							
	1/28/21				388	1,553	3,106				\$167,361
	1/28/21							539			\$51,674
									3,873	\$95.87	\$47,522
Andrew S. Marsh	1/28/21	\$-	\$604,095	\$1,208,190							
	1/28/21				2,927	11,706	23,412				\$1,261,509
	1/28/21							4,059			\$389,136
	1/28/21								29,196	\$95.87	\$358,235

(a)	(b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts under Equity Incentive Plan Awards ⁽²⁾			(i)	(j)	(k)	(l)
		(c)	(d)	(e)	(f)	(g)	(h)				
Name	Grant Date	Thresh- old	Target	Maximum	Thresh- old	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Under-lying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		(\$)	(\$)	(\$)	(#)	(#)	(#)	(#) (3)	(#) (4)	(\$/Sh)	(\$) (5)
Phillip R. May, Jr.	1/28/21	\$-	\$250,157	\$500,314							
	1/28/21				541	2,162	4,324				\$232,990
	1/28/21							750			\$71,903
	1/28/21								5,392	\$95.87	\$66,160
Sallie T. Rainer ⁽⁸⁾	1/28/21	\$-	\$147,790	\$295,580							
	1/28/21				388	1,553	3,106				\$167,361
	1/28/21							539			\$51,674
	1/28/21								3,873	\$95.87	\$47,522
Deanna D. Rodriguez ⁽⁷⁾	1/28/21	\$-	\$132,000	\$264,000							
	1/28/21				325	1,301	2,602				\$140,204
	5/9/21				125	501	1,002				\$81,230
	1/28/21							1,235			\$118,399
	1/28/21								—	\$95.87	\$—
Elicer Viamontes	1/28/21	\$-	\$136,000	\$272,000							
	1/28/21				434	1,737	3,474				\$187,190
	1/28/21							603			\$57,810
	1/28/21								4,332	\$95.87	\$53,154
Roderick K. West	1/28/21	\$-	\$603,055	\$1,206,110							
	1/28/21				2,682	10,727	21,454				\$1,156,006
	1/28/21							3,719			\$356,541
	1/28/21								26,752	\$95.87	\$328,247

- (1) The amounts in columns (c), (d), and (e) represent minimum, target, and maximum payment levels under the STI program. The actual amounts awarded are reported in column (g) of the 2021 Summary Compensation Table.
- (2) The amounts in columns (f), (g), and (h) represent the minimum, target, and maximum payment levels under the PUP. Performance under the program is measured by Entergy Corporation's TSR relative to the TSR of the companies included in the Philadelphia Utility Index and Adjusted FFO/Debt Ratio with TSR weighted eighty percent and Adjusted FFO/Debt Ratio weighted twenty percent. There is no payout under the program if Entergy Corporation's TSR falls within the lowest quartile of the peer companies in the Philadelphia Utility Index and Adjusted FFO/Debt Ratio is below the minimum performance goal. Subject to the achievement of performance targets, each unit will be converted into one share of Entergy Corporation's common stock on the last day of the performance period (December 31, 2023). Accrued dividends on the shares earned will also be paid in Entergy Corporation common stock.

- (3) The amounts in column (i) represent shares of restricted stock granted under the 2019 OIP. Shares of restricted stock vest one-third on each of the first through third anniversaries of the grant date, have voting rights, and accrue dividends during the vesting period.
- (4) The amounts in column (j) represent options to purchase shares of Entergy Corporation's common stock granted under the 2019 OIP. The options vest one-third on each of the first through third anniversaries of the grant date and have a ten-year term from the date of grant.
- (5) The amounts in column (l) are valued based on the aggregate grant date fair value of the award calculated in accordance with FASB ASC Topic 718 and, in the case of the performance units, are based on the probable outcome of the applicable performance conditions. See Notes 3 and 4 to the 2021 Summary Compensation Table for a discussion of the relevant assumptions used in calculating the grant date fair value.
- (6) In May 2021, Mr. Brown was awarded 14,216 restricted stock units under the 2019 OIP. The restricted units will vest in one installment on May 17, 2024.
- (7) Mr. Ellis's and Ms. Rodriguez's awards were modified in connection with their promotions in 2021.
- (8) Ms. Rainer retired in 2021 and forfeited the 2021 - 2023 PUP units and shares of restricted stock granted to her in January 2021.

2021 Outstanding Equity Awards at Fiscal Year-End

The following table summarizes, for each NEO, unexercised options, restricted stock that has not vested, and equity incentive plan awards outstanding as of December 31, 2021.

(a)	Option Awards					Stock Awards			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Marcus V. Brown	—	21,906 ⁽¹⁾		\$95.87	1/28/2031				
	9,524	19,050 ⁽²⁾		\$131.72	1/30/2030				
	11,906	11,907 ⁽³⁾		\$89.19	1/31/2029				
	13,500	—		\$78.08	1/25/2028				
								8,784 ⁽⁴⁾	\$989,518
								1,893 ⁽⁵⁾	\$213,218
						3,045 ⁽⁶⁾	\$343,019		
						2,020 ⁽⁷⁾	\$227,553		
						1,179 ⁽⁸⁾	\$132,814		
						14,126 ⁽⁹⁾	\$1,519,294		

(a)	Option Awards					Stock Awards			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Leo P. Denault	—	130,600 ⁽¹⁾		\$95.87	1/28/2031				
	39,330	78,660 ⁽²⁾		\$131.72	1/30/2030				
	102,804	51,402 ⁽³⁾		\$89.19	1/31/2029				
	167,000	—		\$78.08	1/25/2028				
	179,400	—		\$70.53	1/26/2027				
	167,000	—		\$70.56	1/28/2026				
	88,000	—		\$89.90	1/29/2025				
	106,000	—		\$63.17	1/30/2024				
	50,000	—		\$64.60	1/31/2023				
								52,365 ⁽⁴⁾	\$5,898,917
								7,816 ⁽⁵⁾	\$880,444
						18,154 ⁽⁶⁾	\$2,045,048		
						8,337 ⁽⁷⁾	\$939,163		
						5,087 ⁽⁸⁾	\$573,051		
David D. Ellis	—	3,490 ⁽¹⁾		\$95.87	1/28/2031				
	1,066	2,134 ⁽²⁾		\$131.72	1/30/2030				
	3,133	1,567 ⁽³⁾		\$89.19	1/31/2029				
								2,056 ⁽⁴⁾	\$231,608
								297 ⁽⁵⁾	\$33,457
						486 ⁽⁶⁾	\$54,748		
						334 ⁽⁷⁾	\$37,625		
						167 ⁽⁸⁾	\$18,813		
Haley R. Fisackerly	—	4,101 ⁽¹⁾		\$95.87	1/28/2031				
	1,433	2,867 ⁽²⁾		\$131.72	1/30/2030				
	2,067	2,067 ⁽³⁾		\$89.19	1/31/2029				
	2,200	—		\$78.08	1/25/2028				
								1,645 ⁽⁴⁾	\$185,309
								238 ⁽⁵⁾	\$26,754
						570 ⁽⁶⁾	\$64,211		
						500 ⁽⁷⁾	\$56,325		
						200 ⁽⁸⁾	\$22,530		

(a)	Option Awards					Stock Awards			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Laura R. Landreaux	—	3,873 ⁽¹⁾		\$95.87	1/28/2031				
	1,433	2,867 ⁽²⁾		\$131.72	1/30/2030				
	3,400	1,700 ⁽³⁾		\$89.19	1/31/2029				
								1,553 ⁽⁴⁾	\$174,945
								238 ⁽⁵⁾	\$26,754
						539 ⁽⁶⁾	\$60,718		
						500 ⁽⁷⁾	\$56,325		
						167 ⁽⁸⁾	\$18,813		
Andrew S. Marsh	—	29,196 ⁽¹⁾		\$95.87	1/28/2031				
	12,026	24,053 ⁽²⁾		\$131.72	1/30/2030				
	30,121	15,061 ⁽³⁾		\$89.19	1/31/2029				
	49,000	—		\$78.08	1/25/2028				
	44,000	—		\$70.53	1/26/2027				
	45,000	—		\$70.56	1/28/2026				
	24,000	—		\$89.90	1/29/2025				
	35,000	—		\$63.17	1/30/2024				
	32,000	—		\$64.60	1/31/2023				
	10,000	—		\$71.30	1/26/2022				
								11,706 ⁽⁴⁾	\$1,318,681
								2,390 ⁽⁵⁾	\$269,234
						4,059 ⁽⁶⁾	\$457,246		
						2,550 ⁽⁷⁾	\$287,258		
						1,491 ⁽⁸⁾	\$167,961		
Phillip R. May, Jr.	—	5,392 ⁽¹⁾		\$95.87	1/28/2031				
	2,433	4,867 ⁽²⁾		\$131.72	1/30/2030				
	3,100	3,100 ⁽³⁾		\$89.19	1/31/2029				
	3,300	—		\$78.08	1/25/2028				
								2,162 ⁽⁴⁾	\$243,549
								350 ⁽⁵⁾	\$39,428
						750 ⁽⁶⁾	\$84,488		
						734 ⁽⁷⁾	\$82,685		
						300 ⁽⁸⁾	\$33,795		

(a)	Option Awards					Stock Awards			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Sallie T. Rainer	—	3,873 ⁽¹⁾		\$95.87	1/28/2031				
	1,433	2,867 ⁽²⁾		\$131.72	1/30/2030				
	6,200	—		\$89.19	1/31/2029				
	4,400	—		\$78.08	1/25/2028				
	2,600	—		\$70.53	1/26/2027				
								145 ⁽⁵⁾	\$16,362
Deanna D. Rodriguez								1,301 ⁽⁴⁾	\$146,558
								125 ⁽⁵⁾	\$14,109
						1,235 ⁽⁶⁾	\$139,123		
						567 ⁽⁷⁾	\$63,873		
						334 ⁽⁸⁾	\$37,625		
Eliecer Viamontes	—	4,332 ⁽¹⁾		\$95.87	1/28/2031				
								1,737 ⁽⁴⁾	\$195,673
								231 ⁽⁵⁾	\$26,022
						603 ⁽⁶⁾	\$67,928		
						667 ⁽¹⁰⁾	\$75,138		
Roderick K. West	—	26,752 ⁽¹⁾		\$95.87	1/28/2031				
	10,568	21,137 ⁽²⁾		\$131.72	1/30/2030				
	12,782	12,782 ⁽³⁾		\$89.19	1/31/2029				
	14,167	—		\$78.08	1/25/2028				
								10,727 ⁽⁴⁾	\$1,208,397
								2,100 ⁽⁵⁾	\$236,593
						3,719 ⁽⁶⁾	\$418,945		
						2,241 ⁽⁷⁾	\$252,449		
						1,265 ⁽⁸⁾	\$142,502		

- (1) Consists of options granted under the 2019 OIP; 1/3 of the options vested on January 28, 2022 and 1/3 of the remaining options will vest on each of January 28, 2023 and January 28, 2024.
- (2) Consists of options granted under the 2019 OIP; 1/2 of the options vested on January 30, 2022 and the remaining options will vest on January 30, 2023.
- (3) Consists of options granted under the 2015 EOP that vested on January 31, 2022.

- (4) Consists of performance units granted under the 2019 OIP that will vest on December 31, 2023 based on two performance measures - Entergy Corporation's TSR performance and Adjusted FFO/Debt Ratio over the 2021 - 2023 performance period with TSR weighted eighty percent and Adjusted FFO/Debt Ratio weighted twenty percent, as described under "What Entergy Corporation Pays and Why - Long-Term Incentive Compensation - 2021 Long-Term Incentive Award Mix - Long-Term Performance Unit Program" in the CD&A.
- (5) Consists of performance units granted under the 2019 OIP that will vest on December 31, 2023 based on two performance measures - Entergy Corporation's TSR performance and Cumulative ETR Adjusted EPS over the 2020 - 2022 performance period with TSR weighted eighty percent and Cumulative ETR Adjusted EPS weighted twenty percent.
- (6) Consists of shares of restricted stock granted under the 2019 OIP; 1/3 of the shares of restricted stock vested on January 28, 2022 and 1/3 of the remaining shares will vest on each of January 28, 2023 and January 28, 2024.
- (7) Consists of shares of restricted stock granted under the 2019 OIP; 1/3 of the shares of restricted stock vested on January 30, 2022 and the remaining shares of restricted stock will vest on January 30, 2023.
- (8) Consists of shares of restricted stock granted under the 2015 EOP that vested on January 31, 2022.
- (9) Consists of restricted stock units granted under the 2019 OIP which will vest on May 17, 2024.
- (10) Consists of restricted stock units granted under the 2019 OIP; 1/2 of the restricted stock units vested on January 20, 2022 and the remaining restricted stock units will vest on January 20, 2023.

2021 Option Exercises and Stock Vested

The following table provides information concerning each exercise of stock options and each vesting of stock during 2021 for the NEOs.

(a) Name	Options Awards		Stock Awards	
	(b) Number of Shares Acquired on Exercise (#)	(c) Value Realized on Exercise (\$)	(d) Number of Shares Acquired on Vesting (#)	(e) Value Realized on Vesting ⁽¹⁾ (\$)
Marcus V. Brown	—	\$—	16,557	\$1,763,143
Leo P. Denault	—	\$—	69,093	\$7,385,433
David D. Ellis	—	\$—	2,429	\$262,835
Haley R. Fisackerly	—	\$—	2,683	\$284,394
Laura R. Landreaux	—	\$—	2,797	\$295,182
Andrew S. Marsh	4,000	\$86,118	20,522	\$2,190,324
Phillip R. May, Jr.	—	\$—	3,909	\$415,080
Sallie T. Rainer	—	\$—	2,562	\$270,993
Deanna D. Rodriguez	—	\$—	1,021	\$97,052
Eliecer Viamontes	—	\$—	1,518	\$162,507
Roderick K. West	—	\$—	17,751	\$1,890,564

- (1) Represents the value of performance units for the 2019 – 2021 performance period (payable solely in shares based on the closing stock price of Entergy Corporation on the date of vesting) under the PUP and the vesting of restricted stock and restricted units in 2021.

2021 Pension Benefits

The following table shows the present value as of December 31, 2021, of accumulated benefits payable to each of the NEOs, including the number of years of service credited to each NEO, under the retirement plans sponsored by Entergy Corporation, determined using interest rate and mortality rate assumptions set forth in Note 11 to the financial statements. Additional information regarding these retirement plans follows this table.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2021
Marcus V. Brown ⁽¹⁾	System Executive Retirement Plan	26.74	\$8,325,300	\$—
	Entergy Retirement Plan	26.74	\$1,440,500	\$—
Leo P. Denault ⁽¹⁾⁽²⁾⁽³⁾	System Executive Retirement Plan	30.00	\$34,861,100	\$—
	Entergy Retirement Plan	22.83	\$1,295,500	\$—
David D. Ellis	Cash Balance Equalization Plan	3.06	\$30,700	\$—
	Cash Balance Plan	3.06	\$51,400	\$—
Haley R. Fisackerly ⁽¹⁾	System Executive Retirement Plan	26.08	\$2,490,500	\$—
	Entergy Retirement Plan	26.08	\$1,287,600	\$—
Laura R. Landreaux	Pension Equalization Plan	14.48	\$362,400	\$—
	Entergy Retirement Plan	14.48	\$598,300	\$—
Andrew S. Marsh	System Executive Retirement Plan	23.37	\$6,742,300	\$—
	Entergy Retirement Plan	23.37	\$958,100	\$—
Phillip R. May, Jr. ⁽¹⁾⁽³⁾	System Executive Retirement Plan	30.00	\$3,699,000	\$—
	Entergy Retirement Plan	35.56	\$1,877,700	\$—
Sallie T. Rainer ⁽¹⁾⁽³⁾	System Executive Retirement Plan	30.00	\$2,317,300	\$—
	Entergy Retirement Plan	37.00	\$2,102,600	\$—
Deanna D. Rodriguez ⁽¹⁾	Pension Equalization Plan	5.74	\$721,700	\$—
	Entergy Retirement Plan	5.74	\$1,443,800	\$—
Eliecer Viamontes	Cash Balance Equalization Plan	1.95	\$11,100	\$—
	Cash Balance Plan	1.95	\$23,300	\$—
Roderick K. West	System Executive Retirement Plan	22.75	\$7,718,800	\$—
	Entergy Retirement Plan	22.75	\$1,020,200	\$—

(1) As of December 31, 2021, Mr. Brown, Mr. Denault, Mr. Fisackerly, Mr. May, and Ms. Rodriguez were retirement eligible. Ms. Rainer retired in November 2021.

(2) In 2021, the Company entered into an agreement with Mr. Denault and amended the PEP and the SERP, pursuant to which the benefit payable to Mr. Denault (or to his surviving spouse) under the SERP if he separates from employment with the Company is fixed and will be determined as if such separation from employment occurred as of November 30, 2021 (including the use of final average monthly compensation, service and actuarial assumptions applicable to separations as of such date). The amendment to the PEP terminated Mr. Denault's participation in this plan. See further discussion of this agreement at "What Entergy Corporation Pays and Why – Severance and Retention Arrangements - Non-Qualified Pension Plan Modifications" in the CD&A.

(3) Service under the SERP is granted from the date of hire. Service under the qualified Entergy Retirement Plan is granted from the later of the date of hire or the plan participation date. The SERP amounts reflected in the

table for Mr. Denault, Mr. May and Ms. Rainer are calculated based on 30 years of service pursuant to the terms of the SERP.

Retirement Benefits

The tables below contain summaries of the pension benefit plans sponsored by Entergy Corporation that the NEOs participated in during 2021. Benefits for the NEOs who participate in these plans are determined using the same formulas as for other eligible employees.

Qualified Retirement Benefits

	Entergy Retirement Plan	Cash Balance Plan
Eligible Named Executive Officers	Marcus V. Brown Haley R. Fisackerly Leo P. Denault Andrew S. Marsh Laura R. Landreaux	Phillip R. May, Jr. Sallie T. Rainer Deanna D. Rodriguez Roderick K. West
Eligibility	Non-bargaining employees hired before July 1, 2014	Non-bargaining employees hired on or after July 1, 2014 and before January 1, 2021.
Vesting	A participant becomes vested in the Entergy Retirement Plan upon attainment of at least 5 years of vesting service or upon attainment of age 65 while actively employed by an Entergy system company.	A participant becomes vested in the Cash Balance Plan upon attainment of at least 3 years of vesting service or upon attainment of age 65 while actively employed by an Entergy system company.
Form of Payment Upon Retirement	Benefits are payable as an annuity. For employees who separate from service on or after January 1, 2018, a single lump sum distribution may be elected by the participant if eligibility criteria are met.	Benefits are payable as an annuity or single lump sum distribution.
Retirement Benefit Formula	<p>Benefits are calculated as a single life annuity payable at age 65 and generally are equal to 1.5% of a participant's Final Average Monthly Earnings (FAME) multiplied by years of service (not to exceed 40).</p> <p>"Earnings" for the purpose of calculating FAME generally includes the employee's base salary and eligible annual incentive awards subject to Internal Revenue Code limitations, and excludes all other bonuses. Executive annual incentive awards are not eligible for inclusion in Earnings under this plan.</p> <p>FAME is calculated using the employee's average monthly Earnings for the 60 consecutive months in which the employee's earnings were highest during the 120 month period immediately preceding the employee's retirement and includes up to 5 eligible annual incentive awards paid during the 60 month period.</p>	<p>The normal retirement benefit at age 65 is determined by converting the sum of an employee's annual pay credits and his or her annual interest credits, into an actuarially equivalent annuity.</p> <p>Pay credits ranging from 4-8% of an employee's eligible Earnings are allocated annually to a notional account for the employee based on an employee's age and years of service. Earnings for purposes of calculating an employee's pay credit include the employee's base salary and annual incentive awards subject to Internal Revenue Code limitations and exclude all other bonuses. Executive annual incentive awards are eligible for inclusion in Earnings under this plan.</p> <p>Interest credits are calculated based upon the annual rate of interest on 30-year U.S. Treasury securities, as specified by the Internal Revenue Service, for the month of August preceding the first day of the applicable calendar year subject to a minimum rate of 2.6% and a maximum rate of 9%.</p>

	Entergy Retirement Plan	Cash Balance Plan
Benefit Timing	<p>Normal retirement age under the plan is 65.</p> <p>A reduced terminated vested benefit may be commenced as early as age 55. The amount of this benefit is determined by reducing the normal retirement benefit by 7% per year for the first 5 years commencement precedes age 65, and 6% per year for each additional year commencement precedes age 65.</p> <p>A subsidized early retirement benefit may be commenced by employees who are at least age 55 with 10 years of service at the time they separate from service. The amount of this benefit is determined by reducing the normal retirement benefit by 2% per year for each year that early retirement precedes age 65.</p>	<p>Normal retirement age under the plan is 65.</p> <p>A vested cash balance benefit can be commenced as early as the first day of the month following separation from service. The amount of the benefit is determined in the same manner as the normal retirement benefit described above in the “Retirement Benefit Formula” section.</p>

Non-qualified Retirement Benefits

The NEOs are eligible to participate in certain non-qualified retirement benefit plans that provide retirement income, including the PEP, the Cash Balance Equalization Plan, and the SERP. Each of these plans is an unfunded non-qualified defined benefit pension plan that provides benefits to key management employees. In these plans, as described below, an executive may participate in one or more non-qualified plans, but is only paid the amount due under the plan that provides the highest benefit. In general, upon disability, participants in the PEP and the SERP remain eligible for continued service credits until the earlier of recovery, separation from service due to disability, or retirement eligibility. Generally, spouses of participants who die before commencement of benefits may be eligible for a portion of the participant’s accrued benefit.

	Pension Equalization Plan		Cash Balance Equalization Plan	System Executive Retirement Plan	
Eligible Named Executive Officers	Marcus V. Brown Haley R. Fisackerly Laura R. Landreaux Andrew S. Marsh	Phillip R. May, Jr. Sallie T. Rainer Deanna D. Rodriguez Roderick K. West	David D. Ellis Eliecer Viamontes	Marcus V. Brown Haley R. Fisackerly Leo P. Denault Andrew S. Marsh	Phillip R. May, Jr. Sallie T. Rainer Roderick K. West
Eligibility	Management or highly compensated employees who participate in the Entergy Retirement Plan		Management or highly compensated employees who participate in the Cash Balance Plan	Certain individuals who became executive officers before July 1, 2014	
Form of Payment Upon Retirement	Single lump sum distribution		Single lump sum distribution	Single lump sum distribution	

	Pension Equalization Plan	Cash Balance Equalization Plan	System Executive Retirement Plan
Retirement Benefit Formula	Benefits generally are equal to the actuarial present value of the difference between (1) the amount that would have been payable as an annuity under the Entergy Retirement Plan, including executive annual incentive awards as eligible earnings and without applying limitations of the Internal Revenue Code of 1986, as amended (the “Code”) on pension benefits and earnings that may be considered in calculating tax-qualified pension benefits, and (2) the amount actually payable as an annuity under the Entergy Retirement Plan. Executive annual incentive awards are taken into account as eligible earnings under this plan.	Benefits generally are equal to the difference between the amount that would have been payable as a lump sum under the Cash Balance Plan, but for the Code limitations on pension benefits and earnings that may be considered in calculating tax-qualified cash balance plan benefits, and the amount actually payable as a lump sum under the Cash Balance Plan.	Benefits generally are equal to the actuarial present value of a specified percentage, based on the participant’s years of service (including supplemental service granted under the plan) and management level of the participant’s “Final Average Monthly Compensation” (which is generally 1/36th of the sum of the participant’s base salary and annual incentive plan award for the 3 highest years during the last 10 years preceding separation from service), after first being reduced by the value of the participant’s Entergy Retirement Plan benefit.
Benefit timing	Payable at age 65 Benefits payable prior to age 65 are subject to the same reduced terminated vested or early retirement reduction factors as benefits payable under the Entergy Retirement Plan as described above. An employee with supplemental credited service who terminates employment prior to age 65 must receive prior written consent of the Entergy employer in order to receive the portion of their benefit attributable to their supplemental credited service agreement. Benefits payable upon separation from service subject to the 6 month delay required under the Code Section 409A.	Payable upon separation from service subject to 6 month delay required under the Code Section 409A.	Payable at age 65 Prior to age 65, vesting is conditioned on the prior written consent of the officer’s Entergy employer. Benefits payable prior to age 65 are subject to the same reduced terminated vested or subsidized early retirement reduction factors as benefits payable under the Entergy Retirement Plan as described above. Benefits payable upon separation from service subject to the 6 month delay required under Internal Revenue Code Section 409A.

Additional Information

- (1) Effective July 1, 2014, (a) no new grants of supplemental service may be provided to participants in the PEP; (b) supplemental credited service granted prior to July 1, 2014 was grandfathered; and (c) participants in Entergy Corporation’s Cash Balance Plan are not eligible to participate in the PEP and instead may be eligible to participate in the Cash Balance Equalization Plan.
- (2) Benefits accrued under the SERP, PEP, and Cash Balance Equalization Plan, if any, will become fully vested if a participant is involuntarily terminated without cause or terminates his or her employment for good reason in connection with a change in control with payment generally made in a lump-sum payment as soon as reasonably practicable following the first day of the month after the termination of employment, unless delayed 6 months under Internal Revenue Code Section 409A.
- (3) The SERP was closed to new executive officers effective July 1, 2014.
- (4) Ms. Rainer retired in November 2021. It is anticipated that her SERP lump sum benefit will be paid in 2022.

2021 Non-qualified Deferred Compensation

As of December 31, 2021, Mr. May had a deferred account balance under a frozen Defined Contribution Restoration Plan. The amount is deemed invested, as chosen by Mr. May, in certain T. Rowe Price investment funds that are also available to the participant under the Savings Plan. Mr. May has elected to receive the deferred account balance after he retires. The Defined Contribution Restoration Plan, until it was frozen in 2005, credited eligible employees' deferral accounts with employer contributions to the extent contributions under the qualified savings plan in which the employee participated were subject to limitations imposed by the Internal Revenue Code.

Defined Contribution Restoration Plan

Name (a)	Executive Contributions in 2021 (b)	Registrant Contributions in 2021 (c)	Aggregate Earnings in 2021 ⁽¹⁾ (d)	Aggregate Withdrawals/Distributions (e)	Aggregate Balance at December 31, 2021 (f)
Phillip R. May, Jr.	\$—	\$—	\$629	\$—	\$3,696

(1) Amounts in this column are not included in the Summary Compensation Table.

2021 Potential Payments Upon Termination or Change in Control

The Company has plans and other arrangements that provide compensation to a NEO if his or her employment terminates under specified conditions, including following a change in control of the Company.

Change in Control

Under the System Executive Continuity Plan (the "Continuity Plan"), executive officers, including each of the NEOs, are eligible to receive the severance benefits described below if their employment is terminated by their Entergy System employer other than for cause or if they terminate their employment for good reason during a period beginning with a potential change in control and ending 24 months following the effective date of a change in control (a "Qualifying Termination"). A participant will not be eligible for benefits under the Continuity Plan if such participant: accepts employment with Entergy Corporation or any of its subsidiaries; elects to receive the benefits of another severance or separation program; removes, copies or fails to return any property belonging to Entergy Corporation or any of its subsidiaries or violates his or her non-compete provision (which generally runs for two years but extends to three years if permissible under applicable law). Entergy Corporation does not have any plans or agreements that provide for payments or benefits to any of the NEOs solely upon a change in control.

In the event of a Qualifying Termination, the executive officers, including the NEOs, generally would receive the benefits below:

Compensation Element	Payment
Severance*	A lump sum severance payment equal to a multiple of the sum of: (a) the participant's annual base salary as in effect at any time within one year prior to the commencement of a change in control period or, if higher, immediately prior to a circumstance constituting good reason, plus (b) the participant's STI, calculated using the average annual target opportunity derived under the STI program for the two calendar years immediately preceding the calendar year in which termination occurs.
Performance Units**	For outstanding performance units, participants would receive a number of shares of Entergy common stock equal to the greater of (1) the target number of performance units subject to the performance unit agreement or (2) the number of units that would vest under the performance unit agreement calculated based on Company performance through the participant's termination date, in either case pro-rated based on the portion of the performance period that occurs through the termination date.
Equity Awards	All unvested stock options, shares of restricted stock and restricted stock units will vest immediately upon a Qualifying Termination pursuant to the terms of Entergy's equity plans.
Retirement Benefits	Benefits already accrued under the SERP, PEP and Cash Balance Equalization Plan, if any, will become fully vested.
Welfare Benefits	Participants who are not retirement-eligible would be eligible to receive Entergy-subsidized COBRA benefits for a period ranging from 12 to 18 months.

* Cash severance payments are capped at 2.99 times the sum of (a) an executive's annual base salary, plus (b) the higher of his or her actual STI payment under the STI program for the two calendar years immediately preceding the calendar year in which termination occurs. Any cash severance payments to be paid under the Continuity Plan in excess of this cap will be forfeited by the participant.

** See "Mr. Denault's 2006 Retention Agreement" for a description of how Mr. Denault's performance units would be calculated in the event of a Qualifying Termination.

To protect shareholders and Entergy Corporation's business model, executives are required to comply with non-compete, non-solicitation, confidentiality and non-denigration provisions. If an executive discloses non-public data or information concerning Entergy Corporation or any of its subsidiaries or violates his or her non-compete provision, he or she will be required to repay any benefits previously received under the Continuity Plan.

For purposes of the Continuity Plan the following events are generally defined as:

- **Change in Control:** (a) the purchase of 30% or more of either Entergy Corporation's common stock or the combined voting power of Entergy Corporation's voting securities; (b) the merger or consolidation of Entergy Corporation (unless its Board members constitute at least a majority of the board members of the surviving entity); (c) the liquidation, dissolution or sale of all or substantially all of Entergy Corporation's assets; or (d) a change in the composition of Entergy Corporation's Board such that, during any two-year period, the individuals serving at the beginning of the period no longer constitute a majority of Entergy Corporation's Board at the end of the period.
- **Potential Change in Control:** (a) Entergy Corporation or an affiliate enters into an agreement the consummation of which would constitute a Change in Control; (b) the Entergy Corporation Board adopts resolutions determining that, for purposes of the Continuity Plan, a potential Change in Control has occurred; (c) a System Company or other person or entity publicly announces an intention to take actions that would constitute a Change in Control; or (d) any person or entity becomes the beneficial owner (directly or indirectly) of Entergy Corporation's outstanding shares of common stock constituting 20% or more of the voting power or value of the Entergy Corporation's outstanding common stock.
- **Cause:** The participant's (a) willful and continuous failure to perform substantially his or her duties after written demand for performance; (b) engagement in conduct that is materially injurious to Entergy Corporation

or any of its subsidiaries; (c) conviction or guilty or nolo contendere plea to a felony or other crime that materially and adversely affects either his or her ability to perform his or her duties or Entergy Corporation's reputation; (d) material violation of any agreement with Entergy Corporation or any of its subsidiaries; or (e) disclosure of any of Entergy Corporation's confidential information without authorization.

- **Good Reason:** The participant's (a) nature or status of duties and responsibilities is substantially altered or reduced; (b) salary is reduced by 5% or more; (c) primary work location is relocated outside the continental United States; (d) compensation plans are discontinued without an equitable replacement; (e) benefits or number of vacation days are substantially reduced; or (f) employment is terminated by an Entergy employer for reasons other than in accordance with the Continuity Plan.

Other Termination Events

For termination events, other than in connection with a Change in Control, the executive officers, including the NEOs, generally will receive the benefits set forth below:

Termination Event	Compensation Element				
	Severance	Short-Term Incentive	Stock Options	Restricted Stock	Performance Units
Voluntary Resignation	None	Forfeited*	Unvested options are forfeited. Vested options expire on the earlier of (i) 90 days from the last day of active employment and (ii) the option's normal expiration date.	Forfeited	Forfeited**
Termination for Cause	None	Forfeited	Forfeited	Forfeited	Forfeited
Retirement	None	Pro-rated based on number of days employed during the performance period	Unvested stock options granted prior to 2020 vest on the retirement date and expire on the earlier of (i) five years from the retirement date and (ii) the option's normal expiration date. Unvested stock options granted in or after 2020 continue to vest following retirement, in accordance with the original vesting schedule and expire the earlier of (i) five years from the retirement date and (ii) the option's normal expiration date.	Forfeited	Officers with a minimum of 12 months of participation are eligible for a pro-rated award based on actual performance and full months of service during the performance period
Death/Disability	None	Pro-rated based on number of days employed during the performance period	Unvested stock options vest on the termination date and expire on the earlier of (i) five years from the termination date and (ii) the option's normal expiration date	Fully Vest	Officers are eligible for pro-rated award based on actual performance and full months of service during the performance period

* If an officer resigns after the completion of an annual incentive plan, he or she may receive, at Entergy Corporation's discretion, an annual incentive payment.

** If an officer resigns after the completion of a PUP performance period, he or she may receive a payout under the PUP based on the outcome of the performance period.

Mr. Denault's 2006 Retention Agreement

In 2006, we entered into a retention agreement with Mr. Denault that provides benefits to him in addition to, or in lieu of, the benefits described above. Mr. Denault's Agreement provides that in the event of a Termination Event (as defined in his Agreement): 1) Mr. Denault is entitled to a Target PUP Award calculated by using the average annual number of performance units with respect to the two most recent performance periods preceding the calendar year in which his employment termination occurs, assuming all performance goals were achieved at target; and 2) all of Mr. Denault's unvested stock options and shares of restricted stock will immediately vest.

In the event of death or disability, Mr. Denault would receive the greater of the Target PUP Award calculated as described above for a Termination Event under his retention agreement or the pro-rated number of performance units for each open performance period, based on the actual achievement level for each such open performance period and number of months of his participation in each open performance period, as provided for by the applicable PUP Performance Unit Agreements for the open PUP Performance Periods.

Under the terms of his 2006 retention agreement, Mr. Denault's employment may be terminated for cause upon Mr. Denault's: (a) continuing failure to substantially perform his duties (other than because of physical or mental illness or after he has given notice of termination for good reason) that remains uncured for 30 days after receiving a written notice from the Personnel Committee; (b) willfully engaging in conduct that is demonstrably and materially injurious to Entergy; (c) conviction of or entrance of a plea of guilty or nolo contendere to a felony or other crime that has or may have a material adverse effect on his ability to carry out his duties or upon Entergy's reputation; (d) material violation of any agreement that he has entered into with Entergy; or (e) unauthorized disclosure of Entergy's confidential information.

Mr. Denault may terminate his employment for good reason upon: (a) the substantial reduction in the nature or status of his duties or responsibilities from those in effect immediately prior to the date of the retention agreement, other than de minimis acts that are remedied after notice from Mr. Denault; (b) a reduction of 5% or more in his base salary as in effect on the date of the retention agreement; (c) the relocation of his principal place of employment to a location other than the corporate headquarters; (d) the failure to continue to allow him to participate in programs or plans providing opportunities for equity awards, incentive compensation and other plans on a basis not materially less favorable than enjoyed at the time of the retention agreement (other than changes similarly affecting all senior executives); (e) the failure to continue to allow him to participate in programs or plans with opportunities for benefits not materially less favorable than those enjoyed by him under any of our pension, savings, life insurance, medical, health and accident, disability or vacation plans or policies at the time of the retention agreement (other than changes similarly affecting all senior executives); or (d) any purported termination of his employment not taken in accordance with his retention agreement.

Aggregate Termination Payments

The tables below reflect the amount of compensation each of the NEOs would have received if his or her employment had been terminated as of December 31, 2021 under the various scenarios described above. For purposes of these tables, a stock price of \$112.65 was used, which was the closing market price of Entergy Corporation stock on December 31, 2021, the last trading day of the year.

Benefits and Payments Upon Termination	Voluntary Resignation	For Cause	Termination for Good Reason or Not for Cause	Retirement	Disability	Death	Termination Related to a Change in Control
Marcus V. Brown⁽¹⁾							
Severance Payment	—	—	—	—	—	—	\$3,784,478
Performance Units ⁽³⁾	—	—	—	\$898,496	\$898,496	\$898,496	\$898,496
Stock Options	—	—	—	\$279,338	\$646,921	\$646,921	\$646,921
Restricted Stock	—	—	—	—	\$147,914	\$147,914	\$147,914
Welfare Benefits ⁽⁵⁾	—	—	—	—	—	—	—
Unvested Restricted Stock Units ⁽⁷⁾	—	—	\$333,106	—	\$333,106	\$333,106	\$1,601,432
Leo P. Denault⁽¹⁾							
Severance Payment	—	—	—	—	—	—	\$10,216,232
Performance Units ⁽³⁾⁽⁴⁾	—	—	\$5,148,105	\$4,314,157	\$5,148,105	\$5,148,105	\$5,148,105
Stock Options	—	—	\$3,397,359	\$3,397,359	\$3,397,359	\$3,397,359	\$3,397,359
Restricted Stock	—	—	\$638,199	—	\$638,199	\$638,199	\$638,199
Welfare Benefits ⁽⁵⁾	—	—	—	—	—	—	—
David D. Ellis⁽²⁾							
Severance Payment	—	—	—	—	—	—	\$581,000
Performance Units ⁽³⁾	—	—	—	—	\$166,497	\$166,497	\$166,497
Stock Options	—	—	—	—	\$95,324	\$95,324	\$95,324
Restricted Stock	—	—	—	—	\$20,951	\$20,951	\$20,951
Welfare Benefits ⁽⁶⁾	—	—	—	—	—	—	\$31,923
Haley R. Fisackerly⁽¹⁾							
Severance Payment	—	—	—	—	—	—	\$559,847
Performance Units ⁽³⁾	—	—	—	\$133,265	\$133,265	\$133,265	\$133,265
Stock Options	—	—	—	\$48,492	\$117,307	\$117,307	\$117,307
Restricted Stock	—	—	—	\$25,091	\$25,091	\$25,091	\$25,091
Welfare Benefits ⁽⁵⁾	—	—	—	—	—	—	—
Laura R. Landreaux⁽²⁾							
Severance Payment	—	—	—	—	—	—	\$532,000
Performance Units ⁽³⁾	—	—	—	—	\$129,773	\$129,773	\$129,773
Stock Options	—	—	—	—	\$104,871	\$104,871	\$104,871
Restricted Stock	—	—	—	—	\$20,951	\$20,951	\$20,951
Welfare Benefits ⁽⁶⁾	—	—	—	—	—	—	\$21,282

Benefits and Payments Upon Termination	Voluntary Resignation	For Cause	Termination for Good Reason or Not for Cause	Retirement	Disability	Death	Termination Related to a Change in Control
Andrew S. Marsh⁽²⁾							
Severance Payment	—	—	—	—	—	—	\$3,891,083
Performance Units ⁽³⁾	—	—	—	—	\$1,157,591	\$1,157,591	\$1,157,591
Stock Options	—	—	—	—	\$843,240	\$843,240	\$843,240
Restricted Stock	—	—	—	—	\$187,056	\$187,056	\$187,056
Welfare Benefits ⁽⁶⁾	—	—	—	—	—	—	\$31,923
Phillip R. May, Jr.⁽¹⁾							
Severance Payment	—	—	—	—	—	—	\$1,334,168
Performance Units ⁽³⁾	—	—	—	\$186,436	\$186,436	\$186,436	\$186,436
Stock Options	—	—	—	\$72,726	\$163,204	\$163,204	\$163,204
Restricted Stock	—	—	—	—	\$37,637	\$37,637	\$37,637
Welfare Benefits ⁽⁵⁾	—	—	—	—	—	—	—
Deanna D. Rodriguez⁽¹⁾							
Severance Payment	—	—	—	—	—	—	\$445,500
Performance Units ⁽³⁾	—	—	—	\$86,515	\$86,515	\$86,515	\$86,515
Stock Options	—	—	—	—	—	—	—
Restricted Stock	—	—	—	\$41,903	\$41,903	\$41,903	\$41,903
Welfare Benefits ⁽⁵⁾	—	—	—	—	—	—	—
Eliecer Viamontes⁽²⁾							
Severance Payment	—	—	—	—	—	—	\$408,000
Performance Units ⁽³⁾	—	—	—	—	\$134,616	\$134,616	\$134,616
Stock Options	—	—	—	—	\$72,691	\$72,691	\$72,691
Restricted Stock	—	—	—	—	\$70,575	\$70,575	\$70,575
Welfare Benefits ⁽⁶⁾	—	—	—	—	—	—	\$21,282
Unvested Restricted Stock Units ⁽⁸⁾	—	—	—	—	—	—	\$433,703
Roderick K. West⁽²⁾							
Severance Payment	—	—	—	—	—	—	\$3,957,550
Performance Units ⁽³⁾	—	—	—	—	\$1,033,789	\$1,033,789	\$1,033,789
Stock Options	—	—	—	—	\$748,765	\$748,765	\$748,765
Restricted Stock	—	—	—	—	\$158,703	\$158,703	\$158,703
Welfare Benefits ⁽⁶⁾	—	—	—	—	—	—	\$23,787

- 1) As of December 31, 2021, Mr. Brown, Mr. Denault, Mr. Fisackerly, Mr. May, and Ms. Rodriguez are retirement eligible and would retire rather than voluntarily resign, and in addition to the payments and benefits in the table, each also would be entitled to receive their vested pension benefits under the Entergy Retirement Plan. For a description of these benefits, see “2021 Pension Benefits.”
- 2) See “2021 Pension Benefits” for a description of the pension benefits Mr. Ellis, Ms. Landreaux, Mr. Marsh, Mr. Viamontes, and Mr. West may receive upon the occurrence of certain termination events.
- 3) For purposes of the table, in the event of a qualifying termination related to a change in control, each NEO would receive a number of performance units for the 2020 – 2022 performance period and a number of performance units for the 2021 – 2023 performance period, calculated as follows:

The greater of (1) the target number of performance units subject to the performance unit agreements or (2) the number of performance units that would vest under the performance unit agreements calculated based on Entergy Corporation's actual performance through the NEO's termination date. For purposes of the table, the values of the performance unit awards for the performance periods for each NEO were calculated as follows, based on the assumption that the target number of performance units was the greater number:

Mr. Brown's:

2020 – 2022 PUP Performance Period: 5,048 $(24/36 \times 7,571)$ performance units at target, assuming a stock price of \$112.65 = \$568,657

2021 – 2023 PUP Performance Period: 2,928 $(12/36 \times 8,784)$ performance units at target, assuming a stock price of \$112.65 = \$329,839

Total: \$898,496

Mr. Denault's:

2020 – 2022 PUP Performance Period: 20,842 $(24/36 \times 31,263)$ performance units at target, assuming a stock price of \$112.65 = \$2,347,851

2021 – 2023 PUP Performance Period: 17,455 $(12/36 \times 52,365)$ performance units at target, assuming a stock price of \$112.65 = \$1,966,306

Total: \$4,314,157

Mr. Ellis's:

2020 – 2022 PUP Performance Period: 792 $(24/36 \times 1,188)$ performance units at target, assuming a stock price of \$112.65 = \$89,219

2021 – 2023 PUP Performance Period: 686 $(12/36 \times 2,056)$ performance units at target, assuming a stock price of \$112.65 = \$77,278

Total: \$166,497

Mr. Fisackerly's:

2020 – 2022 PUP Performance Period: 634 $(24/36 \times 950)$ performance units at target, assuming a stock price of \$112.65 = \$71,420

2021 – 2023 PUP Performance Period: 549 $(12/36 \times 1,645)$ performance units at target, assuming a stock price of \$112.65 = \$61,845

Total: \$133,265

Ms. Landreaux's:

2020 – 2022 PUP Performance Period: 634 $(24/36 \times 950)$ performance units at target, assuming a stock price of \$112.65 = \$71,420

2021 – 2023 PUP Performance Period: 518 $(12/36 \times 1,553)$ performance units at target, assuming a stock price of \$112.65 = \$58,353

Total: \$129,773

Mr. Marsh's:

2020 – 2022 PUP Performance Period: 6,374 ($24/36 \times 9,560$) performance units at target, assuming a stock price of \$112.65 = \$718,031

2021 – 2023 PUP Performance Period: 3,902 ($12/36 \times 11,706$) performance units at target, assuming a stock price of \$112.65 = \$439,560

Total: \$1,157,591

Mr. May's:

2020 – 2022 PUP Performance Period: 934 ($24/36 \times 1,400$) performance units at target, assuming a stock price of \$112.65 = \$105,215

2021 – 2023 PUP Performance Period: 721 ($12/36 \times 2,162$) performance units at target, assuming a stock price of \$112.65 = \$81,221

Total: \$186,436

Ms. Rodriguez's:

2020 – 2022 PUP Performance Period: 334 ($24/36 \times 501$) performance units at target, assuming a stock price of \$112.65 = \$37,625

2021 – 2023 PUP Performance Period: 434 ($12/36 \times 1,301$) performance units at target, assuming a stock price of \$112.65 = \$48,890

Total: \$86,515

Mr. Viamontes':

2020 – 2022 PUP Performance Period: 616 ($24/36 \times 924$) performance units at target, assuming a stock price of \$112.65 = \$69,392

2021 – 2023 PUP Performance Period: 579 ($12/36 \times 1,737$) performance units at target, assuming a stock price of \$112.65 = \$65,224

Total: \$134,616

Mr. West's:

2020 – 2022 PUP Performance Period: 5,601 ($24/36 \times 8,401$) performance units at target, assuming a stock price of \$112.65 = \$630,953

2021 – 2023 PUP Performance Period: 3,576 ($12/36 \times 10,727$) performance units at target, assuming a stock price of \$112.65 = \$402,836

Total: \$1,033,789

In the event of retirement, in the case of Mr. Brown, Mr. Denault, Mr. Fisackerly, Mr. May, or Ms. Rodriguez each would receive a prorated portion of the applicable Achievement Level of PUP Performance Units for each open PUP Performance Period, based on his or her full months of participation in such PUP Performance Period, provided he or she has completed a minimum of 12 months of full-time employment in the applicable PUP Performance Period. For purposes of calculating for the above table the number of performance units Mr. Brown, Mr. Denault, Mr. Fisackerly, Mr. May, and Ms. Rodriguez would receive in the event of retirement, it is assumed the achievement levels for the 2020 – 2022 PUP Performance Period and the 2021 – 2023 PUP

Performance Period are at target. The resulting number of performance units and values are the same as calculated above for a qualifying termination related to a change in control.

In the event of death or disability of any NEO, other than Mr. Denault, the NEO or his estate would receive a prorated portion of the applicable Achievement Level of PUP Performance Units for each open PUP Performance Period, based on his or her full months of participation in such PUP Performance Period, with no required minimum amount of full-time employment in the applicable PUP Performance Period.

In the event of death or disability of Mr. Denault, he or his estate would receive the greater of (1) the Target PUP Award under his retention agreement, calculated by using the average annual number of PUP Performance Units with respect to the two most recent PUP Performance Periods preceding the calendar year in which his employment terminates due to death or disability, assuming all performance goals were achieved at target, or (2) the prorated portion of the applicable Achievement Level of PUP Performance Units for each open PUP Performance Period, based on his full months of participation in such PUP Performance Period.

- 4) Pursuant to Mr. Denault's retention agreement, in the event Mr. Denault's employment is terminated by his Entergy employer without cause or by Mr. Denault for good reason (as those terms are defined in his retention agreement) and with or without a change in control, he would receive a Target PUP Award equal to that number of PUP performance units calculated by taking an average of the PUP target performance units from the 2017 – 2019 PUP Performance Period (48,700) and from the 2018 – 2020 PUP Performance Period (42,700), which amounts to 45,700 performance units. For purposes of the table, the value of such PUP performance units is calculated by multiplying 45,700 by the closing price of Entergy stock on December 31, 2021 (\$112.65), which equals \$5,148,105. In the event of death or disability, Mr. Denault receives the greater of the Target PUP Award calculated as described immediately above or the sum of the amount that would be payable under the provisions of each performance period.
- 5) Upon retirement, Mr. Brown, Mr. Denault, Mr. Fisackerly, Mr. May, and Ms. Rodriguez would be eligible for retiree medical and dental benefits, the same as all other retirees.
- 6) Pursuant to the System Entergy Retirement Plan, in the event of a termination related to a change in control, Mr. Ellis, Mr. Marsh, and Mr. West would be eligible to receive Entergy-subsidized COBRA benefits for 18 months and Ms. Landreaux and Mr. Viamontes would be eligible to receive Entergy-subsidized COBRA benefits for 12 months.
- 7) Mr. Brown's 14,216 restricted stock units vest 100% on May 17, 2024. Pursuant to his restricted stock unit agreement, any unvested restricted stock units will vest in a pro rata portion in the event of his termination of employment due to Mr. Brown's total disability, death or involuntarily termination without cause (each, an "Accelerated Vesting Event"). The pro rata portion is determined by multiplying the total number of restricted stock units by a fraction, the numerator of which is the number of days after May 17, 2021 that precede the Accelerated Vesting Event and the denominator of which is 1,096. In the event of a Change in Control, the unvested restricted stock units will fully vest upon Mr. Brown's Qualifying Termination during a change in control period. Pursuant to his restricted stock unit agreement, Mr. Brown is subject to certain restrictions on his ability to compete with Entergy and its affiliates during and for 12 months after his employment with Entergy, or to solicit its employees or customers during and for 24 months after his employment with Entergy. In addition, the restricted stock unit agreement limits Mr. Brown's ability to disparage Entergy and its affiliates. In the event of a breach of these restrictions, other than following certain constructive terminations of his employment, Mr. Brown must repay to Entergy any shares of Entergy stock paid to him in respect of the restricted stock units and any amounts he received upon the sale or transfer of any such shares.
- 8) 333 of Mr. Viamontes' restricted stock units vested on February 1, 2022; the remaining 334 restricted stock units will vest on February 1, 2023. In the event of a Change in Control, the unvested restricted stock units will fully vest upon Mr. Viamontes' Qualifying Termination during a change in control period. Pursuant to his restricted stock unit agreement, Mr. Viamontes is subject to certain restrictions on his ability to compete with

Entergy and its affiliates during and for 12 months after his employment with Entergy, or to solicit its employees or customers during and for 12 months after his employment with Entergy. In addition, the restricted stock unit agreement limits Mr. Viamontes' ability to disparage Entergy and its affiliates. In the event of a breach of these restrictions, other than following certain constructive terminations of his employment, Mr. Viamontes must repay to Entergy any shares of Entergy stock paid to him in respect of the restricted stock units and any amounts he received upon the sale or transfer of any such shares.

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the following disclosure is being provided about the relationship of the annual total compensation of the employees of each of the Utility operating companies to the annual total compensation of their respective Presidents and Chief Executive Officers. The pay ratio estimate for each of the Utility operating companies has been calculated in a manner consistent with Item 402(u) of Regulation S-K.

Identification of Median Employee

For each of the Utility operating companies, October 8, 2021 was selected as the date on which to determine the median employee. This date is different from the date used in the prior year; however, the methodology used to determine the date is consistent with that used in the prior year. Both dates correspond to the first day of the three month period prior to fiscal year-end for which information can be obtained about employees and all subsidiaries have the same number of pay cycles. To identify the median employee from each of the Utility operating companies' employee population base, all compensation included in Box 5 of Form W-2 was considered with all before-tax deductions added back to this compensation ("Box 5 Compensation"). For purposes of determining the median employee of each Utility operating company, Box 5 Compensation was selected as it is believed to be representative of the compensation received by the employees of each respective Utility operating company and is readily available. The calculation of annual total compensation of the median employee for each Utility operating company is the same calculation used to determine total compensation for purposes of the 2021 Summary Compensation Table with respect to each of the NEOs.

Entergy Arkansas Ratio

For 2021,

- The median of the annual total compensation of all of Entergy Arkansas's employees, other than Ms. Landreaux, was \$132,376.
- Ms. Landreaux's annual total compensation, as reported in the Total column of the 2021 Summary Compensation Table was \$982,993.
- Based on this information, the ratio of the annual total compensation of Mrs. Landreaux to the median of the annual total compensation of all employees is estimated to be 7:1.

Entergy Louisiana Ratio

For 2021,

- The median of the annual total compensation of all of Entergy Louisiana's employees, other than Mr. May, was \$152,954.
- Mr. May's annual total compensation, as reported in the Total column of the 2021 Summary Compensation Table, was \$1,145,271.
- Based on this information, the ratio of the annual total compensation of Mr. May to the median of the annual total compensation of all employees is estimated to be 7:1.

Entergy Mississippi Ratio

For 2021,

- The median of the annual total compensation of all of Entergy Mississippi's employees, other than Mr. Fisackerly, was \$129,194.
- Mr. Fisackerly's annual total compensation, as reported in the Total column of the 2021 Summary Compensation Table, was \$1,126,753.
- Based on this information, the ratio of the annual total compensation of Mr. Fisackerly to the median of the annual total compensation of all employees is estimated to be 9:1.

Entergy New Orleans Ratio

For purposes of this disclosure and to reflect the Chief Executive Officer transition discussed earlier in the CD&A, the compensation amounts paid to each of Mr. Ellis and Ms. Rodriguez for the time he and she respectively served as Entergy New Orleans's Chief Executive Officer during 2021 have been pro-rated and combined.

For 2021,

- The median of the annual total compensation of all of Entergy New Orleans's employees, other than Entergy New Orleans's Chief Executive Officer, was \$122,634.
- The combined annual total compensation of Entergy New Orleans's previous Chief Executive Officer, Mr. Ellis, and its current Chief Executive Officer, Ms. Rodriguez, as reported in the Total column of the 2021 Summary Compensation Table (pro-rated for the time each served as Entergy New Orleans's Chief Executive Officer in 2021) was \$1,011,672.
- Based on this information, the ratio of the annual total compensation of Entergy New Orleans's Chief Executive Officer to the median of the annual total compensation of all employees is estimated to be 8:1.

Entergy Texas Ratio

For purposes of this disclosure and to reflect the Chief Executive Officer transition discussed earlier in the CD&A, the compensation amounts paid to each of Ms. Rainer and Mr. Viamontes for the time she and he respectively served as Entergy Texas's Chief Executive Officer during 2021 have been pro-rated and combined.

For 2021,

- The median of the annual total compensation of all of Entergy Texas's employees, other than Entergy Texas's Chief Executive Officer, was \$130,863.
- The combined annual total compensation of Entergy Texas's previous Chief Executive Officer, Ms. Rainer, and its current Chief Executive Officer, Mr. Viamontes, as reported in the Total column of the 2021 Summary Compensation Table (pro-rated for the time each served as Entergy Texas's Chief Executive Officer in 2021) was \$1,356,405.
- Based on this information, the ratio of the annual total compensation of Entergy Texas's Chief Executive Officer to the median of the annual total compensation of all employees is estimated to be 10:1.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Entergy Corporation owns 100% of the outstanding common stock of Entergy Texas and indirectly 100% of the outstanding common membership interests of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The information with respect to (i) the beneficial ownership of Entergy Corporation’s directors and NEOs is included under the heading “Entergy Share Ownership - Directors and Executive Officers;” and (ii) persons known by Entergy Corporation to be beneficial owners of more than 5% of Entergy Corporation’s outstanding common stock is included under the heading “Entergy Share Ownership - Beneficial Owners of More Than Five Percent of Entergy Common Stock” in the 2022 Entergy Proxy Statement, which information is incorporated herein by reference. The registrants know of no contractual arrangements that may, at a subsequent date, result in a change in control of any of the registrants.

The following table sets forth the beneficial ownership of common stock of Entergy Corporation and stock-based units as of January 31, 2022 for the directors and NEOs of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans and Entergy Texas. Unless otherwise noted, each person had sole voting and investment power over the number of shares of common stock and stock-based units of Entergy Corporation set forth across from his or her name.

Name	Shares ⁽¹⁾	Options Exercisable Within 60 Days	Stock Units ⁽²⁾
Entergy Arkansas			
Marcus V. Brown**	23,211	63,664	—
Leo P. Denault**	362,159	1,033,899	—
Andrew S. Marsh***	104,473	307,966	—
Laura R. Landreaux***	5,624	9,257	—
Roderick K. West***	43,811	69,784	—
All directors and executive officers as a group (8 persons)	611,534	1,684,959	—
Entergy Louisiana			
Marcus V. Brown**	23,211	63,664	—
Leo P. Denault**	362,159	1,033,899	—
Andrew S. Marsh***	104,473	307,966	—
Phillip R. May, Jr.***	26,347	16,163	14
Roderick K. West***	43,811	69,784	—
All directors and executive officers as a group (8 persons)	632,257	1,691,865	14
Entergy Mississippi			
Marcus V. Brown**	23,211	63,664	—
Leo P. Denault**	362,159	1,033,899	—
Haley R. Fisackerly***	7,424	10,567	—
Andrew S. Marsh***	104,473	307,966	—
Roderick K. West***	43,811	69,784	—
All directors and executive officers as a group (7 persons)	586,042	1,620,860	—

Name	Shares ⁽¹⁾	Options Exercisable Within 60 Days	Stock Units ⁽²⁾
Entergy New Orleans			
Marcus V. Brown**	23,211	63,664	—
Leo P. Denault**	362,159	1,033,899	—
David D. Ellis***	3,060	7,996	—
Andrew S. Marsh***	104,473	307,966	—
Deanna D. Rodriguez***	7,239	—	—
Roderick K. West***	43,811	69,784	—
All directors and executive officers as a group (8 persons)	588,917	1,618,289	—
Entergy Texas			
Marcus V. Brown**	23,211	63,664	—
Leo P. Denault**	362,159	1,033,899	—
Andrew S. Marsh***	104,473	307,966	—
Sallie T. Rainer***	12,449	17,357	—
Eliecer Viamontes***	4,079	1,444	—
Roderick K. West***	43,811	69,784	—
All directors and executive officers as a group (8 persons)	595,146	1,629,094	—

* Director of the respective company

** NEO of the respective company

*** Director and NEO of the respective company

- (1) The number of shares of Entergy Corporation common stock owned by each individual and by all non-employee directors and executive officers as a group does not exceed one percent of the outstanding shares of Entergy Corporation common stock.
- (2) Represents the balances of phantom units each director or executive holds under the defined contribution restoration plan and the deferral provisions of Entergy Corporation's equity ownership plans. These units will be paid out in either Entergy Corporation Common Stock or cash equivalent to the value of one share of Entergy Corporation common stock per unit on the date of payout, including accrued dividends. The deferral period is determined by the individual and is at least two years from the award of the bonus.

Equity Compensation Plan Information

The following table summarizes the equity compensation plan information as of December 31, 2021. Information is included for equity compensation plans approved by the shareholders. There are no shares authorized for issuance under equity compensation plans not approved by the shareholders.

Plan	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price (b) ⁽²⁾	Number of Securities Remaining Available for Future Issuance (excluding securities reflected in column (a))(c)
Equity compensation plans approved by security holders ⁽¹⁾	2,819,644	\$90.82	4,711,095
Equity compensation plans not approved by security holders	—	—	—
Total	2,819,644	\$90.82	4,711,095

- (1) Includes the 2011 Equity Ownership Plan, the 2015 Equity Plan, and the 2019 Omnibus Incentive Plan. The 2011 Equity Ownership Plan was approved by Entergy Corporation shareholders on May 6, 2011, and only applied to awards granted between May 6, 2011 and May 7, 2015. The 2015 Equity Plan was approved by Entergy Corporation shareholders on May 8, 2015, and only applied to awards granted between May 8, 2015 and May 3, 2019. The 2019 Omnibus Incentive Plan was approved by the Entergy Corporation shareholders on May 3, 2019, and 7,300,000 shares of Entergy Corporation common stock can be issued from the 2019 Omnibus Incentive Plan, with all shares available for equity-based incentive awards. The 2011 Equity Ownership Plan, the 2015 Equity Plan, and the 2019 Omnibus Incentive Plan (collectively, the “Plans”) are administered by the Personnel Committee of the Entergy Corporation Board of Directors (other than with respect to awards granted to non-employee directors, which awards are administered by the entire Board of Directors). Eligibility under the Plans is limited to the non-employee directors and to the officers and employees of an Entergy employer or an affiliate of Entergy Corporation. The Plans provide for the issuance of stock options, restricted stock, equity awards (units whose value is related to the value of shares of the common stock but do not represent actual shares of common stock), performance awards (performance shares or units valued by reference to shares of common stock or performance units valued by reference to financial measures or property other than common stock), restricted stock unit awards, and other stock-based awards.
- (2) The weighted average exercise price reported in this column does not include outstanding performance awards.

Item 13. Certain Relationships and Related Party Transactions and Director Independence

The additional information required by this item will be set forth under Director Independence and Review and Approval of Related Persons Transactions in the 2022 Entergy Proxy Statement, to be filed in connection with the Annual Meeting of Shareholders to be held May 6, 2022, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Aggregate fees billed to Entergy Corporation (consolidated), Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy for the years ended December 31, 2021 and 2020 by Deloitte & Touche LLP (PCAOB ID No. 34) were as follows:

	2021	2020
Entergy Corporation (consolidated)		
Audit Fees	\$9,030,000	\$9,200,000
Audit-Related Fees (a)	1,634,175	909,550
Total audit and audit-related fees	10,664,175	10,109,550
Tax Fees	—	—
All Other Fees (b)	392,895	183,060
Total Fees (c)	\$11,057,070	\$10,292,610
Entergy Arkansas		
Audit Fees	\$1,086,857	\$1,137,507
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	1,086,857	1,137,507
Tax Fees	—	—
All Other Fees	—	—
Total Fees (c)	\$1,086,857	\$1,137,507
Entergy Louisiana		
Audit Fees	\$2,163,714	\$2,225,014
Audit-Related Fees (a)	783,092	437,837
Total audit and audit-related fees	2,946,806	2,662,851
Tax Fees	—	—
All Other Fees	—	—
Total Fees (c)	\$2,946,806	\$2,662,851
Entergy Mississippi		
Audit Fees	\$1,121,857	\$982,507
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	1,121,857	982,507
Tax Fees	—	—
All Other Fees	—	—
Total Fees (c)	\$1,121,857	\$982,507
Entergy New Orleans		
Audit Fees	\$1,096,857	\$1,027,507
Audit-Related Fees (a)	212,896	—
Total audit and audit-related fees	1,309,753	1,027,507
Tax Fees	—	—
All Other Fees	—	—
Total Fees (c)	\$1,309,753	\$1,027,507

	2021	2020
Entergy Texas		
Audit Fees	\$1,131,857	\$1,212,507
Audit-Related Fees (a)	252,187	45,713
Total audit and audit-related fees	1,384,044	1,258,220
Tax Fees	—	—
All Other Fees	—	—
Total Fees (c)	\$1,384,044	\$1,258,220
System Energy		
Audit Fees	\$1,046,857	\$1,017,507
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	1,046,857	1,017,507
Tax Fees	—	—
All Other Fees	—	—
Total Fees (c)	\$1,046,857	\$1,017,507

- (a) Includes fees for employee benefit plan audits, consultation on financial accounting and reporting, and other attestation services.
- (b) Includes fees for cybersecurity assessment, ethics and compliance assessment, and license fee for accounting research tool.
- (c) 100% of fees paid in 2021 and 2020 were pre-approved by the Entergy Corporation Audit Committee.

Entergy Audit Committee Guidelines for Pre-approval of Independent Auditor Services

The Audit Committee has adopted the following guidelines regarding the engagement of Entergy's independent auditor to perform services for Entergy:

- The independent auditor will provide the Audit Committee, for approval, an annual engagement letter outlining the scope of services proposed to be performed during the fiscal year, including audit services and other permissible non-audit services (e.g. audit-related services, tax services, and all other services).
- For other permissible services not included in the engagement letter, Entergy management will submit a description of the proposed service, including a budget estimate, to the Audit Committee for pre-approval. Management and the independent auditor must agree that the requested service is consistent with the SEC's rules on auditor independence prior to submission to the Audit Committee. The Audit Committee, at its discretion, will pre-approve permissible services and has established the following additional guidelines for permissible non-audit services provided by the independent auditor:
 - Aggregate non-audit service fees are targeted at fifty percent or less of the approved audit service fee.
 - All other services should only be provided by the independent auditor if it is a highly qualified provider of that service or if the Audit Committee pre-approves the independent audit firm to provide the service.
- The Audit Committee will be informed quarterly as to the status of pre-approved services actually provided by the independent auditor.
- To ensure prompt handling of unexpected matters, the Audit Committee delegates to the Audit Committee Chair or its designee the authority to approve permissible services and fees. The Audit Committee Chair or designee will report action taken to the Audit Committee at the next scheduled Audit Committee meeting.
- The Vice President and General Auditor will be responsible for tracking all independent auditor fees and will report quarterly to the Audit Committee.

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a)1. Financial Statements and Independent Auditors' Reports for Entergy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are listed in the Table of Contents.
- (a)2. Financial Statement Schedules
Reports of Independent Registered Public Accounting Firm (see page 537)
Financial Statement Schedules are listed in the Index to Financial Statement Schedules (see page S-1)
- (a)3. Exhibits
Exhibits for Entergy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are listed in the Exhibit Index (see page 514 and are incorporated by reference herein). Each management contract or compensatory plan or arrangement required to be filed as an exhibit hereto is identified as such by footnote in the Exhibit Index.

Item 16. Form 10-K Summary (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

None.

EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have previously been filed with the SEC as the exhibits and in the file numbers indicated and are incorporated herein by reference. The exhibits marked with a (+) are management contracts or compensatory plans or arrangements required to be filed herewith and required to be identified as such by Item 15 of Form 10-K.

Some of the agreements included or incorporated by reference as exhibits to this Form 10-K contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of “materiality” that are different from the standard of “materiality” under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Entergy acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Form 10-K not misleading.

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

Entergy Arkansas

- (a) 1 -- Plan of Merger of Entergy Arkansas, Inc. and Entergy Arkansas Power, LLC (2.1 to Form 8-K12B filed December 3, 2018 in 1-10764).

Entergy Louisiana

- (b) 1 -- Plan of Merger of Entergy Gulf States Power, LLC and Entergy Gulf States Louisiana, LLC (2.1 to Form 8-K12B filed October 1, 2015 in 1-32718).
- (b) 2 -- Plan of Merger of Entergy Louisiana, LLC and Entergy Louisiana Power, LLC (2.2 to Form 8-K12B filed October 1, 2015 in 1-32718).
- (b) 3 -- Plan of Merger of Entergy Gulf States Power, LLC and Entergy Louisiana Power, LLC (2.3 to Form 8-K12B filed October 1, 2015 in 1-32718).

Entergy Mississippi

- (c) 1 -- Plan of Merger of Entergy Mississippi, Inc. and Entergy Mississippi Power and Light, LLC (2.1 to Form 8-K12B filed December 3, 2018 in 1-31508).

Entergy New Orleans

- (d) 1 -- Plan of Merger of Entergy New Orleans, Inc. and Entergy New Orleans Power, LLC (2.1 to Form 8-K12B filed December 1, 2017 in 1-35747).

(3) Articles of Incorporation and Bylaws

Entergy Corporation

- (a) 1 -- Restated Certificate of Incorporation of Entergy Corporation dated May 10, 2021 (3.1(i) to Form 8-K filed May 10, 2021 in 1-11299).
- (a) 2 -- Bylaws of Entergy Corporation as amended January 27, 2017, and as presently in effect (3.1 to Form 8-K filed January 30, 2017 in 1-11299).

System Energy

- (b) 1 -- Amended and Restated Articles of Incorporation of System Energy effective April 28, 1989 (3(b)1 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 2 -- By-Laws of System Energy effective July 6, 1998, and as presently in effect (3(f) to Form 10-Q for the quarter ended June 30, 1998 in 1-9067).

Entergy Arkansas

- (c) 1 -- Amended and Restated Certificate of Formation of Entergy Arkansas effective December 1, 2018 (3.3 to Form 8-K12B filed December 3, 2018 in 1-10764).
- (c) 2 -- Amended and Restated Company Agreement of Entergy Arkansas effective December 1, 2018 (3.4 to Form 8-K12B filed December 3, 2018 in 1-10764).

Entergy Louisiana

- (d) 1 -- Certificate of Formation of Entergy Louisiana Power, LLC (including Certificate of Amendment to Certificate of Formation to change the company name to Entergy Louisiana, LLC) effective July 7, 2015 (3.3 to Form 8-K12B filed October 1, 2015 in 1-32718).
- (d) 2 -- Company Agreement of Entergy Louisiana Power, LLC (including First Amendment to Company Agreement to change the company name to Entergy Louisiana, LLC) effective July 7, 2015 (3.4 to Form 8-K12B filed October 1, 2015 in 1-32718).

Entergy Mississippi

- (e) 1 -- Amended and Restated Certificate of Formation of Entergy Mississippi effective December 1, 2018 (3(e)1 to Form 10-K for the year ended December 31, 2018 in 1-31508).
- (e) 2 -- Amended and Restated Company Agreement of Entergy Mississippi effective December 1, 2018 (3.4 to Form 8-K12B filed December 3, 2018 in 1-31508).

Entergy New Orleans

- (f) 1 -- Composite Certificate of Formation of Entergy New Orleans effective December 1, 2017 (3.3 to Form 8-K12B filed December 1, 2017 in 1-35747).
- (f) 2 -- Composite Company Agreement of Entergy New Orleans effective December 1, 2017 (3.4 to Form 8-K12B filed December 1, 2017 in 1-35747).

Entergy Texas

- (g) 1 -- Amended and Restated Certificate of Formation of Entergy Texas effective August 21, 2019 (3.1 to Form 8-K filed August 21, 2019 in 1-34360), as amended by Statement of Resolution Establishing the 5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) of Entergy Texas (3.3 to Form 8-A filed September 4, 2019 in 1-34360) and by Statement of Resolution Establishing the 5.10% Series B Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) of Entergy Texas (3.1 to Form 8-K filed November 9, 2021 in 1-34360).
- (g) 2 -- Amended and Restated Bylaws of Entergy Texas effective August 19, 2019 (3.2 to Form 8-K filed August 21, 2019 in 1-34360).

(4) Instruments Defining Rights of Security Holders, Including Indentures

Entergy Corporation

- (a) 1 -- See (4)(b) through (4)(g) below for instruments defining the rights of security holders of System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas.

- (a) 2 -- Indenture (For Unsecured Debt Securities), dated as of September 1, 2010, between Entergy Corporation and Wells Fargo Bank, National Association (4.01 to Form 8-K filed September 16, 2010 in 1-11299).
- (a) 3 -- Officer's Certificate for Entergy Corporation relating to 4.0% Senior Notes due July 15, 2022 (4.02 to Form 8-K filed July 1, 2015 in 1-11299).
- (a) 4 -- Officer's Certificate for Entergy Corporation relating to 2.95% Senior Notes due September 1, 2026 (4.02 to Form 8-K filed August 19, 2016 in 1-11299).
- (a) 5 -- Officer's Certificate for Entergy Corporation relating to 4.50% Senior Note due December 16, 2028 (4(a)7 to Form 10-K for the year ended December 31, 2013 in 1-11299).
- (a) 6 -- Officer's Certificate for Entergy Corporation relating to 2.80% Senior Notes due June 15, 2030 (4.02(a) to Form 8-K filed May 19, 2020 in 1-11299).
- (a) 7 -- Officer's Certificate for Entergy Corporation relating to 3.75% Senior Notes due June 15, 2050 (4.02(b) to Form 8-K filed May 19, 2020 in 1-11299).
- (a) 8 -- Officer's Certificate for Entergy Corporation relating to 0.90% Senior Notes due September 15, 2025 (4.02 to Form 8-K filed August 26, 2020 in 1-11299).
- (a) 9 -- Officer's Certificate for Entergy Corporation relating to 1.90% Senior Notes due June 15, 2028 (4.02(a) to Form 8-K filed March 5, 2021 in 1-11299).
- (a) 10 -- Officer's Certificate for Entergy Corporation relating to 2.40% Senior Notes due June 15, 2031 (4.02(b) to Form 8-K filed March 5, 2021 in 1-11299).
- (a) 11 -- Third Amended and Restated Credit Agreement dated as of June 3, 2021, among Entergy Corporation, as Borrower, the banks and other financial institutions listed on the signatures pages thereof, as Lenders, Citibank, N.A., as Administrative Agent and LC Issuing Bank, MUFG Bank, Ltd., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4.1 to Form 8-K filed June 3, 2021 in 1-11299).
- *(a) 12 -- Description of Entergy Corporation's securities registered under Section 12 of the Securities Exchange Act of 1934.

System Energy

- (b) 1 -- Mortgage and Deed of Trust, dated as of June 15, 1977, as amended and restated by the following Supplemental Indenture: (4.42 to Form 8-K filed September 25, 2012 in 1-9067 (Twenty-fourth)).
- (b) 2 -- Officer's Certificate No. 1-B-1 for System Energy Resources, Inc. relating to First Mortgage Bonds, 2.14% Series due December 9, 2025 (4.58 to Form 8-K filed December 9, 2020 in 1-09067).
- (b) 3 -- Officer's Certificate No. 2-B-2 for System Energy Resources, Inc. relating to First Mortgage Bonds, MBFC Series due 2044 (4(a) to Form 8-K filed June 15, 2021 in 1-09067).
- (b) 4 -- Fuel Lease, dated as of February 24, 1989, between River Fuel Funding Company #3, Inc. and System Energy (4(b)3 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 5 -- Trust Indenture, dated as of March 1, 2019, between the Mississippi Business Finance Corporation and The Bank of New York Mellon authorizing Revenue Refunding Bonds (System Energy Resources, Inc. Project) Series 2019 (4(a) to Form 8-K filed March 28, 2019 in 1-9067).
- (b) 6 -- Loan Agreement, dated as of March 1, 2019, between System Energy and Mississippi Business Finance Corporation relating to Revenue Refunding Bonds (System Energy Resources, Inc. Project) Series 2019 (4(b) to Form 8-K filed March 28, 2019 in 1-9067).

- (b) 7 -- Trust Indenture, dated as of June 1, 2021, between the Mississippi Business Finance Corporation and The Bank of New York Mellon, as Indenture Trustee, authorizing Revenue Refunding Bonds (System Energy Resources, Inc. Project) Series 2021 (4(c) to Form 8-K filed June 15, 2021 in 1-09067).
- (b) 8 -- Loan Agreement, dated as of June 1, 2021, between the Mississippi Business Finance Corporation and System Energy Resources, Inc. relating to Revenue Refunding Bonds (System Energy Resources, Inc. Project) Series 2021 (4(d) to Form 8-K filed June 15, 2021 in 1-09067).

Entergy Arkansas

- (c) 1 -- Mortgage and Deed of Trust, dated as of October 1, 1944, as amended by the following Supplemental Indentures: (7(d) in 2-5463 (Mortgage); 7(b) in 2-7121 (First); 4(a)-7 in 2-10261 (Seventh); 2(b)-10 in 2-15767 (Tenth); 2(c) in 2-28869 (Sixteenth); 2(c) in 2-35107 (Eighteenth); 2(d) in 2-36646 (Nineteenth); 2(c) in 2-39253 (Twentieth); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Thirtieth); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Thirty-first); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Thirty-ninth); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Forty-first); 4(d)(2) in 33-54298 (Forty-sixth); C-2 to Form U5S for the year ended December 31, 1995 (Fifty-third); 4(c)1 to Form 10-K for the year ended December 31, 2008 in 1-10764 (Sixty-eighth); 4.06 to Form 8-K filed October 8, 2010 in 1-10764 (Sixty-ninth); 4.06 to Form 8-K filed December 13, 2012 in 1-10764 (Seventy-first); 4(e) to Form 8-K filed January 9, 2013 in 1-10764 (Seventy-second); 4.06 to Form 8-K filed May 30, 2013 in 1-10764 (Seventy-third); 4.05 to Form 8-K filed March 14, 2014 in 1-10764 (Seventy-sixth); 4.05 to Form 8-K filed December 9, 2014 in 1-10764 (Seventy-seventh); 4.05 to Form 8-K filed January 8, 2016 in 1-10764 (Seventy-eighth); 4.05 to Form 8-K filed August 16, 2016 in 1-10764 (Seventy-ninth); 4(a) to Form 10-Q for the quarter ended September 30, 2018 (Eightieth); 4.1 to Form 8-K12B filed December 3, 2018 in 1-10764 (Eighty-first); 4.39 to Form 8-K filed March 19, 2019 in 1-10764 (Eighty-second); 4.49 to Form 8-K filed September 11, 2020 in 1-10764 (Eighty-third); and 4.49 to Form 8-K filed March 30, 2021 in 1-10764 (Eighty-fourth)).
- (c) 2 -- Third Amended and Restated Credit Agreement dated as of June 3, 2021, among Entergy Arkansas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4.2 to Form 8-K filed June 3, 2021 in 1-10764).
- (c) 3 -- Fuel Lease, dated as of December 22, 1988, between River Fuel Trust #1 and Entergy Arkansas (4(c)9 to Form 10-K for the year ended December 31, 2017 in 1-10764).
- *(c) 4 -- Description of Entergy Arkansas's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy Louisiana

- (d) 1 -- Mortgage and Deed of Trust, dated as of April 1, 1944, as amended by the following Supplemental Indentures: (7(d) in 2-5317 (Mortgage); 7(b) in 2-7408 (First); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Sixth); 2(c) in 2-34659 (Twelfth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Thirteenth); 2(b)-2 in 2-38378 (Fourteenth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Twenty-first); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Twenty-fifth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Twenty-ninth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Forty-second); A-2(a) to Rule 24 Certificate filed April 4, 1996 in 70-8487 (Fifty-first); B-4(i) to Rule 24 Certificate filed January 10, 2006 in 70-10324 (Sixty-third); B-4(ii) to Rule 24 Certificate filed January 10, 2006 in 70-10324 (Sixty-fourth); 4(a) to Form 10-Q for the quarter ended September 30, 2008 in 1-32718 (Sixty-fifth); 4(e)1 to Form 10-K for the year ended December 31, 2009 in 1-32718 (Sixty-sixth); 4.08 to Form 8-K filed September 24, 2010 in 1-32718 (Sixty-eighth); 4(a) to Form 10-Q for the quarter ended June 30, 2011 in 1-32718 (Seventy-second); 4.08 to Form 8-K filed December 4, 2012 in 1-32718 (Seventy-sixth); 4.08 to Form 8-K filed August 23, 2013 in 1-32718 (Seventy-eighth); 4.08 to Form 8-K filed June 24, 2014 in 1-32718 (Seventy-ninth); 4.08 to Form 8-K filed July 1, 2014 in 1-32718 (Eightieth); 4.08 to Form 8-K filed November 21, 2014 (Eighty-first); 4.1 to Form 8-K12B filed October 1, 2015 (Eighty-second); 4.33 to Form 8-K filed March 24, 2016 in 1-32718 (Eighty-fourth); 4.33 to Form 8-K filed August 17, 2016 in 1-32718 (Eighty-sixth); 4.43 to Form 8-K filed October 4, 2016 in 1-32718 (Eighty-seventh); 4.43 to Form 8-K filed May 23, 2017 in 1-32718 (Eighty-eighth); 4.43 to Form 8-K filed March 23, 2018 in 1-32718 (Eighty-ninth); 4.43 to Form 8-K filed August 14, 2018 in 1-32718 (Ninetieth); 4.43 to Form 8-K filed March 12, 2019 in 1-32718 (Ninety-first); 4.53 to Form 8-K filed March 6, 2020 in 1-32718 (Ninety-second); 4.53(b) to Form 8-K filed November 13, 2020 in 1-32718 (Ninety-third); 4.53 to Form 8-K filed November 24, 2020 in 1-32718 (Ninety-fourth); 4.53 to Form 8-K filed March 10, 2021 in 1-32718 (Ninety-fifth); and 4.53 to Form 8-K filed October 1, 2021 in 1-32718 (Ninety-sixth)).
- (d) 2 -- Third Amended and Restated Credit Agreement dated as of June 3, 2021, among Entergy Louisiana, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, Wells Fargo Bank, National Association and BNP Paribas, as LC Issuing Banks, and the other LC Issuing Banks from time to time parties thereto (4.3 to Form 8-K filed June 3, 2021 in 1-32718).
- (d) 3 -- Term Loan Credit Agreement dated as of December 22, 2021, by and among Entergy Louisiana, the Lenders party thereto, and The Bank of Nova Scotia, as Administrative Agent (4(a) to Form 8-K filed December 23, 2021 in 1-32718).
- (d) 4 -- Fuel Lease, dated as of January 31, 1989, between River Fuel Company #2, Inc., and Entergy Louisiana (4(d)10 to Form 10-K for the year ended December 31, 2017 in 1-32718).
- (d) 5 -- Nuclear Fuel Lease Agreement between Entergy Gulf States, Inc. and River Bend Fuel Services, Inc. to lease the fuel for River Bend Unit 1, dated February 7, 1989 (4(d)11 to Form 10-K for the year ended December 31, 2017 in 1-32718).
- (d) 6 -- Exhibit A to Trust Indenture dated as of February 7, 1989 between River Bend Fuel Services, Inc. and U.S. Bank National Association (as successor Trustee) (4(d)12 to Form 10-K for the year ended December 31, 2017 in 1-32718).
- (d) 7 -- Loan Agreement, dated as of April 1, 2021, between the Louisiana Local Government Environmental Facilities and Community Development Authority and Entergy Louisiana relating to Revenue Refunding Bonds (Entergy Louisiana, LLC Project) Series 2021A (4(c) to Form 8-K filed April 1, 2021 in 1-32718).
- (d) 8 -- Trust Indenture, dated as of April 1, 2021, between the Louisiana Local Government Environmental Facilities and Community Development Authority and The Bank of New York Mellon authorizing Revenue Refunding Bonds (Entergy Louisiana, LLC Project) Series 2021A (4(d) to Form 8-K filed April 1, 2021 in 1-32718).

- (d) 9 -- Loan Agreement, dated as of April 1, 2021, between the Louisiana Local Government Environmental Facilities and Community Development Authority and Entergy Louisiana relating to Revenue Refunding Bonds (Entergy Louisiana, LLC Project) Series 2021B (4(e) to Form 8-K filed April 1, 2021 in 1-32718).
- (d) 10 -- Trust Indenture, dated as of April 1, 2021, between the Louisiana Local Government Environmental Facilities and Community Development Authority and The Bank of New York Mellon authorizing Revenue Refunding Bonds (Entergy Louisiana, LLC Project) Series 2021B (4(f) to Form 8-K filed April 1, 2021 in 1-32718).
- (d) 11 -- Indenture of Mortgage, dated September 1, 1926, as amended by the following Supplemental Indentures: (7-A-9 in Registration No. 2-6893 (Seventh); 4(d)15 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Eighteenth); 2-A-8 in Registration No. 2-66612 (Thirty-eighth); 4(b) to Form 10-Q for the quarter ended March 31, 1999 in 1-27031 (Fifty-eighth); 4(a) to Form 10-Q for the quarter ended September 30, 2009 in 0-20371 (Seventy-seventh); 4.07 to Form 8-K filed July 1, 2014 in 0-20371 (Eighty-first); 4.2 to Form 8-K12B filed October 1, 2015 in 1-32718 (Eighty-second); 4.3 to Form 8-K12B filed October 1, 2015 in 1-32718 (Eighty-third); 4.42 to Form 8-K filed March 24, 2016 in 1-32718 (Eighty-fourth); 4.42 to Form 8-K filed May 19, 2016 in 1-32718 (Eighty-fifth); 4.42 to Form 8-K filed August 17, 2016 in 1-32718 (Eighty-sixth); 4.42 to Form 8-K filed October 4, 2016 in 1-32718 (Eighty-seventh); 4.42 to Form 8-K filed May 23, 2017 in 1-32718 (Eighty-eighth); 4.42 to Form 8-K filed March 23, 2018 in 1-32718 (Eighty-ninth); 4.42 to Form 8-K filed August 14, 2018 in 1-32718 (Ninetieth); 4.42 to Form 8-K filed March 12, 2019 in 1-32718 (Ninety-first); 4.52 to Form 8-K filed March 6, 2020 in 1-32718 (Ninety-second); 4.52(b) to Form 8-K filed November 13, 2020 in 1-32718 (Ninety-third); 4.52 to Form 8-K filed March 10, 2021 in 1-32718 (Ninety-fourth); and 4.52 to Form 8-K filed October 1, 2021 in 1-32718 (Ninety-fifth)).
- (d) 12 -- Agreement of Resignation, Appointment and Acceptance, dated as of October 3, 2007, among Entergy Gulf States, Inc., JPMorgan Chase Bank, National Association, as resigning trustee, and The Bank of New York, as successor trustee (4(a) to Form 10-Q for the quarter ended September 30, 2007 in 1-27031).
- (d) 13 -- Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015, as amended by the following Supplemental Indentures: (4.38 in Registration No. 333-190911-07 (Mortgage); 4.40 to Form 8-K filed March 24, 2016 in 1-32718 (Second); 4(h) to Form 10-Q for the quarter ended March 31, 2016 in 1-32718 (Fourth); 4.40 to Form 8-K filed May 19, 2016 in 1-32718 (Fifth); 4.40 to Form 8-K filed August 17, 2016 in 1-32718 (Sixth); 4.41 to Form 8-K filed October 4, 2016 in 1-32718 (Seventh); 4.41 to Form 8-K filed May 23, 2017 in 1-32718 (Eighth); 4.41 to Form 8-K filed March 23, 2018 in 1-32718 (Ninth); 4.41 to Form 8-K filed August 14, 2018 in 1-32718 (Tenth); 4.41 to Form 8-K filed March 12, 2019 in 1-32718 (Eleventh); 4.51 to Form 8-K filed March 6, 2020 in 1-32718 (Twelfth); 4.51(b) to Form 8-K filed November 13, 2020 in 1-32718 (Thirteenth); 4.51 to Form 8-K filed November 24, 2020 in 1-32718 (Fourteenth); 4.51 to Form 8-K filed March 10, 2021 in 1-32718 (Fifteenth); 4(b) to Form 8-K filed April 1, 2021 in 1-32718 (Sixteenth); and 4.51 to Form 8-K filed October 1, 2021 in 1-32718 (Seventeenth)).
- (d) 14 -- Officer's Certificate No. 2-B-2, dated March 17, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.39 to Form 8-K filed March 24, 2016 in 1-32718).
- (d) 15 -- Officer's Certificate No. 4-B-4, dated May 16, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.39 to Form 8-K filed May 19, 2016 in 1-32718).
- (d) 16 -- Officer's Certificate No. 6-B-5, dated August 10, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.39 to Form 8-K filed August 17, 2016 in 1-32718).
- (d) 17 -- Officer's Certificate No. 7-B-6, dated September 28, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed October 4, 2016 in 1-32718).

- (d) 18 -- Officer's Certificate No. 8-B-7, dated May 17, 2017, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed May 23, 2017 in 1-32718).
- (d) 19 -- Officer's Certificate No. 10-B-8, dated March 20, 2018, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed March 23, 2018 in 1-32718).
- (d) 20 -- Officer's Certificate No. 12-B-9, dated August 8, 2018, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed August 14, 2018 in 1-32718).
- (d) 21 -- Officer's Certificate No. 14-B-10, dated March 6, 2019, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed March 12, 2019 in 1-32718).
- (d) 22 -- Officer's Certificate No. 16-B-11, dated March 3, 2020, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.50 to Form 8-K filed March 6, 2020 in 1-32718).
- (d) 23 -- Officer's Certificate No. 19-B-13, dated November 9, 2020, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.50(b) to Form 8-K filed November 13, 2020 in 1-32718).
- (d) 24 -- Officer's Certificate No. 20-B-14, dated November 17, 2020, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.50 to Form 8-K filed November 24, 2020 in 1-32718).
- (d) 25 -- Officer's Certificate No. 21-B-15, dated March 4, 2021, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.50(a) to Form 8-K filed March 10, 2021 in 1-32718).
- (d) 26 -- Officer's Certificate No. 21-B-16, dated March 4, 2021, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.50(b) to Form 8-K filed March 10, 2021 in 1-32718).
- (d) 27 -- Officer's Certificate No. 22-B-17, dated March 23, 2021, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4(a) to Form 8-K filed April 1, 2021 in 1-32718).
- (d) 28 -- Officer's Certificate No. 24-B-18, dated September 28, 2021, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.50 to Form 8-K filed October 1, 2021 in 1-32718).
- *(d) 29 -- Description of Entergy Louisiana's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy Mississippi

- (e) 1 -- Mortgage and Deed of Trust, dated as of February 1, 1988, as amended by the following Supplemental Indentures: (4(e)1 to Form 10-K for the year ended December 31, 2017 in 1-31508 (Mortgage); 4(e)1 to Form 10-K for the year ended December 31, 2017 in 1-31508 (Sixth); A-2(c) to Rule 24 Certificate filed May 14, 1999 in 70-8719 (Thirteenth); 4(b) to Form 10-Q for the quarter ended June 30, 2009 in 1-31508 (Twenty-sixth); 4.38 to Form 8-K filed December 11, 2012 in 1-31508 (Thirtieth); 4.05 to Form 8-K filed March 21, 2014 in 1-31508 (Thirty-first); 4.05 to Form 8-K filed May 13, 2016 in 1-31508 (Thirty-second); 4.16 to Form 8-K filed September 15, 2016 in 1-31508 (Thirty-third); 4.16 to Form 8-K filed November 14, 2017 in 1-31508 (Thirty-fourth); 4.1 to Form 8-K filed November 21, 2018 in 1-31508 (Thirty-fifth); 4.1 to Form 8-K12B filed December 3, 2018 in 1-31508 (Thirty-sixth); 4(a) to Form 8-K filed December 12, 2018 in 1-31508 (Thirty-seventh); 4.46 to Form 8-K filed June 5, 2019 in 1-31508 (Thirty-eighth); 4.56 to Form 8-K filed May 22, 2020 in 1-31508 (Thirty-ninth); and 4.56 to Form 8-K filed November 16, 2021 in 1-31508 (Fortieth)).
- *(e) 2 -- Description of Entergy Mississippi's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy New Orleans

- (f) 1 -- Mortgage and Deed of Trust, dated as of May 1, 1987, as amended by the following Supplemental Indentures: (4(f)1 to Form 10-K for the year ended December 31, 2017 in 1-35747 (Mortgage); 4(f)1 to Form 10-K for the year ended December 31, 2017 in 1-35747 (Third); 4(b) to Form 10-Q for the quarter ended June 30, 1998 in 0-5807 (Seventh); 4.02 to Form 8-K filed November 23, 2010 in 0-5807 (Fifteenth); 4.02 to Form 8-K filed November 29, 2012 in 1-35747 (Sixteenth); 4.02 to Form 8-K filed June 21, 2013 in 1-35747 (Seventeenth); 4(m) to Form 10-Q for the quarter ended March 31, 2016 in 1-35747 (Eighteenth); 4.02 to Form 8-K filed March 22, 2016 in 1-35747 (Nineteenth); 4.02 to Form 8-K filed May 24, 2016 in 1-35747 (Twentieth); 4.1 to Form 8-K12B filed December 1, 2017 in 1-35747 (Twenty-first); 4(a) to Form 8-K filed September 27, 2018 in 1-35747 (Twenty-second); 4(a) to Form 8-K filed March 26, 2020 in 1-35747 (Twenty-third); and 4(a) to Form 8-K filed November 19, 2021 in 1-35747 (Twenty-fourth)).
- (f) 2 -- Third Amended and Restated Credit Agreement dated as of June 22, 2021, among Entergy New Orleans, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Bank of America, N.A., as Administrative Agent and LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4 to Form 8-K filed June 22, 2021 in 1-35747).
- (f) 3 -- Amended and Restated Term Loan Credit Agreement dated as of November 9, 2021, by and among Entergy New Orleans, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent (4(a) to Form 8-K filed November 10, 2021 in 1-35747).
- *(f) 4 -- Description of Entergy New Orleans's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy Texas

- (g) 1 -- Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee, as amended by the following Supplemental Indenture: (4(h)2 to Form 10-K for the year ended December 31, 2008 in 0-53134 (Indenture) and 4.61 to Form 8-K filed September 20, 2019 in 1-34360 (First)).
- (g) 2 -- Officer's Certificate No. 8-B-6 dated May 18, 2015, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.40 to Form 8-K filed May 21, 2015 in 1-34360).
- (g) 3 -- Officer's Certificate No. 10-B-8 dated November 14, 2017, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.48 to Form 8-K filed November 17, 2017 in 1-34360).

- (g) 4 -- Officer's Certificate No. 12-B-9 dated January 3, 2019, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.47(a) to Form 8-K filed January 8, 2019 in 1-34360).
- (g) 5 -- Officer's Certificate No. 12-B-10 dated January 3, 2019, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.47(b) to Form 8-K filed January 8, 2019 in 1-34360).
- (g) 6 -- Officer's Certificate No. 13-B-11 dated September 16, 2019, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.57 to Form 8-K filed September 20, 2019 in 1-34360).
- (g) 7 -- Officer's Certificate No. 16-B-13 dated September 28, 2020, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.57 to Form 8-K filed October 1, 2020 in 1-34360).
- (g) 8 -- Officer's Certificate No. 18-B-14 dated August 11, 2021, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.57 to Form 8-K filed August 17, 2021 in 1-34360).
- (g) 9 -- Third Amended and Restated Credit Agreement dated as of June 3, 2021, among Entergy Texas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., BNP Paribas, Mizuho Bank, Ltd., and The Bank of Nova Scotia, as LC Issuing Banks, and the other LC Issuing Banks from time to time parties thereto (4.4 to Form 8-K filed June 3, 2021 in 1-34360).
- (g) 10 -- Statement of Resolution Establishing the 5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) of Entergy Texas (3.3 to Form 8-A filed September 4, 2019 in 1-34360).
- (g) 11 -- Statement of Resolution Establishing the 5.10% Series Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) of Entergy Texas (3.1 to Form 8-K filed November 9, 2021 in 1-34360).
- *(g) 12 -- Description of Entergy Texas's securities registered under Section 12 of the Securities Exchange Act of 1934.

(10) Material Contracts

Entergy Corporation

- +(a) 1-- 2011 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries (Annex A to Entergy Corporation's Definitive Proxy Statement filed on March 24, 2011 in 1-11299).
- +(a) 2 -- 2015 Equity Ownership Plan of Entergy Corporation and Subsidiaries (Appendix C to 2015 Entergy Corporation's Definitive Proxy Statement filed on March 20, 2015 in 1-11299).
- +(a) 3 -- Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)57 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 4 -- First Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)58 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 5 -- Second Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)57 to Form 10-K for the year ended December 31, 2011 in 1-11299).

- +(a) 6 -- Third Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective July 25, 2013 (10(b) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- +(a) 7 -- Fourth Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014 (10(c) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- +(a) 8 -- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)59 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 9 -- First Amendment of the Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)60 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 10 -- Second Amendment of the Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)60 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- +(a) 11 -- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a)74 to Form 10-K for the year ended December 31, 2001 in 1-11299).
- +(a) 12 -- Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)62 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 13 -- First Amendment of the Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)63 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 14 -- Second Amendment of the Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)64 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- +(a) 15 -- System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective January 1, 2009 (10(a)77 to Form 10-K for the year ended December 31, 2009 in 1-11299).
- +(a) 16 -- First Amendment of the System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective January 1, 2010 (10(a)78 to Form 10-K for the year ended December 31, 2009 in 1-11299).
- +(a) 17 -- Second Amendment of the System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)69 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 18 -- Third Amendment of the System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)71 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- +(a) 19 -- Pension Equalization Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)74 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 20 -- First Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)75 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 21 -- Second Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)76 to Form 10-K for the year ended December 31, 2011 in 1-11299).

- +(a) 22 -- Third Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective June 19, 2013 (10(b) to Form 10-Q for the quarter ended June 30, 2013 in 1-11299).
- +(a) 23 -- Fourth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective July 25, 2013 (10(c) to Form 10-Q for the quarter ended June 30, 2013 in 1-11299).
- +(a) 24 -- Fifth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014 (10(a) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- *+(a) 25 -- Sixth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective December 1, 2014.
- *+(a) 26 -- Seventh Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective August 25, 2021.
- *+(a) 27 -- Eighth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective November 2, 2021.
- +(a) 28 -- Cash Balance Equalization Plan of Entergy Corporation effective July 1, 2014 (10(a)31 to Form 10-K for the year ended December 31, 2019 in 1-11299).
- +(a) 29 -- System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective January 1, 2009 (10(a)78 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 30 -- First Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)79 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 31 -- Second Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)81 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- +(a) 32 -- Third Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective January 1, 2009 (10(a)81 to Form 10-K for the year ended December 31, 2013 in 1-11299).
- +(a) 33 -- Fourth Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective July 25, 2013 (10(d) to Form 10-Q for the quarter ended June 30, 2013 in 1-11299).
- +(a) 34 -- Fifth Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014 (10(d) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- *+(a) 35 -- Sixth Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective November 2, 2021.
- +(a) 36 -- Retention Agreement effective August 3, 2006 between Leo P. Denault and Entergy Corporation (10(b) to Form 10-Q for the quarter ended June 30, 2006 in 1-11299).
- +(a) 37 -- Amendment to Retention Agreement effective January 1, 2009 between Leo P. Denault and Entergy Corporation (10(a)93 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 38 -- Amendment to Retention Agreement effective January 1, 2010 between Leo P. Denault and Entergy Corporation (10(a)101 to Form 10-K for the year ended December 31, 2009 in 1-11299).
- +(a) 39 -- Amendment to Retention Agreement effective December 30, 2010 between Leo P. Denault and Entergy Corporation (10(a)95 to Form 10-K for the year ended December 31, 2010 in 1-11299).

- +(a) 40 -- Amendment to Retention Agreement effective May 7, 2021 between Leo. P. Denault and Entergy Corporation (99.1 to Form 8-K filed May 10, 2021 in 1-11299).
- *+(a) 41 -- Retirement Benefit Agreement, dated as of November 2, 2021, between Leo P. Denault and Entergy Corporation.
- +(a) 42 -- Shareholder Approval of Future Severance Agreements Policy, effective March 8, 2004 (10(f) to Form 10-Q for the quarter ended March 31, 2004 in 1-11299).
- +(a) 43 -- Entergy Nuclear Retention Plan, as amended and restated effective January 1, 2007 (10(a)107 to Form 10-K for the year ended December 31, 2007 in 1-11299).
- +(a) 44 -- 2019 Entergy Corporation Omnibus Incentive Plan (Appendix B to 2019 Proxy Statement, dated March 22, 2019 in 1-11299).
- +(a) 45 -- Form of Stock Option Grant Agreement (10(a)45 to Form 10-K for the year ended December 31, 2019 in 1-11299).
- *+(a) 46 -- Form of Long Term Incentive Program Performance Unit Agreement.
- +(a) 47 -- Form of Restricted Stock Grant Agreement (10(a)47 to Form 10-K for the year ended December 31, 2019 in 1-11299).
- +(a) 48 -- Form of Restricted Stock Units Grant Agreement (10(a)48 to Form 10-K for the year ended December 31, 2019 in 1-11299).
- +(a) 49 -- Restricted Stock Units Agreement by and between A. Christopher Bakken, III and Entergy Corporation effective April 6, 2016 (10(a)54 to Form 10-K for the year ended December 31, 2016 in 1-11299).
- +(a) 50 -- Defined Contribution Restoration Plan effective as of January 1, 2021 (10(a)46 to Form 10-K for the year ended December 31, 2020 in 1-11299).
- +(a) 51 -- Restricted Stock Units Agreement Under The Entergy Corporation 2019 Omnibus Incentive Plan by and between Marcus V. Brown and Entergy Corporation effective May 17, 2021 (10(c) to Form 10-Q for the quarter ended June 30, 2021 in 1-11299).
- *+(a) 52 -- First Amended and Restated 2019 Entergy Corporation Non-Employee Director Service Recognition Program effective as of December 3, 2021.
- *+(a) 53 -- First Amended and Restated 2019 Entergy Corporation Non-Employee Director Stock Program effective as of December 3, 2021.
- *+(a) 54 -- Entergy Corporation Non-Employee Director Cash Deferral Plan effective as of December 3, 2021.

System Energy

- (b) 1 -- Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (10(b)1 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 2 -- First Amendment to Availability Agreement, dated as of June 30, 1977 (10(b)2 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 3 -- Second Amendment to Availability Agreement, dated as of June 15, 1981 (10(b)3 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 4 -- Third Amendment to Availability Agreement, dated as of June 28, 1984 (10(b)4 to Form 10-K for the year ended December 31, 2017 in 1-9067).

- (b) 5 -- Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (10(b)5 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 6 -- Thirty-seventh Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 2012, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and The Bank of New York Mellon, as successor trustee (10(a)15 to Form 10-K for the year ended December 31, 2012 in 1-11299).
- (b) 7 -- Amendment to the Thirty-seventh Assignment of Availability Agreement, Consent and Agreement, dated as of September 18, 2015, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and The Bank of New York Mellon, as successor trustee (4.25 to Form S-3 filed October 2, 2015).
- (b) 8 -- Thirty-eighth Assignment of Availability Agreement, Consent and Agreement, dated as of December 9, 2020, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and The Bank of New York Mellon, as successor trustee (4.60 to Form 8-K filed December 9, 2020 in 1-09067).
- (b) 9 -- Thirty-ninth Assignment of Availability Agreement, Consent and Agreement, dated as of June 15, 2021, among System Energy Resources, Inc., Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, The Bank of New York Mellon, as Mortgage Trustee and The Bank of New York Mellon, as Indenture Trustee (4(b) to Form 8-K filed June 15, 2021 in 1-09067).
- (b) 10 -- Facility Lease No. 1, dated as of December 1, 1988, between Meridian Trust Company and Stephen M. Carta (Stephen J. Kaba, successor), as Owner Trustees, and System Energy (10(b)11 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 11 -- Lease Supplement No. 4, dated as of January 15, 2014, to Facility Lease No. 1 (10(b)12 to Form 10-K for the year ended December 31, 2016 in 1-11299).
- (b) 12 -- Facility Lease No. 2, dated as of December 1, 1988 between Meridian Trust Company and Stephen M. Carta (Stephen J. Kaba, successor), as Owner Trustees, and System Energy (10(b)13 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 13 -- Lease Supplement No. 4, dated as of May 28, 2014, to Facility Lease No. 2 (10(b)14 to Form 10-K for the year ended December 31, 2016 in 1-11299).
- (b) 14 -- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (10(b)15 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 15 -- Unit Power Sales Agreement among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans dated as of June 10, 1982, as amended and revised (10(b)16 to Form 10-K for the year ended December 31, 2018 in 1-9067).

Entergy Louisiana

- (c) 1 -- Amendment, effective as of May 26, 2017, to the Fourth Amended and Restated Limited Liability Company Agreement of Entergy Holdings Company LLC effective as of September 19, 2015 (10(c)1 to Form 10-K for the year ended December 31, 2017 in 1-32718).

(14) Code of Ethics

Entergy Corporation

- (a) Entergy Corporation Code of Business Conduct and Ethics (14(a) to Form 10-K for the year ended December 31, 2020 in 1-32718).

***(21) Subsidiaries of the Registrants**

(23) Consents of Experts and Counsel

- *(a) The consent of Deloitte & Touche LLP is contained herein at page 536.

***(24) Powers of Attorney.**

(31) Rule 13a-14(a)/15d-14(a) Certifications

- *(a) Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- *(b) Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- *(c) Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- *(d) Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- *(e) Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.
- *(f) Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.
- *(g) Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.
- *(h) Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.
- *(i) Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.
- *(j) Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.
- *(k) Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.
- *(l) Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.
- *(m) Rule 13a-14(a)/15d-14(a) Certification for System Energy.
- *(n) Rule 13a-14(a)/15d-14(a) Certification for System Energy.

(32) Section 1350 Certifications

- ***(a) Section 1350 Certification for Entergy Corporation.
- ***(b) Section 1350 Certification for Entergy Corporation.
- ***(c) Section 1350 Certification for Entergy Arkansas.
- ***(d) Section 1350 Certification for Entergy Arkansas.
- ***(e) Section 1350 Certification for Entergy Louisiana.
- ***(f) Section 1350 Certification for Entergy Louisiana.
- ***(g) Section 1350 Certification for Entergy Mississippi.
- ***(h) Section 1350 Certification for Entergy Mississippi.
- ***(i) Section 1350 Certification for Entergy New Orleans.

******(j) Section 1350 Certification for Entergy New Orleans.

******(k) Section 1350 Certification for Entergy Texas.

******(l) Section 1350 Certification for Entergy Texas.

******(m) Section 1350 Certification for System Energy.

******(n) Section 1350 Certification for System Energy.

(101) Interactive Data File

*INS - Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

*SCH - Inline XBRL Schema Document.

*CAL - Inline XBRL Calculation Linkbase Document.

*DEF - Inline XBRL Definition Linkbase Document.

*LAB - Inline XBRL Label Linkbase Document.

*PRE - Inline XBRL Presentation Linkbase Document.

***(104) Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibits 101)**

* Filed herewith.

** Furnished, not filed, herewith.

+ Management contracts or compensatory plans or arrangements.

ENTERGY CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY CORPORATION

By /s/ Kimberly A. Fontan
Kimberly A. Fontan
Senior Vice President and Chief Accounting Officer
Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Leo P. Denault (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President and Chief Financial Officer; Principal Financial Officer); John R. Burbank, Patrick J. Condon, Kirkland H. Donald, Brian W. Ellis, Philip L. Frederickson, Alexis M. Herman, M. Elise Hyland, Stuart L. Levenick, Blanche L. Lincoln, and Karen A. Puckett (Directors).

By: /s/ Kimberly A. Fontan
(Kimberly A. Fontan, Attorney-in-fact)

February 25, 2022

ENTERGY ARKANSAS, LLC

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY ARKANSAS, LLC

By /s/ Kimberly A. Fontan
Kimberly A. Fontan
Senior Vice President and Chief Accounting Officer
Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Laura R. Landreaux (Chair of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan
(Kimberly A. Fontan, Attorney-in-fact) February 25, 2022

ENTERGY LOUISIANA, LLC

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY LOUISIANA, LLC

By /s/ Kimberly A. Fontan
Kimberly A. Fontan
Senior Vice President and Chief Accounting Officer
Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Phillip R. May, Jr. (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan
(Kimberly A. Fontan, Attorney-in-fact)

February 25, 2022

ENTERGY MISSISSIPPI, LLC

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY MISSISSIPPI, LLC

By /s/ Kimberly A. Fontan
Kimberly A. Fontan
Senior Vice President and Chief Accounting Officer
Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Haley R. Fisackerly (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan February 25, 2022
(Kimberly A. Fontan, Attorney-in-fact)

ENTERGY NEW ORLEANS, LLC

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY NEW ORLEANS, LLC

By /s/ Kimberly A. Fontan
Kimberly A. Fontan
Senior Vice President and Chief Accounting Officer
Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Deanna D. Rodriguez (Chair of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan
(Kimberly A. Fontan, Attorney-in-fact)

February 25, 2022

ENTERGY TEXAS, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY TEXAS, INC.

By /s/ Kimberly A. Fontan
Kimberly A. Fontan
Senior Vice President and Chief Accounting Officer
Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Eliecer Viamontes (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan
(Kimberly A. Fontan, Attorney-in-fact)

February 25, 2022

SYSTEM ENERGY RESOURCES, INC.**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SYSTEM ENERGY RESOURCES, INC.

By /s/ Kimberly A. Fontan

Kimberly A. Fontan

Senior Vice President and Chief Accounting Officer

Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2022

Roderick K. West (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); A. Christopher Bakken, III and Steven C. McNeal (Directors).

By: /s/ Kimberly A. Fontan
(Kimberly A. Fontan, Attorney-in-fact)

February 25, 2022

CONSENTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-233403 on Form S-3 and in Registration Statements Nos. 333-174148, 333-204546, 333-231800 and 333-251819 on Form S-8 of our reports dated February 25, 2022, relating to the financial statements and financial statement schedule of Entergy Corporation and Subsidiaries, and the effectiveness of Entergy Corporation and Subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Entergy Corporation for the year ended December 31, 2021.

We consent to the incorporation by reference in Registration Statement No. 333-233403-05 on Form S-3 of our reports dated February 25, 2022, relating to the financial statements and financial statement schedule of Entergy Arkansas, LLC and Subsidiaries appearing in this Annual Report on Form 10-K of Entergy Arkansas, LLC for the year ended December 31, 2021.

We consent to the incorporation by reference in Registration Statement No. 233403-04 on Form S-3 of our reports dated February 25, 2022, relating to the financial statements and financial statement schedule of Entergy Louisiana, LLC and Subsidiaries appearing in this Annual Report on Form 10-K of Entergy Louisiana, LLC for the year ended December 31, 2021.

We consent to the incorporation by reference in Registration Statement No. 233403-03 on Form S-3 of our reports dated February 25, 2022, relating to the financial statements and financial statement schedule of Entergy Mississippi, LLC appearing in this Annual Report on Form 10-K of Entergy Mississippi, LLC for the year ended December 31, 2021.

We consent to the incorporation by reference in Registration Statement No. 233403-02 on Form S-3 of our reports dated February 25, 2022, relating to the financial statements and financial statement schedule of Entergy Texas, Inc. and Subsidiaries appearing in this Annual Report on Form 10-K of Entergy Texas, Inc. for the year ended December 31, 2021.

We consent to the incorporation by reference in Registration Statement No. 233403-01 on Form S-3 of our report dated February 25, 2022, relating to the financial statements of System Energy Resources, Inc. appearing in this Annual Report on Form 10-K of System Energy Resources, Inc. for the year ended December 31, 2021.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and the Corporation’s internal control over financial reporting as of December 31, 2021, and have issued our reports thereon dated February 25, 2022. Our audits also included the consolidated financial statement schedule of the Corporation listed in Item 15. This consolidated financial statement schedule is the responsibility of the Corporation’s management. Our responsibility is to express an opinion on the Corporation’s consolidated financial statement schedule based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of
Entergy Texas, Inc. and Subsidiaries

To the member and Board of Directors of
Entergy Arkansas, LLC and Subsidiaries
Entergy Louisiana, LLC and Subsidiaries
Entergy Mississippi, LLC
Entergy New Orleans, LLC and Subsidiaries

Opinion on the Financial Statement Schedules

We have audited the consolidated financial statements of Entergy Arkansas, LLC and Subsidiaries, Entergy Louisiana, LLC and Subsidiaries, Entergy New Orleans, LLC and Subsidiaries, and Entergy Texas, Inc. and Subsidiaries, and we have also audited the financial statements of Entergy Mississippi, LLC (collectively the “Companies”) as of December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our reports thereon dated February 25, 2022. Our audits also included the financial statement schedules of the respective Companies listed in Item 15. These financial statement schedules are the responsibility of the respective Companies’ management. Our responsibility is to express an opinion on the Companies’ financial statement schedules based on our audits. In our opinion, such financial statement schedules, when considered in relation to the financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

INDEX TO FINANCIAL STATEMENT SCHEDULES

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Schedules other than those listed above are omitted because they are not required, not applicable, or the required information is shown in the financial statements or notes thereto.

Columns have been omitted from schedules filed because the information is not applicable.

ENTERGY CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020, and 2019
(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income (1)	Other Changes Deductions (2)	Balance at End of Period
Allowance for doubtful accounts				
2021	\$117,794	\$57,517	\$106,703	\$68,608
2020	\$7,404	\$111,687	\$1,297	\$117,794
2019	\$7,322	\$2,806	\$2,724	\$7,404

Notes:

(1) A portion of the charges to income are deferred as a regulatory asset.

(2) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020, and 2019
(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income (1)	Other Changes Deductions (2)	Balance at End of Period
Allowance for doubtful accounts				
2021	\$18,334	\$30,433	\$35,695	\$13,072
2020	\$1,169	\$17,307	\$142	\$18,334
2019	\$1,264	\$1,000	\$1,095	\$1,169

Notes:

(1) A portion of the charges to income are deferred as a regulatory asset.

(2) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020, and 2019
(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income (1)	Other Changes Deductions (2)	Balance at End of Period
Allowance for doubtful accounts				
2021	\$45,693	\$17,219	\$33,681	\$29,231
2020	\$1,902	\$44,542	\$751	\$45,693
2019	\$1,813	\$762	\$673	\$1,902

Notes:

(1) A portion of the charges to income are deferred as a regulatory asset.

(2) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

ENTERGY MISSISSIPPI, LLC
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020, and 2019
(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income (1)	Other Changes Deductions (2)	Balance at End of Period
Allowance for doubtful accounts				
2021	\$19,527	\$850	\$13,168	\$7,209
2020	\$636	\$19,081	\$190	\$19,527
2019	\$563	\$406	\$333	\$636

Notes:

(1) A portion of the charges to income are deferred as a regulatory asset.

(2) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020, and 2019
(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income (1)	Other Changes Deductions (2)	Balance at End of Period
Allowance for doubtful accounts				
2021	\$17,430	\$6,850	\$10,998	\$13,282
2020	\$3,226	\$14,204	\$—	\$17,430
2019	\$3,222	\$316	\$312	\$3,226

Notes:

(1) A portion of the charges to income are deferred as a regulatory asset.

(2) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020, and 2019
(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income (1)	Other Changes Deductions (2)	Balance at End of Period
Allowance for doubtful accounts				
2021	\$16,810	\$2,166	\$13,162	\$5,814
2020	\$471	\$16,554	\$215	\$16,810
2019	\$461	\$321	\$311	\$471

Notes:

(1) A portion of the charges to income are deferred as a regulatory asset.

(2) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

DESCRIPTION OF ENTERGY CORPORATION'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934

References in this exhibit to “we,” “us,” or “our” are to Entergy Corporation, and does not include our subsidiaries.

As of February 25, 2022, the only security registered by us under Section 12(b) of the Securities Exchange Act of 1934, as amended, is our common stock, par value \$0.01 per share.

The following descriptions of our common stock and the relevant provisions of our certificate of incorporation, as amended and restated (the “Restated Certificate”), and our bylaws, as amended (the “Amended Bylaws”) are summaries and are qualified by reference to the Restated Certificate and the Amended Bylaws that are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. The following also summarizes certain applicable provisions of the General Corporation Law of the State of Delaware (the “DGCL”) and that summary is qualified by reference to the DGCL.

General

Our authorized capital stock consists of 499,000,000 shares of common stock, par value \$.01 per share, and 1,000,000 shares of preferred stock, no par value.

Our Board of Directors (the “Board”) is authorized to establish, from time to time, series of the preferred stock and to fix the rights and preferences of each series of preferred stock, including dividend rates and preferences, conversion provisions, voting rights, redemption provisions, liquidation rights and preferences, preemption rights and other matters; provided that no share of preferred stock shall have more than one vote per share.

Dividend Rights

We will pay dividends on our common stock as determined by the Board out of legally available funds. Our ability to pay dividends depends primarily upon the ability of our subsidiaries to pay dividends or distributions or otherwise transfer funds to us. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends or distributions, loans or advances. If the Board fixes the rights of a series of preferred stock and issues that series of preferred stock, holders of such series of preferred stock may be entitled, in preference to holders of the common stock, to dividends at the rate fixed for that series by the Board. Those dividends may be cumulative or noncumulative as determined by the Board.

Voting Rights

Holders of common stock are entitled to one vote for each share held by them on all matters submitted to our stockholders. Holders of our common stock do not have cumulative voting rights in the election of directors. Unless otherwise required by law and subject to any special voting rights that may vest in the holders of preferred stock, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the shares represented at

a stockholder meeting and entitled to vote on the subject matter shall be the act of the stockholders. Under the DGCL, the Restated Certificate may be amended by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote on the proposed amendment (which would include the common stock and any series of preferred stock which, by its terms or applicable law, was so entitled to vote), and, if any class or series of shares is entitled to vote as a class, then the proposed amendment must be approved by the required vote of each class or series of shares entitled to vote as a class. At a meeting for the election of directors at which a quorum is present, subject to the rights, if any, of holders of preferred stock that may have been issued, directors are elected by a majority of votes cast with respect to such director; provided, however, that, if the number of nominees is greater than the number of directors who will be elected, the nominees receiving a plurality of the votes cast will be elected as directors. If our Board fixes the rights of a series of preferred stock and issues that series of preferred stock, such series of preferred stock may or may not be entitled to voting rights; provided, that no share of preferred stock shall have more than one vote per share.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of our affairs, voluntarily or involuntarily, the holders of our common stock will be entitled to receive the remainder, if any, of our assets after the payment of all our debts and liabilities. In addition, if the Board fixes the rights of a series of preferred stock and issues that series of preferred stock, holders of such series of preferred stock may be entitled, in preference to holders of the common stock, in voluntary and involuntary liquidation, to the amounts fixed for that series by the Board, which may include unpaid accumulated dividends.

Preemptive Rights

The holders of our common stock do not have a preemptive right to purchase shares of our common stock or securities convertible into such shares nor are they liable for future capital calls or to assessments by us. If our Board fixes the rights of a series of preferred stock and issues that series of preferred stock, holders of such series of preferred stock may be entitled to preemptive rights to purchase shares of our common stock or securities convertible into such shares.

Listing

Our common stock is listed under the symbol “ETR” on both the New York Stock Exchange and the NYSE Chicago.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Equiniti Trust Company, doing business as EQ Shareowner Services.

Certain Anti-Takeover Effects

General. Certain provisions of the Restated Certificate, the Amended Bylaws and the DGCL could have the effect of delaying, deferring or preventing an acquisition of control of us by means of a tender offer, a proxy fight, open market purchases or otherwise in a transaction not approved by the Board. The provisions described below may reduce our vulnerability to an unsolicited proposal for the restructuring or sale of all or substantially all of our assets or an unsolicited takeover attempt which is unfair to our stockholders.

Business Combinations. Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the time the stockholder became an interested stockholder, subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the stockholder becoming an interested stockholder. “Business combinations” include mergers, asset sales and other transactions resulting in a financial benefit to the “interested stockholder.” Subject to various exceptions, an “interested stockholder” is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation’s outstanding voting stock. The restrictions on business combinations with interested stockholders contained in Section 203 do not apply to a corporation whose certificate of incorporation or bylaws contains a provision expressly electing not to be governed by the statute; however, neither the Restated Certificate nor the Amended Bylaws contain a provision electing to “opt-out” of Section 203.

Special Meetings. Pursuant to the DGCL, a special meeting of stockholders may be called by the Board or by any other person authorized to do so in the Restated Certificate or the Amended Bylaws. The Restated Certificate and the Amended Bylaws provide that special meetings of stockholders may only be called by: the Board; the Chairman of the Board; a majority of the members of the entire Executive Committee of the Board; the Chief Executive Officer; or the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting.

Advance Notice Requirements for Stockholder Nominations and Proposals. The Amended Bylaws establish advance notice procedures with respect to stockholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee of the Board. A stockholder who wishes to bring a matter before a meeting must comply with our advance notice requirements and provide us with certain information. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the directors then in office, even in the case that such directors may represent less than a quorum.

DESCRIPTION OF ENTERGY ARKANSAS, LLC'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934

References in this exhibit to “we,” “us,” or “our” are to Entergy Arkansas, LLC.

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of October 1, 1944, with Deutsche Bank Trust Company Americas, successor corporate trustee, and, as to property in Missouri, The Bank of New York Mellon Trust Company, N.A., successor co-trustee, together referred to in this exhibit as “trustees.” This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this exhibit as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the Bonds (as defined below), are referred to herein as “first mortgage bonds.”

As of February 25, 2022, we have one series of first mortgage bonds outstanding that is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our First Mortgage Bonds, 4.875% Series due September 1, 2066, issued in an aggregate principal amount of \$410,000,000 under the Seventy-Ninth Supplemental Indenture, dated as of August 1, 2016, to the mortgage and traded on the New York Stock Exchange under the ticker EAI (the “Bonds”). The full aggregate principal amount of the Bonds is currently outstanding.

The mortgage, including the supplemental indenture relating to the Bonds, contains the full legal text of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indenture relating to the Bonds, or the outstanding first mortgage bonds, including the Bonds. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to the Bonds. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

General

The mortgage permits us to issue first mortgage bonds from time to time subject to limitations described below under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with the previously issued first mortgage bonds of

that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

Payment

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the corporate trustee in the Borough of Manhattan, City and State of New York.

Interest on the Bonds accrues at the rate of 4.875% per year. Interest started to accrue from the date that the Bonds were issued. Interest payments on the Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the Bonds are registered in the name of The Depository Trust Company (“DTC”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the corporate trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the Bonds at a rate of 6% per year to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of the Bonds falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

Redemption

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, at any time, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date. Unless the Bonds are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply (see “Book-Entry Only Securities”), if less than all of the Bonds are to be redeemed, the corporate trustee will select the Bonds to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon surrender of any Bond for redemption. If only part of a Bond is redeemed, the corporate trustee will deliver to the holder of the Bond a new Bond for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the corporate trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the corporate trustee has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds.

Form and Exchange

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Bonds are represented by a global certificate without coupons registered in the name of a nominee of DTC.

The Bonds are exchangeable for other Bonds in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any Bond:

1. during the 10 days before an interest payment date,
2. during the 10 days before any designation of such Bond to be redeemed, or
3. selected for redemption.

Security

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on substantially all of our property (the “mortgaged property.”) subject to bankruptcy law and to:

1. leases of minor portions of our mortgaged property to others for uses which do not interfere with our business;
2. leases of certain of our mortgaged property not used in our business; and
3. excepted encumbrances (as defined below).

There is excepted from the lien certain of our property, including:

1. cash and securities;
2. certain equipment, materials and supplies;
3. automobiles and other vehicles and aircraft, timber, minerals, mineral rights and royalties;
4. receivables, contracts, leases and operating agreements; and
5. certain unimproved lands sold or to be sold.

The “excepted encumbrances” mean the following:

- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;

- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations; rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

The mortgage contains provisions that impose the lien of the mortgage on property that we acquire after the date of the mortgage, other than excepted property, subject to pre-existing liens. However, if we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to, a successor, the lien created by the mortgage will generally not cover the property of the successor, other than the mortgaged property it acquires from us and improvements, replacements and additions to such property.

The mortgage also provides that the trustees shall have a lien upon the mortgaged property to ensure the payment of their reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the Bonds.

The mortgage also contains restrictions on the issuance of debt secured by a prior lien on the mortgaged property (“qualified lien bonds”).

Issuance of Additional First Mortgage Bonds

The maximum principal amount of first mortgage bonds that may be issued under the mortgage is limited to \$100 billion at any time outstanding under the mortgage, subject to property additions and other limitations of the mortgage. First mortgage bonds of any series may be issued from time to time on the basis of:

1. 60% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds or qualified lien bonds; or
3. deposit of cash with the corporate trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after June 30, 1944. Securities, automobiles or other vehicles or aircraft, or property used principally for the production or gathering of natural gas, are not included as property additions.

We have the right to amend the mortgage at any time without the consent or other action of the holders of any first mortgage bonds, including the Bonds, to permit the issuance of first mortgage bonds on the basis of 80% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements.

We have the right to amend the mortgage at any time without any consent or other action of the holders of any first mortgage bonds, including the Bonds, to make any form of space satellites including solar power satellites, space stations and other analogous facilities available as property additions.

As of December 31, 2021, we had approximately \$3,660 million principal amount of first mortgage bonds outstanding. Also as of December 31, 2021, we had approximately \$931 million of available property additions, entitling us to issue approximately \$559 million principal amount of additional first mortgage bonds on the basis of property additions, and we could have issued approximately \$1,198 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds. The Bonds were issued on the basis of property additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

Release and Substitution of Property

We may release property from the lien of the mortgage on the bases of:

1. the deposit of cash or, to a limited extent, purchase money mortgages;
2. property additions, after adjustments in certain cases to offset retirements and after making adjustments for qualified lien bonds, if any, outstanding against property additions; and
3. (i) the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired qualified lien bonds; or (ii) 10/6ths of the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired first mortgage bonds; in each case with the entitlement being waived by operation of the release.

We can withdraw cash upon the bases stated in clauses (2) and/or (3) above. Should we amend the mortgage as described under “Issuance of Additional First Mortgage Bonds” above to permit the issuance of first mortgage bonds on the basis of an increased percentage of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements, the ratio specified in clause (3)(ii) above would change to the reciprocal of such increased percentage.

The mortgage also contains special provisions with respect to qualified lien bonds pledged and the disposition of moneys received on pledged prior lien bonds. We may also release unfunded property if after such release at least one dollar in unfunded property remains subject to the lien of the mortgage. We have the right to amend the mortgage at any time without the consent or other action of the holders of any first mortgage bonds, including the Bonds, to modify the definition of “Funded Property” in the mortgage to mean property specified by us with a fair value determined by an independent expert not less than 10/8ths of the sum of the amount of the outstanding first mortgage bonds and retired first mortgage bonds.

We may, without any release or consent by the corporate trustee,

- grant, free from the lien of the mortgage, easements, ground leases or rights-of-way in, upon, over and/or across our property for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines and similar purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment, but only if such

grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by us, and

- cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests.

Modification

Modification Without Consent

Without the consent of any holder of first mortgage bonds, we and the trustees may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series of first mortgage bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
- to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;
- to provide for the procedures required for use of a non-certificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest, if any, shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

Modification Requiring Consent

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- extend the maturity of the principal of, or interest on, any first mortgage bond, or reduce the principal amount of any first mortgage bond or its rate of interest or modify the terms of payment of such principal or interest;
- create any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or deprive any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to excepted encumbrances); or
- reduce the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any entity of which we own 25% or more of the outstanding voting stock shall not be deemed outstanding for the purpose of certain votes, consents or quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the corporate trustee its right to vote or give consents with respect to such first mortgage bonds and such pledgee is not us or an entity of which we own 25% or more of the outstanding voting stock.

Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

Defaults

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond when due and payable;
2. failure to pay interest on any first mortgage bond or any installments of any fund required to be applied to the purchase or redemption of any first mortgage bond for a period of 60 days after the same shall have become due and payable;
3. failure to pay interest upon or principal of any qualified lien bonds beyond any applicable grace period;
4. certain events of bankruptcy, insolvency or reorganization; and
5. the expiration of 90 days after the mailing by the corporate trustee to us of a written demand, or by holders of 15% in principal amount of the first mortgage bonds at the time outstanding under the mortgage to us and to the corporate trustee of a written demand, that we perform a specified covenant or agreement contained in the mortgage, which specified covenant or agreement we have failed to perform prior to such mailing, unless during such period we shall have performed such specified covenant or agreement. The corporate trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds then outstanding, shall, make such demand.

The trustees may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if they in good faith determine it is in the interests of the holders of the first mortgage bonds.

Remedies

Acceleration of Maturity

If a default under the mortgage occurs, then the corporate trustee, by written notice to us, or the holders of at least 25% in principal amount of the outstanding first mortgage bonds, by written notice to us and the corporate trustee, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

Annulment of Acceleration

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first

mortgage bonds may annul such declaration of acceleration, by written notice to the trustees and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the corporate trustee a sum sufficient to pay:

1. all overdue interest on all outstanding first mortgage bonds;
2. the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
3. interest on overdue interest, if any, to the extent lawful, at the rate of 6% per year; and
4. all amounts due to the trustees under the mortgage.

Trustees' Powers

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustees shall be entitled to the appointment of a receiver for the mortgaged property and are entitled to all other remedies available under applicable law.

Control by Holders

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustees or exercising any trust or power conferred on the trustees. The trustees are not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the corporate trustee determines in good faith would involve the trustees in personal liability, would be unjustifiably prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient. The trustees are not required to risk their funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured.

Limitation on Holders' Right to Institute Proceedings

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustees written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustees and have offered the trustees reasonable opportunity and indemnity satisfactory to the trustees to institute proceedings; and
- the trustees have failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

We have reserved the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds created on or after May 1, 2018, to revise the limitations described in the first sentence of the immediately preceding paragraph to apply to any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds.

Evidence to be Furnished to the Trustee

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the corporate trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

Satisfaction and Discharge of Mortgage

The mortgage may be satisfied and discharged if and when we provide for the payment of all of the first mortgage bonds and all other sums due under the mortgage.

Consolidation, Merger and Conveyance of Assets

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the electric, gas, steam or hot water business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
- such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustees and the holders of first mortgage bonds;
- the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage; and
- in the case of a lease, such lease is made expressly subject to termination by us or by the trustees and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.

In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the mortgage and on the first mortgage bonds then outstanding unless we elect to waive such release and discharge.

The mortgage does not prevent or restrict any conveyance or other transfer, or lease, of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

The mortgage provides that a statutory merger in which our assets and liabilities may be allocated among one or more entities shall not be considered to be a merger, consolidation or conveyance of mortgaged property subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all or substantially all of the mortgaged property is allocated to one or more other entities.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created after on or after May 1, 2018, to provide as follows:

1. that any conveyance, transfer or lease of any of our properties where we retain mortgaged property with a fair value in excess of 167% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a purchase money lien that ranks equally with, or senior to, the first mortgage bonds with respect to the mortgaged property, shall not be deemed to be a conveyance, transfer or lease of all or substantially all of our mortgaged property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us; and
2. that, in the case of a consolidation or merger after the consummation of which we would be the surviving or resulting entity, unless we otherwise provide in a supplemental indenture to the mortgage, the lien of the mortgage will generally not cover any of the properties acquired by us in or as a result of such transaction or any improvements, extensions or additions to those properties.

Information about the Corporate Trustee

The corporate trustee is Deutsche Bank Trust Company Americas. In addition to acting as corporate trustee, Deutsche Bank Trust Company Americas and its affiliate, Deutsche Bank AG New York Branch, also act, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain credit and liquidity facilities and conduct other banking transactions with the corporate trustee and its affiliates in the ordinary course of our respective businesses.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created on or after May 1, 2018, to provide that so long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustees a board resolution appointing a successor for any trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the applicable trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

Information about the Co-Trustee

The co-trustee is The Bank of New York Mellon Trust Company, N.A. In addition to acting as co-trustee, The Bank of New York Mellon Trust Company, N.A. and its affiliate, The Bank of New York Mellon, also act, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the co-trustee and its affiliates in the ordinary course of our respective businesses.

Book-Entry Only Securities

The Bonds trade through DTC. The Bonds are represented by a global certificate registered in the name of Cede & Co., DTC's nominee. The global certificate was deposited with the corporate trustee as custodian for DTC. Ownership of beneficial interests in the global certificates is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-

trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds of a series, except if use of the book-entry system for the Bonds of that series is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of Bonds of such series held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by

standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to the Bonds has occurred and is continuing, certificates for the Bonds of such series will be printed and delivered. If certificates for the Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds of the same series, having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

DESCRIPTION OF ENTERGY LOUISIANA, LLC'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934

References in this exhibit to the “we,” “us,” or “our” are to Entergy Louisiana, LLC, a limited liability company organized under the laws of the State of Texas and, as of October 1, 2015, the successor by merger to the regulated utility operations of the Texas limited liability companies Entergy Gulf States Louisiana, LLC and Entergy Louisiana, LLC, each formerly a public utility company providing services to customers in the State of Louisiana.

As of February 25, 2022, we have one series of collateral trust mortgage bonds outstanding that is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our Collateral Trust Mortgage Bonds, 4.875% Series due September 1, 2066, issued in an aggregate principal amount of \$270,000,000 with their terms established by Officer’s Certificate 6-B-5, dated August 10, 2016 (the “Officer’s Certificate”), pursuant to our Mortgage and Deed of Trust dated as of November 1, 2015, as it may be amended or supplemented from time to time (the “Mortgage”), with The Bank of New York Mellon, as trustee (the “Trustee”), and traded on the New York Stock Exchange under the ticker ELC (the “Bonds”).

The full aggregate principal amount of the Bonds is currently outstanding.

We have issued, and may from time to time issue, bonds in one or more series, under the Mortgage. All bonds issued or to be issued under the Mortgage, including the Bonds, are referred to herein as “Collateral Trust Mortgage Bonds.” As summarized below, the Collateral Trust Mortgage Bonds have and will have the benefit of the lien of two mortgage indentures (the “Class A Mortgages”) to the extent of the aggregate principal amount of first mortgage bonds (the “Class A Bonds”) issued under the Class A Mortgages held by the Trustee and the lien of the Mortgage on our Mortgaged Property (as described below).

The Mortgage, including the Officer’s Certificate, and the Class A Mortgages contain the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the Mortgage, the Class A Mortgages, the supplemental indentures relating to the Bonds and the related Class A Bonds, the Officer’s Certificate, the outstanding Collateral Trust Mortgage Bonds, including the Bonds, or the Class A Bonds, including those issued in connection with the Bonds. The Mortgage, the Officer’s Certificate, the Class A Mortgages, and the officer’s certificates and the supplemental indentures that relate to the outstanding Collateral Trust Mortgage Bonds and bonds under the Class A Mortgages, including the Bonds and the related Class A Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read these documents for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the Mortgage and the Class A Mortgages, including the definitions of some of the terms used in the Mortgage and the Class A Mortgages, and to the particular terms of the Officer’s Certificate. We also include references in parentheses to some of the sections of the Mortgage. The Mortgage and the Class A Mortgages have been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

General

The Mortgage permits us to issue Collateral Trust Mortgage Bonds from time to time subject to the limitations described under “—Issuance of Additional Collateral Trust Mortgage Bonds.” All Collateral Trust Mortgage Bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional Collateral Trust Mortgage Bonds of that series. This means that we may from time to time, without the consent of the existing holders of the Collateral Trust Mortgage Bonds of any series, including the Bonds, create and issue additional Collateral Trust Mortgage Bonds of a series having the same terms and conditions as the previously issued Collateral Trust Mortgage Bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional Collateral Trust Mortgage Bonds. Additional Collateral Trust Mortgage Bonds issued in this manner will be consolidated with, and will form a single series with, the previously issued Collateral Trust Mortgage Bonds of that series. For more information, see the discussion below under “—Issuance of Additional Collateral Trust Mortgage Bonds.”

Other than the security afforded by the lien of the Mortgage and restrictions on the issuance of additional Collateral Trust Mortgage Bonds described above, there are no provisions of the Mortgage that grant the holders of the Collateral Trust Mortgage Bonds protection in the event of a highly leveraged transaction involving us.

Redemption

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, at any time, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date. Unless the Bonds are held in book-entry only form through the facilities of The Depository Trust Company (“DTC”), in which case DTC’s procedures for selection shall apply (see “—Book-Entry Only Securities”), if less than all of the Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed. (Mortgage, Section 503.)

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. (Mortgage, Section 505.) We will pay the redemption price and any accrued interest to the redemption date upon surrender of any Bond for redemption. (Mortgage, Section 505.) If only part of a Bond is redeemed, the Trustee will deliver to the holder of the Bond a new Bond for the remaining portion at our expense. (Mortgage, Section 506.)

We may make any redemption at our option conditional upon the receipt by the paying agent, on or prior to the date fixed for such redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the paying agent has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds. (Mortgage, Section 504.)

Payment and Paying Agents

Interest on the Bonds accrues at the rate of 4.875% per year. Interest started to accrue from the date that the Bonds were issued. Interest payments on the Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the Bonds are registered in the name of DTC or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or

required by law or executive order to remain closed or a day on which the corporate trust office of the Trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the Bonds at a rate of 4.875% per year, to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of the Bonds falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day and without any interest or other payment in respect of such delay.

If there has been a default in the payment of interest on the Bonds, the defaulted interest may be paid to the holders as of the close of business on a date between 10 and 15 days before the date proposed by us for payment of the defaulted interest (and not less than 10 days after the Trustee receives notice of our proposal) or in any other manner permitted by any securities exchange on which the Bonds may be listed, if the Trustee finds it practicable. (Mortgage, Section 307.)

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of The Bank of New York Mellon in the Borough of Manhattan, City and State of New York, as our paying agent. However, we may choose to make payment of interest by check mailed to the address of the persons entitled to payment as they may appear or have appeared in the security register for the Bonds. We may change the place of payment on the Bonds, appoint one or more additional paying agents (including us) and remove any paying agent, all at our discretion. (Mortgage, Section 702.)

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “—Book-Entry Only Securities.”

Form and Exchange

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Bonds are represented by a global certificate without coupons registered in the name of a nominee of DTC.

The transfer of Bonds may be registered, and Bonds may be exchanged for other Bonds of authorized denominations and with the same terms and principal amount, at the corporate trust office of the Trustee in The City of New York. (Mortgage, Section 305.) We may, upon prompt written notice to the Trustee and the holders of the Bonds, designate one or more additional places, or change the place or places previously designated, for registration of transfer and exchange of the Bonds. (Mortgage, Section 702.) No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange of the Bonds. We will not be required to execute or to provide for the registration of transfer or exchange of any Bond:

- during the 15 days before an interest payment date;
- during the 15 days before giving any notice of redemption; or
- selected for redemption except the unredeemed portion of any Bond being redeemed in part.

(Mortgage, Section 305.)

Security

The Mortgage imposes a lien on all of our tangible electric and gas utility property located in Louisiana, whether real, personal or mixed, together with our franchises, permits and licenses that are transferable and necessary for the operation of such property and our recorded easements and rights of way and our electric utility properties located in Union County, Arkansas and certain related properties, in each case, other than Excepted Property (as defined below) and subject to Permitted Liens (as defined below). These properties are sometimes referred to as our “Mortgaged Property.”

The Bonds, together with all other Collateral Trust Mortgage Bonds now or in the future outstanding under the Mortgage, have and will have the equal and ratable benefit of: (1) the first mortgage lien of each Class A Mortgage on the part of the Mortgaged Property covered thereby, as described below, to the extent of the aggregate principal amount of Class A Bonds issued under such Class A Mortgage held by the Trustee, subject to liens permitted under such Class A Mortgage, and (2) the first mortgage lien of the Mortgage on any of our Mortgaged Property that is not subject to the lien of any Class A Mortgage, subject to Permitted Liens. In addition, the Bonds, together with all other Collateral Trust Mortgage Bonds now or in the future outstanding under the Mortgage, have and will have the equal and ratable benefit of a second mortgage lien on all of our Mortgaged Property that is subject to the lien of a Class A Mortgage, subject to Permitted Liens. To the extent that any Class A Bonds do not bear interest, which is permissible under the Mortgage, holders of the Collateral Trust Mortgage Bonds do not have the benefit of the lien of the related Class A Mortgage in respect of an amount equal to the accrued interest, if any, on the related Collateral Trust Mortgage Bonds (but would have the benefit of the first mortgage lien of the related Class A Mortgage in respect of an amount equal to the principal of the related Collateral Trust Mortgage Bonds and the benefit of the second mortgage lien of the Mortgage in respect of an amount equal to the principal of, and any accrued interest or premium on, the related Collateral Trust Mortgage Bonds).

Class A Bonds

Class A Bonds are first mortgage bonds issued and outstanding under either of our Class A Mortgages. We currently have two Class A Mortgages: our Indenture of Mortgage dated September 1, 1926 (as restated, amended and supplemented, the “EGSL Mortgage”) and our Mortgage and Deed of Trust dated as of April 1, 1944 (as amended and supplemented, the “ELL Mortgage”). The Class A Bonds issued under the ELL Mortgage are and will be secured by a first mortgage lien (subject to liens permitted by the ELL Mortgage) on substantially all of our Mortgaged Property that was owned by us just before the merger of Entergy Gulf States Power, LLC (“EGSP LLC”) into us on October 1, 2015, together with replacements, additions and extensions of or to such property acquired by us. The Class A Bonds issued under the EGSL Mortgage are and will be secured by a first mortgage lien (subject to liens permitted by the EGSL Mortgage) on substantially all of our Mortgaged Property that was owned by EGSP LLC just before its merger into us, together with substitutions, replacements, additions and extensions of or to such property acquired by us. Neither Class A Mortgage will cover additional property acquired by us after the date of the aforesaid merger except property that constitutes a replacement, addition or extension of the property covered by such Class A Mortgage. If we merge or consolidate with an entity that has a first mortgage indenture on its property, we may designate that mortgage indenture as an additional Class A Mortgage.

If the Trustee holds all of the Class A Bonds outstanding under a particular Class A Mortgage, we may discharge that Class A Mortgage, and the lien of the Mortgage will become a

first mortgage lien on the Mortgaged Property that was subject to that Class A Mortgage, subject only to Permitted Liens.

Permitted Liens

The lien of the Mortgage is subject to permitted liens described in the Mortgage (the “Permitted Liens”). These Permitted Liens include, among others,

- liens existing at November 1, 2015 (the “Execution Date”), that have not been discharged, including the liens of the Class A Mortgages;
- as to property acquired by us after the Execution Date, liens existing or placed on such property at the time we acquire such property, including the liens of any Class A Mortgages and any purchase money liens;
- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of Governmental Authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations;
- rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

(Mortgage, Granting Clauses and Section 101.)

The Mortgage provides that the Trustee has a lien, prior to the lien on the Mortgaged Property securing the Bonds, for the payment of its reasonable compensation and expenses and for indemnity against specified liabilities. (Mortgage, Section 1007.) This lien would be a Permitted Lien under the Mortgage.

The first mortgage liens of the Class A Mortgages are subject to similar, although not identical, permitted liens.

Excepted Property

The lien of the Mortgage does not cover, among other things, the following types of property:

- all cash, deposit accounts, securities and all policies of insurance on the lives of our officers not paid or delivered to or deposited with or held by the Trustee or required so to be;
- all contracts, leases, operating agreements and other agreements of all kinds and rights thereunder (other than our franchises, permits and licenses that are transferable and necessary for the operation of the Mortgaged Property), bills, notes and other instruments, revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, rights created by statute or governmental action to bill and collect revenues or other amounts from customers or others, credits, claims, demands and judgments;
- all governmental and other licenses, permits, franchises, consents and allowances (other than our franchises, permits and licenses that are transferable and necessary for the operation of Mortgaged Property);
- all unrecorded easements and rights of way;
- all intellectual property rights and other general intangibles;
- all vehicles, movable equipment, aircraft and vessels and all parts, accessories and supplies used in connection with any of the foregoing;
- all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code in effect where we are organized;
- all merchandise and appliances acquired for the purpose of resale in the ordinary course and conduct of our business, any nuclear fuel and all fuel, materials and supplies held for consumption in use or operation of any of our properties or held in advance of use thereof for fixed capital purposes;
- all electric energy and capacity, gas, steam and other materials and products generated, manufactured, produced or purchased by us for sale, distribution or use in the ordinary course and conduct of our business;
- all property that is the subject of a lease agreement designating us as lessee, and all our right, title and interest in and to the property and in, to and under the lease agreement, whether or not the lease agreement is intended as security; and the last day of the term of any lease or leasehold which may become subject to the lien of the Mortgage;
- all property, real, personal and mixed, that has been released from the lien of any Class A Mortgage, whether before or after the Execution Date, and any improvements, extensions and additions to such property and renewals, replacements, substitutions of or for any parts thereof;
- all timber, minerals, mineral rights and royalties;
- all natural gas wells, natural gas leases, natural gas lines or other property used in the production of natural gas or in the transmission of natural gas up to the point of connection with any gas distribution system owned by us (other than any transmission system or systems used for the transmission of natural gas between any gas distribution systems owned by us); and
- all property, real, personal and mixed, that, after the Execution Date, has been released from the lien of the Mortgage, and any improvements, extensions and additions to such property and renewals, replacements, substitutions of or for any parts thereof.

We sometimes refer to property of ours not covered by the lien of the Mortgage as “Excepted Property.” (Mortgage, Granting Clauses.)

The Class A Mortgages have similar, although not identical, exceptions to the property subject thereto.

Funded Property

The Mortgaged Property that is owned by us at any particular time is sometimes referred to as “Property Additions.” Property Additions will be or become Funded Property:

- when designated by us to be funded in connection with the discharge of a Class A Mortgage; or
- when used under the Mortgage for the issuance of Collateral Trust Mortgage Bonds, the release or retirement of Funded Property, or the withdrawal of funded cash deposited with the Trustee.

(Mortgage, Section 102.)

Issuance of Additional Bonds

Issuance of Additional Collateral Trust Mortgage Bonds

Collateral Trust Mortgage Bonds of any series may be issued from time to time, subject to the limitation that the aggregate principal amount of Collateral Trust Mortgage Bonds issued under the Mortgage at any one time outstanding shall not exceed \$200 billion, on the basis of:

- the aggregate principal amount of Class A Bonds (which need not bear interest) issued to the Trustee;
- 70% of the cost or fair value to us (whichever is less) of Property Additions that do not constitute Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of Retired Securities, as defined below; or
- an amount of cash deposited with the Trustee.

(Mortgage, Sections 102, 1601, 1602, 1603, 1604 and 1605.)

“Retired Securities” means any Collateral Trust Mortgage Bonds authenticated and delivered under the Mortgage which:

- no longer remain outstanding;
- have not been made the basis of the authentication and delivery of Collateral Trust Mortgage Bonds, the release of Mortgaged Property or the withdrawal of funded cash; and
- have not been paid, redeemed, purchased or otherwise retired by the application thereto of funded cash.

(Mortgage, Section 101.)

Issuance of Additional Class A Bonds

The maximum principal amount of bonds that may be issued under the ELL Mortgage is limited to \$100 billion at any time outstanding under the ELL Mortgage, subject to property additions and other limitations of the ELL Mortgage. Class A Bonds may be issued from time to time under the ELL Mortgage on the basis of:

- 80% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements;
- retirements of bonds issued under the ELL Mortgage or qualified lien bonds; or
- deposit of cash with the trustee under the ELL Mortgage.

Property additions under the ELL Mortgage generally include the Mortgaged Property that was acquired by us after December 31, 1943 and was owned by us just before the merger of EGSP LLC into us, together with replacements, additions and extensions of or to such property acquired by us. Unfunded property additions are generally those that have not been used under the ELL Mortgage to issue bonds, release property, withdraw cash or replace retired property that has been used for such purposes.

Class A Bonds may be issued from time to time under the EGSL Mortgage, subject to the limitation that the aggregate principal amount of bonds issued under the EGSL Mortgage at any one time outstanding shall not exceed \$100 billion, on the basis of:

- an amount not exceeding 60% of available net additions;
- available debt retirements of bonds and/or refundable indebtedness under the EGSL Mortgage; or
- the deposit of cash with the trustee under the EGSL Mortgage.

Net additions under the EGSL Mortgage generally include the Mortgaged Property that was owned by EGSP LLC just before its merger into us, together with substitutions, replacements, additions and extensions of or to such property acquired by us. Available net additions are generally net additions that have not been used under the EGSL Mortgage to issue bonds, release property, withdraw cash or replace retired property that has been used for such purposes.

As a condition to the authentication and delivery of bonds under the EGSL Mortgage on the basis of property additions and (with certain exceptions) on the basis of retired bonds, qualified lien bonds and/or refundable indebtedness, the Company's net earnings (as defined in the EGSL Mortgage) for a recent period of twelve consecutive calendar months must have been at least twice the annual interest requirements on all bonds outstanding under the EGSL Mortgage including the new bonds.

As of December 31, 2021, we had approximately \$6,615 million principal amount of Class A Bonds outstanding under the ELL Mortgage and approximately \$3,578 million principal amount of Class A Bonds outstanding under the EGSL Mortgage. As of December 31, 2021, we could have issued approximately \$377 million principal amount of additional Class A Bonds under the ELL Mortgage on the basis of retired bonds, and we had approximately \$2,756 million of unfunded property additions, entitling us to issue approximately \$2,205 million principal amount of additional Class A Bonds under the ELL Mortgage on the basis of property additions. As of December 31, 2021, we could have issued approximately \$1,814 million principal amount of additional Class A Bonds under the EGSL Mortgage on the basis of available debt retirements, and we had approximately \$179 million of available net additions, entitling us to issue approximately \$107 million principal amount of additional Class A Bonds under the EGSL Mortgage on the basis of available net additions (in each case, assuming such additional Class A Bonds do not bear interest). As of December 31, 2021, we could have issued approximately \$4,503 million principal amount of additional Collateral Trust Mortgage Bonds on the basis of Class A Bonds.

As of December 31, 2021, we had approximately \$8,297 million aggregate principal amount of Collateral Trust Mortgage Bonds outstanding. As of December 31, 2021, we had approximately \$645 million of unfunded property additions under the Mortgage, entitling us to

issue approximately \$451 million principal amount of Collateral Trust Mortgage Bonds on the basis of property additions. As of December 31, 2021, we were not entitled to issue any Collateral Trust Mortgage Bonds on the basis of retired Collateral Trust Mortgage Bonds. Class A Bonds, property additions and cash used as a basis for the issuance of Collateral Trust Mortgage Bonds under the Mortgage from time to time will be for the benefit of the holders of all Collateral Trust Mortgage Bonds outstanding under the Mortgage from time to time, including the holders of the Bonds.

We have reserved the right to amend the EGSL Mortgage without any consent or other action by the holders of any bonds issued under the EGSL Mortgage created on or after July 1, 2014, to remove the earnings coverage test contained therein. In addition, each holder or future holder of Class A Bonds issued under the EGSL Mortgage created on or after July 1, 2014 (including the Trustee under the Mortgage), by its acquisition of an interest in such Class A Bonds, irrevocably (a) consented or will consent to the amendment to the EGSL Mortgage to remove the net earnings test without any further action and (b) designated or will designate the trustee under the EGSL Mortgage as its proxy with irrevocable instructions to vote in favor of such amendment or to deliver a written consent thereto.

Release of Property

Special Release Provision – While Class A Mortgage is in Effect

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any Mortgaged Property that is subject to a Class A Mortgage by obtaining the release of that property from the applicable Class A Mortgage. (Mortgage, Section 1808.)

Release of Property from Class A Mortgages

Properties subject to the lien of the ELL Mortgage may be released on the basis of:

- the deposit of cash or purchase money mortgages;
- property additions, after adjustments in certain cases to offset retirements and after making adjustments for qualified lien bonds, if any, outstanding against property additions; and
- the aggregate principal amount of bonds that we would be entitled to issue under the ELL Mortgage on the basis of retired qualified lien bonds; or (ii) 10/6ths of the aggregate principal amount of bonds that we would be entitled to issue under the ELL Mortgage on the basis of retired bonds that were issued prior to June 9, 2010; or (iii) 10/8ths of the aggregate principal amount of bonds that we would be entitled to issue under the ELL Mortgage on the basis of retired bonds that were issued after June 9, 2010; in each case with the entitlement being waived by operation of the release.

Properties subject to the lien of the EGSL Mortgage may be released on the basis of:

- the deposit of cash or, within certain limits, purchase money obligations and, in certain cases, governmental or municipal obligations;
- the deposit of the proceeds of such properties with the holder of a prior lien;
- available net additions; and
- available debt retirements of bonds or refundable indebtedness under the EGSL Mortgage.

General Release Provisions

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any Mortgaged Property, except for funded cash, upon delivery to the Trustee of an amount in cash equal to the amount, if any, as calculated by us, by which the lower of the cost or fair value of the property to be released exceeds the aggregate of:

- an amount equal to the aggregate principal amount of any obligations secured by purchase money liens upon the property to be released and delivered to the Trustee;
- an amount equal to the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the release);
- 10/7ths of the aggregate principal amount of Collateral Trust Mortgage Bonds that we would be entitled to issue on the basis of Retired Securities or Class A Bonds (with such entitlement being waived by operation of the release);
- any amount in cash and/or an amount equal to the aggregate principal amount of any obligations secured by purchase money liens delivered to a holder of a prior lien on Mortgaged Property in consideration for the release of such Mortgaged Property from such prior lien; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

(Mortgage, Section 1803.)

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any part of the Mortgaged Property or any interest therein, which does not constitute Funded Property or funded cash held by the Trustee, without depositing any cash or property with the Trustee as long as (a) the aggregate amount of cost or fair value to us (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released) after specified deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the cost or fair value (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to us (whichever is less) of Property Additions acquired, made or constructed within the 90-day period preceding the release. (Mortgage, Section 1804.)

The Mortgage provides simplified procedures for the release of Mortgaged Property with an aggregate cost or fair value (whichever is less) of up to the greater of \$10 million or 3% of the sum of outstanding Collateral Trust Mortgage Bonds and Class A Bonds (other than Class A Bonds held by the Trustee) during a calendar year and for the release of Mortgaged Property taken or sold in connection with the power of eminent domain; the Mortgage also provides for dispositions of certain obsolete or unnecessary Mortgaged Property and for grants or surrender of certain easements, leases or rights of way without any release or consent by the Trustee. (Mortgage, Sections 1802, 1805 and 1807.)

If we retain any interest in any property released from the lien of the Mortgage, the Mortgage will not become a lien on that property or the interest in that property or any improvements, extensions or additions to, or any renewals, replacements or substitutions of or for, any part or parts of that property unless we subject that property to the lien of the Mortgage. (Mortgage, Section 1810.)

The Mortgage also provides that we may terminate, abandon, surrender, cancel, release, modify or dispose of any of our franchises, permits or licenses that are Mortgaged Property without any consent of the Trustee or the holders of outstanding Collateral Trust Mortgage Bonds, provided that such action is, in our opinion, necessary, desirable or advisable in the conduct of our business. In addition, the Mortgage provides that, if any of our franchises, permits or licenses that are Mortgaged Property because they are necessary for the operation of other Mortgaged Property cease to be necessary, in our opinion, for the operation of the Mortgaged Property, such franchises, permits or licenses shall automatically cease to be Mortgaged Property without any release or consent, or report to, the Trustee. (Mortgage, Section 1802.)

Withdrawal of Cash

Unless an event of default under the Mortgage has occurred and is continuing, and subject to specified limitations, cash held by the Trustee may generally, (1) be withdrawn by us (a) to the extent of the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property, after specified deductions and additions, primarily including adjustments to offset retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of Collateral Trust Mortgage Bonds that we would be entitled to issue on the basis of Retired Securities or Class A Bonds (with the entitlement to the issuance being waived by operation of the withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding Collateral Trust Mortgage Bonds delivered to the Trustee (with the Collateral Trust Mortgage Bonds being cancelled by the Trustee), or (2) upon our request, be applied to (a) the purchase of Collateral Trust Mortgage Bonds or (b) the payment (or provision for payment) at stated maturity of any Collateral Trust Mortgage Bonds or the redemption (or provision for payment) prior to stated maturity of any Collateral Trust Mortgage Bonds which are redeemable. (Mortgage, Section 1806.)

Satisfaction and Discharge of Bonds

Subject to certain conditions, the Bonds, or any portion of the Bonds, will be deemed paid and no longer outstanding under the Mortgage and we can be discharged from our obligations on such Bonds, or such portion of the Bonds, if we irrevocably deposit with the Trustee or any paying agent, other than us, sufficient cash or government securities to pay the principal, any interest and any other sums when due on such Bonds, or such portion of such Bonds, on the stated maturity date or a redemption date of the Bonds, or such portion of the Bonds. (Mortgage, Section 801.)

Consolidation, Merger and Conveyance of Assets

Under the terms of the Mortgage, we may not consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the Mortgaged Property, unless:

- the surviving or successor entity, or an entity that acquires by conveyance or transfer or that leases our Mortgaged Property as, or substantially as, an entirety, is organized and

validly existing under the laws of any domestic jurisdiction, and it expressly assumes our obligations on all Collateral Trust Mortgage Bonds then outstanding and under the Mortgage and confirms the lien of the Mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction becomes effective), including subjecting to the lien of the Mortgage all property thereafter acquired by the successor entity that constitutes an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, but only to the extent that such improvement, extension or addition is so affixed or attached to real property as to be regarded a part of such real property or is an improvement, extension or addition to personal property that is made to maintain, renew, repair or improve the function of such personal property and is physically installed in or affixed to such personal property;

- in the case of a lease, such lease is made expressly subject to termination by us or by the Trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of an event of default under the Mortgage;
- we shall have delivered to the Trustee an officer's certificate and an opinion of counsel as provided in the Mortgage; and
- immediately after giving effect to such transaction (and treating any debt that becomes an obligation of the successor entity as a result of such transaction as having been incurred by the successor entity at the time of such transaction), no event of default under the Mortgage, or event that, after notice or lapse of time or both, would become an event of default under the Mortgage, shall have occurred and be continuing.

(Mortgage, Section 1201.) In the case of the conveyance or other transfer of the Mortgaged Property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the Mortgage and on the Collateral Trust Mortgage Bonds then outstanding unless we elect to waive such release and discharge. (Mortgage, Section 1204.)

The Mortgage does not prevent or restrict:

- any conveyance or other transfer, or lease, of any part of the Mortgaged Property that does not constitute the entirety, or substantially the entirety, of the Mortgaged Property; or (Mortgage, Section 1205.)
- any conveyance, transfer or lease of any of our properties where we retain Mortgaged Property with a fair value in excess of 143% of the aggregate principal amount of all outstanding Collateral Trust Mortgage Bonds, and any other outstanding debt secured by a Class A Mortgage or a purchase money lien that ranks equally with, or senior to, the Collateral Trust Mortgage Bonds with respect to the Mortgaged Property (other than Class A Bonds held by the Trustee). This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us. (Mortgage, Section 1206.)

Although the successor entity may, in its sole discretion, subject to the lien of the Mortgage property then owned or thereafter acquired by the successor entity, the lien of the Mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the Mortgage, as described above. (Mortgage, Section 1203.)

The terms of the Mortgage do not restrict mergers in which we are the surviving entity. (Mortgage, Section 1205.) A statutory merger pursuant to which our assets and liabilities are allocated to one or more entities shall not be considered to be a merger subject to the provisions of the Mortgage described above unless all of our assets and liabilities are allocated to an entity

other than us and we do not survive such statutory merger. In all other cases of a statutory merger pursuant to which any Mortgaged Property is allocated to one or more entities other than us, each allocation of any Mortgaged Property to an entity other than us shall be deemed, for purposes of the Mortgage, to be a transfer of such Mortgaged Property to such entity and not a merger. (Mortgage, Section 1207.)

Events of Default

Events of Default under the Mortgage

“Event of default,” when used in the Mortgage with respect to Collateral Trust Mortgage Bonds, means any of the following:

- failure to pay interest on any Collateral Trust Mortgage Bond for 30 days after it is due unless we have made a valid extension of the interest payment period with respect to such Collateral Trust Mortgage Bond as provided in the Mortgage;
- failure to pay the principal of or any premium on any Collateral Trust Mortgage Bond when due unless we have made a valid extension of the maturity of such Collateral Trust Mortgage Bond as provided in the Mortgage;
- failure to perform or breach of any other covenant or warranty in the Mortgage that continues for 90 days after we receive written notice from the Trustee, or we and the Trustee receive written notice from the holders of at least 33% in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds, unless the Trustee, or the Trustee and the holders of a principal amount of Collateral Trust Mortgage Bonds not less than the principal amount of Collateral Trust Mortgage Bonds the holders of which gave such notice, as the case may be, agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Collateral Trust Mortgage Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by us within such period and is being diligently pursued;
- events of our bankruptcy, insolvency or reorganization as specified in the Mortgage;
- so long as the Trustee holds any Class A Bonds under the Mortgage corresponding to outstanding Collateral Trust Mortgage Bonds, any matured event of default under the applicable Class A Mortgage resulting in acceleration of such Class A Bonds; provided that any cure or waiver of such event of default and any rescission or annulment of such acceleration under the applicable Class A Mortgage shall constitute a cure, waiver, rescission or annulment under the Mortgage; or
- any other event of default included in any supplemental indenture, board resolution or officer’s certificate establishing a series of Collateral Trust Mortgage Bonds.

(Mortgage, Sections 301, 901 and 1301.)

The Trustee is required to give notice of any default under the Mortgage known to the Trustee in the manner and to the extent required to do so by the Trust Indenture Act of 1939, unless such default shall have been cured or waived. However, in the case of any default of the character specified in the third bullet in the preceding paragraph, no such notice to holders of the Collateral Trust Mortgage Bonds shall be given until at least 60 days after the occurrence thereof. The Trustee shall give to the trustee under each Class A Mortgage a copy of each notice of default given to the holders of Collateral Trust Mortgage Bonds. In addition, the Trustee shall give to the holders of Collateral Trust Mortgage Bonds copies of each notice of default under any Class A Mortgage given to the Trustee in its capacity as owner and holder of Class A Bonds under that Class A Mortgage. (Mortgage, Section 1002.)

So long as the Trustee holds any Class A Bonds under the Mortgage corresponding to outstanding Collateral Trust Mortgage Bonds, such Class A Bonds shall be redeemed by us, in whole at any time, or in part from time to time, at a redemption price equal to the principal amount thereof, upon receipt by the trustee under the related Class A Mortgage of a written notice from the Trustee to us and such trustee stating that an Event of Default under the Mortgage has occurred and is continuing and that, as a result, there is due and payable a specified amount with respect to such Collateral Trust Mortgage Bonds, for the payment of which the Trustee has not received funds and specifying the principal amount of such Class A Bonds to be redeemed.

Events of Default under the Class A Mortgages

Events of default under the existing Class A Mortgages include default in payment of principal or premium, if any, when due; default, for 60 days under the ELL Mortgage and 30 days under the EGSL Mortgage, in the payment of interest; certain events of bankruptcy, insolvency or reorganization; and default in other covenants for 90 days after notice by the trustee or the holders of a specified percentage of bonds outstanding under the applicable Class A Mortgage.

Remedies

Acceleration of Maturity

If an event of default under the Mortgage occurs and is continuing, then the Trustee, by written notice to us, or the holders of at least 33% in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds, by written notice the Trustee and us, may declare the principal amount of all of the Collateral Trust Mortgage Bonds to be due and payable immediately, and upon our receipt of such notice, such principal amount, together with premium, if any, and accrued and unpaid interest will become immediately due and payable. (Mortgage, Section 902.)

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

Rescission of Acceleration

At any time after such a declaration of acceleration has been made but before any sale of the Mortgaged Property and before a judgment or decree for payment of the money due has been obtained by the Trustee, the event of default under the Mortgage giving rise to such declaration of acceleration will be considered cured, and such declaration and its consequences will be considered rescinded and annulled, if:

- we have paid or deposited with the Trustee a sum sufficient to pay:
 - (1) all overdue interest on all outstanding Collateral Trust Mortgage Bonds;
 - (2) the principal of and premium, if any, on the outstanding Collateral Trust Mortgage Bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
 - (3) interest on overdue interest, if any, to the extent lawful; and
 - (4) all amounts due to the Trustee under the Mortgage; and

- any other event of default under the Mortgage with respect to the Collateral Trust Mortgage Bonds has been cured or waived as provided in the Mortgage.

(Mortgage, Section 902.)

Trustee Powers

Subject to the Mortgage, under specified circumstances and to the extent permitted by law, if an event of default under the Mortgage occurs and is continuing, the Trustee is entitled to the appointment of a receiver for the Mortgaged Property and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law. (Mortgage, Section 916.) In addition, the Trustee may exercise any right or remedy available to the Trustee as a holder of Class A Bonds which arises as a result of a default or event of default under any Class A Mortgage. (Mortgage, Section 917.)

Control by Holders

Other than its duties in the case of an event of default under the Mortgage, the Trustee is not obligated to exercise any of its rights or powers under the Mortgage at the request, order or direction of any of the holders, unless the holders offer the Trustee an indemnity satisfactory to it. (Mortgage, Section 1003.) If an event of default under the Mortgage has occurred and is continuing and they provide this indemnity, the holders of a majority in principal amount of the outstanding Collateral Trust Mortgage Bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee. The Trustee is not obligated to comply with directions that conflict with law or other provisions of the Mortgage or that could involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate. (Mortgage, Section 912.)

Limitation on Holders' Right to Institute Proceedings

No holder of Collateral Trust Mortgage Bonds will have any right to institute any proceeding under the Mortgage or the Collateral Trust Mortgage Bonds, or any remedy under or with respect to the Mortgage or the Collateral Trust Mortgage Bonds, unless:

- the holder has previously given to the Trustee written notice of a continuing event of default under the Mortgage;
- the holders of a majority in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds of all series have made a written request to the Trustee and have offered indemnity satisfactory to the Trustee to institute proceedings; and
- the Trustee has failed to institute any proceeding for 60 days after notice and has not received during that period any direction from the holders of a majority in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds inconsistent with the written request of holders referred to above;

provided that no holder or holders of Collateral Trust Mortgage Bonds shall have any right in any manner to affect or prejudice the rights of other holders of Collateral Trust Mortgage Bonds or to obtain priority over such other holders. (Mortgage, Section 907.) However, these limitations do not apply to the absolute and unconditional right of a holder of a Collateral Trust Mortgage Bond to institute suit for payment of the principal, premium, if any, or interest on the Collateral Trust Mortgage Bond on or after the applicable due date. (Mortgage, Section 908.)

Evidence to be Furnished to the Trustee

Compliance with the Mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the Trustee an annual certificate as to whether or not we have fulfilled our obligations under the Mortgage throughout the preceding year. (Mortgage, Section 705.)

Modification and Waiver

Modification Without Consent

Without the consent of any holder of Collateral Trust Mortgage Bonds, we and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the Mortgage and in the Collateral Trust Mortgage Bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of Collateral Trust Mortgage Bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the Mortgage for all or any series of Collateral Trust Mortgage Bonds;
- to change, eliminate or add any provision to the Mortgage; provided, however, if the change, elimination or addition will adversely affect the interests of the holders of Collateral Trust Mortgage Bonds of any series in any material respect, the change, elimination or addition will become effective only:
 - (1) when the consent of the holders of Collateral Trust Mortgage Bonds of such series has been obtained in accordance with the Mortgage; or
 - (2) when no Collateral Trust Mortgage Bonds of the affected series remain outstanding under the Mortgage;
- to provide additional security for any Collateral Trust Mortgage Bonds;
- to establish the form or terms of Collateral Trust Mortgage Bonds of any other series as permitted by the Mortgage;
- to provide for the authentication and delivery of bearer securities with or without coupons;
- to evidence and provide for the acceptance of appointment by a separate or successor Trustee or co-trustee;
- to provide for the procedures required for us to use a noncertificated system of registration for the Collateral Trust Mortgage Bonds of all or any series;
- to change any place where principal, premium, if any, and interest shall be payable, Collateral Trust Mortgage Bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served;
- to amend and restate the Mortgage as originally executed and as amended from time to time, with additions, deletions and other changes that do not adversely affect the interests of the holders of Collateral Trust Mortgage Bonds of any series in any material respect;
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the Mortgage if such changes or additions will not adversely affect the interests of the holders of Collateral Trust Mortgage Bonds of any series in any material respect; or
- to increase or decrease the maximum amount of Collateral Trust Mortgage Bonds that may be outstanding at any one time under the Mortgage to an amount that is not less than the aggregate principal amount of Collateral Trust Mortgage Bonds then outstanding.

(Mortgage, Section 1301.)

Modification and Waiver Requiring Consent

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding Collateral Trust Mortgage Bonds, considered as one class, is required for all other amendments or modifications to the Mortgage. However, if less than all of the series of Collateral Trust Mortgage Bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected Collateral Trust Mortgage Bond then outstanding to:

- change the stated maturity of the principal of, or any installment of principal of or interest on, any Collateral Trust Mortgage Bond, or reduce the principal amount of any Collateral Trust Mortgage Bond or its rate of interest or change the method of calculating that interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any Collateral Trust Mortgage Bond;
- create any lien ranking prior to or on a parity with the lien of the Mortgage with respect to the Mortgaged Property, terminate the lien of the Mortgage on the Mortgaged Property or deprive any holder of a Collateral Trust Mortgage Bond of the benefits of the security of the lien of the Mortgage;
- reduce the percentage in principal amount of the outstanding Collateral Trust Mortgage Bonds of any series the consent of the holders of which is required for any amendment or modification or any waiver of compliance with a provision of the Mortgage or of any default thereunder and its consequences, or reduce the requirements thereunder for a quorum or voting; or
- modify certain provisions of the Mortgage relating to supplemental indentures, waivers of some covenants and waivers of past defaults with respect to the Collateral Trust Mortgage Bonds of any series.

A supplemental indenture that changes the Mortgage solely for the benefit of one or more particular series of Collateral Trust Mortgage Bonds, or modifies the rights of the holders of Collateral Trust Mortgage Bonds of one or more series, will not affect the rights under the Mortgage of the holders of the Collateral Trust Mortgage Bonds of any other series. (Mortgage, Section 1302.)

The holders of a majority in aggregate principal amount of then outstanding Collateral Trust Mortgage Bonds, considered as one class, may waive compliance by us with some restrictive provisions of the Mortgage. (Mortgage, Section 706.) The holders of a majority in principal amount of then outstanding Collateral Trust Mortgage Bonds may waive any past default under the Mortgage, except a default in the payment of principal, premium, if any, or interest on any outstanding Collateral Trust Mortgage Bonds and certain covenants and provisions of the Mortgage that cannot be modified or amended without the consent of the holder of each outstanding Collateral Trust Mortgage Bond of any affected series. (Mortgage, Section 913.)

The Mortgage provides that Collateral Trust Mortgage Bonds owned by us or anyone else required to make payment on the Collateral Trust Mortgage Bonds shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent. (Mortgage, Section 101.)

We may fix in advance a record date to determine the holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or similar act of the holders, but we

have no obligation to do so. If we fix a record date, that request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after that record date, but only the holders of record at the close of business on that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding Collateral Trust Mortgage Bonds have authorized or agreed or consented to the request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding Collateral Trust Mortgage Bonds will be computed as of the record date.

Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder of any Collateral Trust Mortgage Bond will bind every future holder of that Collateral Trust Mortgage Bond and the holder of every Collateral Trust Mortgage Bond issued upon the registration of transfer of or in exchange for that Collateral Trust Mortgage Bond. A transferee will also be bound by acts of the Trustee or us in reliance thereon, whether or not notation of that action is made upon the Collateral Trust Mortgage Bond. (Mortgage, Section 106.)

Voting of Class A Bonds

The Mortgage provides that the Trustee will, as holder of Class A Bonds delivered as the basis for the issuance of Collateral Trust Mortgage Bonds, attend meetings of holders of bonds under the related Class A Mortgage, or deliver its proxy in connection with those meetings, that relate to matters with respect to which it, as a holder, is entitled to vote or consent. The Mortgage provides that, so long as no event of default under the Mortgage has occurred and is continuing and except for the rights and remedies of the Trustee in case of a default or matured event of default under a Class A Mortgage, the Trustee will, as holder of the Class A Bonds, vote or consent (without any consent or other action by the holders of the Collateral Trust Mortgage Bonds, except as described in the proviso of clause (2) below) in favor of any amendments or modifications to the applicable Class A Mortgage as follows:

- (1) to conform any provision of a Class A Mortgage in all material respects to the correlative provision of the Mortgage, to add to a Class A Mortgage any provision not otherwise contained therein which conforms in all material respects to a provision contained in the Mortgage, to delete from a Class A Mortgage any provision to which the Mortgage contains no correlative provision and any combination of the foregoing and/or, without limiting the generality of the foregoing, to effect certain amendments included in supplemental indentures to the ELL Mortgage and the EGSL Mortgage; and/or
- (2) with respect to any amendments or modifications to any Class A Mortgage other than those amendments or modifications referred to in clause (1) above, vote all the Class A Bonds delivered under such Class A Mortgage, or consent with respect thereto, proportionately with the vote or consent of holders of all other Class A Bonds outstanding under such Class A Mortgage the holders of which are eligible to vote or consent, as evidenced by a certificate delivered by the trustee under such Class A Mortgage; provided, however, that the Trustee will not vote in favor of, or consent to, any amendment or modification of a Class A Mortgage which, if it were an amendment or modification of the Mortgage, would require the consent of holders of Collateral Trust Mortgage Bonds as described under “—Modification and Waiver,” without the prior consent of holders of Collateral Trust Mortgage Bonds which would be required for an amendment or modification of the Mortgage.

(Mortgage, Section 1705.)

We may make amendments to, or eliminate some of the covenants in, the ELL Mortgage with the consent of the holders of a majority of the bonds outstanding under the ELL Mortgage

considered as one class, provided that, if less than all series of such bonds are affected, only the consent of holders of a majority of such bonds of each series affected, considered as one class, is required for such modification, but no such modification shall, without the consent of the holder of any such bond affected by such modification, permit:

- the extension of the maturity or reduction of the principal of or interest on such bond or other modification in the terms of payment of such principal or interest;
- the creation of a lien that is prior or equal to the lien of the ELL Mortgage with respect to the mortgaged property under the ELL Mortgage or the deprivation of any non-assenting holder of such bonds of the benefit of a lien on the mortgaged property under the ELL Mortgage (subject only to excepted encumbrances as defined in the ELL Mortgage); or
- the reduction of the percentage required for modification of the ELL Mortgage.

We may make amendments to, or eliminate some of the covenants in, the EGSL Mortgage with the consent of the holders of not less than 75% in aggregate principal amount of the bonds outstanding under the EGSL Mortgage, including not less than 60% of each series affected, but no such modification shall:

- extend the maturity of any such bonds or reduce the rate or extend the time of payment of interest on any such bonds or reduce the amount of principal of any such bonds, or reduce any premium payable on the redemption of any such bonds, without the consent of the holder of such affected bond;
- permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the EGSL Mortgage, without the consent of the holders of all the bonds then outstanding under the EGSL Mortgage; or
- reduce the above-described percentage of holders of bonds under the EGSL Mortgage required to approve any such modification, without the consent of the holders of all such bonds then outstanding.

If we amend a Class A Mortgage to eliminate one or more covenants as described above, a holder of Collateral Trust Mortgage Bonds would no longer benefit from such covenants.

Resignation of a Trustee; Removal

The Trustee may resign at any time by giving written notice to us or may be removed at any time by an act of the holders of a majority in principal amount of Collateral Trust Mortgage Bonds then outstanding delivered to the Trustee and us at least 31 days prior to such removal. No resignation or removal of the Trustee and no appointment of a successor Trustee will be effective until the acceptance of appointment by a successor Trustee. So long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a Trustee appointed by act of the holders, if we have delivered to the Trustee a board resolution appointing a successor Trustee and the successor has accepted the appointment in accordance with the terms of the Mortgage, the Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as Trustee in accordance with the Mortgage. (Mortgage, Section 1010.)

Notices

Notices to holders of Bonds are given by mail in writing to the addresses of such holders as they may appear in the security register for the Bonds. (Mortgage, Section 108.)

Title

We, the Trustee, and any of our or the Trustee's agents, may treat the person in whose name Bonds are registered as the absolute owner thereof, whether or not the Bonds may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary. (Mortgage, Section 308.)

Governing Law

The Mortgage and the Bonds are governed by, and construed in accordance with, the laws of the State of New York, without giving effect to its conflicts of laws principles, except where otherwise required by law, including with respect to the creation, perfection, priority or enforcement of the lien of the Mortgage. (Mortgage, Section 114.)

Information about the Trustee

The Trustee is The Bank of New York Mellon. In addition to acting as Trustee, The Bank of New York Mellon also acts, and may act, as trustee under the ELL Mortgage, the EGSL Mortgage, and various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the Trustee and its affiliates in the ordinary course of our respective businesses.

Book-Entry Only Securities

The Bonds trade through DTC. The Bonds are represented by a global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificate was deposited with the Trustee as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of Bonds held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the Trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to the Bonds has occurred and is continuing, certificates for the Bonds will be printed and delivered. If certificates for the Bonds are printed and delivered,

- the Bonds will be issued in fully registered form without coupons;

- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

**DESCRIPTION OF ENTERGY MISSISSIPPI, LLC'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934**

References in this exhibit to “we,” “us,” or “our” are to Entergy Mississippi, LLC.

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of February 1, 1988, with The Bank of New York Mellon, successor trustee (the “trustee”). This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this exhibit as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the Bonds (as defined below), are referred to herein as “first mortgage bonds.”

As of February 25, 2022, we have one series of first mortgage bonds outstanding that is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our First Mortgage Bonds, 4.90% Series due October 1, 2066, issued in an aggregate principal amount of \$260,000,000 under the Thirty-Third Supplemental Indenture, dated as of September 1, 2016, to the mortgage and traded on the New York Stock Exchange under the ticker EMP (the “Bonds”).

The full aggregate principal amount of the Bonds is currently outstanding.

The mortgage, including the applicable supplemental indenture relating to the Bonds, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indenture relating to the Bonds, or the outstanding first mortgage bonds, including the Bonds. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to the Bonds. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

General

The mortgage permits us to issue first mortgage bonds from time to time in an unlimited aggregate amount subject to the limitations described below under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with the previously

issued first mortgage bonds of that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

Payment

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the trustee in the Borough of Manhattan, City and State of New York. Interest on the Bonds accrues at the rate of 4.90% per year and started to accrue from the date that the Bonds were issued. Interest payments on the Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the Bonds are registered in the name of The Depository Trust Company (“DTC”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the Bonds at a rate of 5.90% per year to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of a Bond falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

Redemption and Retirement

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, at any time, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date.

Unless the Bonds are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply (see “Book-Entry Only Securities”), if less than all of the Bonds are to be redeemed, the trustee will select the Bonds to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon presentation and surrender of any Bond for redemption. If only part of a Bond is redeemed, the trustee will deliver to the holder of the Bond a new Bond for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the trustee has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds.

Form and Exchange

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Bonds are represented by a global certificate without coupons registered in the name of a nominee of DTC.

The Bonds are exchangeable for other Bonds in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any Bond:

1. during the 15 days before an interest payment date (unless such Bond has a record date for the payment of interest),
2. during the 15 days before any designation of such Bond to be redeemed, or
3. selected for redemption.

Security

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on substantially all of our property (the “mortgaged property”), subject to bankruptcy law and:

1. minor defects and encumbrances customarily found in similar properties that do not materially impair the use of the mortgaged property in the conduct of our business;
2. other liens, defects and encumbrances, if any, existing or created at the time of our acquisition of the mortgaged property; and
3. excepted encumbrances.

The mortgage does not create a lien on the following “excepted property”:

1. cash and securities;
2. all merchandise, equipment, apparatus, materials or supplies held for sale or other disposition in the usual course of business or consumable during use;
3. automobiles, vehicles and aircraft, timber, minerals, mineral rights and royalties; and
4. accounts receivable, contracts, leases and operating agreements.

The mortgage contains provisions that impose the lien of the mortgage on property we acquire after the date of the mortgage, other than excepted property, subject to pre-existing liens. However, if we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to, another entity, unless the successor entity elects otherwise in its sole discretion, the lien created by the mortgage will generally not cover the property of the successor company, other than the mortgaged property it acquires from us and improvements, replacements and additions to such property.

The mortgage also provides that the trustee has a lien on the mortgaged property to ensure the payment of its reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the Bonds.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created after April 30, 2016, including the Bonds, to revise the definition of “excepted encumbrances” to mean the following:

- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations;
- rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

Issuance of Additional First Mortgage Bonds

Subject to the issuance restrictions described below, the aggregate principal amount of first mortgage bonds that we can issue under the mortgage is unlimited. First mortgage bonds of any series may be issued from time to time on the basis of:

1. 70% of property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds; or
3. deposit of cash with the trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after December 31, 1987. Securities, automobiles, vehicles or aircraft, or property used principally for the production or gathering of natural gas, are not included as property additions. Deposited cash may be withdrawn upon the bases stated in clauses (1) or (2) above.

The mortgage contains restrictions on the issuance of first mortgage bonds against property subject to liens.

As of December 31, 2021, we had approximately \$2,195 million principal amount of first mortgage bonds outstanding. As of December 31, 2021, we could have issued approximately \$964 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds, and we had approximately \$708 million of unfunded property additions, entitling us to issue approximately \$495 million principal amount of additional first mortgage bonds on the basis of property additions. The Bonds were issued on the basis of property additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

Release and Substitution of Property

Property may be released from the lien of the mortgage on the basis of:

1. the deposit with the trustee of cash or purchase money mortgages;
2. the lower of cost or fair value to us of unfunded property additions designated by us, after adjustments in certain cases to offset retirements and after making adjustments for certain prior lien bonds, if any, outstanding against property additions; or
3. an amount equal to the principal amount of the retired first mortgage bonds that we elect to use as the basis for such release times the reciprocal of the bonding ratio in effect at the time such retired first mortgage bonds were originally issued.

Property owned by us on December 31, 1987, may be released from the lien of the mortgage at its depreciated book value on December 31, 1987; all other property may be released at its cost, as defined in the mortgage. Unfunded property may also be released without complying with clauses (1), (2) or (3) above if, after its release, we would have at least one dollar of unfunded property that remains subject to the lien of the mortgage.

We can withdraw cash upon the bases stated in clauses (2) and/or (3) above.

Generally, “Funded Property” under the mortgage means all mortgaged property owned by us on December 31, 1987, and all property additions used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee. We may at any time, without the further consent of any holders of first mortgage bonds, change the definition of “Funded Property” to mean any mortgaged property specified by us with a fair value, to be determined by an independent expert, of not less than 10/7ths of the sum of the amount of the outstanding first mortgage bonds and retired bond credits, together with all property additions thereafter used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee.

We may, without any release or consent by the trustee,

- grant, free from the lien of the mortgage, easements, ground leases or rights-of-way in, upon, over and/or across our property for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines and similar purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment, but only if such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by us, and
- cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests.

Modification

Modification Without Consent

Without the consent of any holder of first mortgage bonds, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series of first mortgage bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
- to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;
- to provide for the procedures required for use of a non-certificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest, if any, shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

Modification Requiring Consent

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- impair or affect the right of such holder to receive payment of the principal of (and premium, if any) and interest on such first mortgage bond, on or after the respective due dates expressed in such first mortgage bond, or to institute suit for the enforcement of any such payment on or after such respective dates;
- permit the creation of any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or permit the deprivation of any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to certain tax, assessment and governmental liens and certain prior liens); or
- permit the reduction of the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any affiliate of ours shall not be deemed outstanding for the purpose of certain votes, consents or

quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee its right to vote such first mortgage bonds and such pledgee is not our affiliate.

Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

Defaults and Notices Thereof

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond after it is due and payable;
2. failure to pay interest upon any first mortgage bond for a period of 30 days after it is due and payable;
3. certain events of bankruptcy, insolvency or reorganization;
4. defaults under a supplemental indenture; and
5. the expiration of a period of 90 days after the mailing by the trustee to us of a written demand, or by the holders of 15% in principal amount of the first mortgage bonds at the time outstanding to the trustee and us of a written demand, that we perform a specified covenant or agreement in the mortgage or a first mortgage bond, which specified covenant or agreement we shall have failed to perform prior to such mailing, unless during such period we shall have performed such covenant or agreement or shall have in good faith commenced efforts to perform the same. The trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds outstanding, shall, make such demand.

The trustee may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if the trustee in good faith determines it is in the interests of the holders of first mortgage bonds.

Remedies

Acceleration of Maturity

If a default under the mortgage occurs and is continuing, then the trustee, by written notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to the trustee and us, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

Annulment of Acceleration

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first mortgage bonds may annul such declaration of acceleration, by written notice to the trustee and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the trustee a sum sufficient to pay:

1. all overdue interest on all outstanding first mortgage bonds;

2. the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
3. interest on overdue interest, if any, to the extent lawful, at the rate borne by the first mortgage bonds for which interest is overdue plus 1% per year; and
4. all amounts due to the trustee under the mortgage.

Trustee Powers

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustee shall be entitled to the appointment of a receiver for the mortgaged property and is entitled to all other remedies available under applicable law.

Control by Holders

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee. The trustee is not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the trustee determines in good faith would involve the trustee in personal liability, would be unjustifiably prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient. The trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured.

Limitation on Holders' Right to Institute Proceedings

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustee written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustee and have offered the trustee reasonable opportunity and indemnity satisfactory to the trustee to institute proceedings; and
- the trustee has failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

We have the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds, including the Bonds, to revise the limitations described in the first sentence of the immediately preceding paragraph to apply to any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds.

Evidence to be Furnished to the Trustee

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be

furnished. We must give the trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

Satisfaction and Discharge of Mortgage

After we provide for the payment of all of the first mortgage bonds (including the Bonds) and after paying all other sums due under the mortgage, the mortgage may be satisfied and discharged. The first mortgage bonds will be deemed to have been paid when money or Eligible Obligations (as defined below) sufficient to pay the first mortgage bonds (in the opinion of an independent accountant in the case of Eligible Obligations) at maturity or upon redemption have been irrevocably set apart or deposited with the trustee; provided that the trustee shall have received an opinion of counsel to the effect that the setting apart or deposit does not require registration under the Investment Company Act of 1940, as amended, does not violate any applicable laws and does not result in a taxable event with respect to the holders of the first mortgage bonds prior to the time of their right to receive payment. “Eligible Obligations” means obligations of the United States of America that do not permit the redemption thereof at the issuer’s option.

Consolidation, Merger and Conveyance of Assets

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the energy, fuel, water or steam business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
- such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustee and the holders of first mortgage bonds;
- the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage;
- immediately after giving effect to such transaction, no default under the mortgage shall have occurred and be continuing; and
- in the case of a lease, such lease is made expressly subject to termination by us or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.

In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, the successor entity would be substituted for us under the mortgage, and we may be released and discharged from our obligations under the mortgage and on the then outstanding first mortgage bonds assumed by the successor entity, including the Bonds.

The mortgage does not prevent or restrict any conveyance or other transfer or lease of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged

property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

The mortgage provides:

1. that a statutory merger pursuant to which our assets and liabilities are allocated to one or more entities shall not be considered to be a merger subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all of our assets and liabilities are allocated to an entity other than us and we do not survive such statutory merger; in all other cases of a statutory merger pursuant to which any mortgaged property is allocated to one or more entities other than us, each allocation of any mortgaged property to an entity other than us shall be deemed, for purposes of the mortgage, to be a transfer of such mortgaged property to such entity and not a merger;
2. that any conveyance, transfer or lease of any of our properties where we retain mortgaged property with a fair value in excess of 143% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a purchase money lien that ranks equally with, or senior to, the first mortgage bonds with respect to the mortgaged property, shall not be deemed to be a conveyance, transfer or lease of all or substantially all of our mortgaged property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us; and
3. that, in the case of a consolidation or merger after the consummation of which we would be the surviving or resulting entity, unless we otherwise provide in a supplemental indenture to the mortgage, the lien of the mortgage will generally not cover any of the properties acquired by us in or as a result of such transaction or any improvements, extensions or additions to those properties.

Consent to Amendments

Each holder or future holder of the Bonds, by its acquisition of an interest in such Bonds, irrevocably (a) consented or will consent to the amendments to the mortgage described herein under “– Security,” without any other or further action by any holder of such Bonds, and (b) designated or will designate the trustee, and its successors, as its proxy with irrevocable instructions to vote and deliver written consents on behalf of such holder in favor of such amendments at any meeting of bondholders, in lieu of any meeting of bondholders, in response to any consent solicitation or otherwise.

Information about the Trustee

The trustee is The Bank of New York Mellon. In addition to acting as trustee, The Bank of New York Mellon also acts, and may act, as trustee under various other of our and our affiliates’ indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the trustee and its affiliates in the ordinary course of our respective businesses.

So long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

Book-Entry Only Securities

The Bonds trade through DTC. The Bonds are represented by a global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificate was deposited with the trustee as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of Bonds held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose

accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to the Bonds has occurred and is continuing, certificates for the Bonds will be printed and delivered. If certificates for the Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds, having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

**DESCRIPTION OF ENTERGY NEW ORLEANS, LLC'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934**

References in this exhibit to “we,” “us,” or “our” are to Entergy New Orleans, LLC.

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of May 1, 1987 with The Bank of New York Mellon, successor trustee (the “trustee”). This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this exhibit as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the Bonds (as defined below), are referred to herein as “first mortgage bonds.”

As of February 25, 2022, we have two series of first mortgage bonds outstanding that are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

- our First Mortgage Bonds, 5.0% Series due December 1, 2052, issued in an aggregate principal amount of \$30,000,000 under the Sixteenth Supplemental Indenture, dated as of November 1, 2012, to the mortgage and traded on the New York Stock Exchange (the “NYSE”) under the ticker ENJ (the “2052 Bonds”); and
- our First Mortgage Bonds, 5.50% Series due April 1, 2066, issued in an aggregate principal amount of \$110,000,000 under the Nineteenth Supplemental Indenture, dated as of March 15, 2016, to the mortgage and traded on the NYSE under the ticker ENO (the “2066 Bonds,” and together with the 2052 Bonds, the “Bonds”).

The full aggregate principal amount of each series of the Bonds is currently outstanding.

The mortgage, including the applicable supplemental indentures relating to the Bonds, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indentures relating to each series of Bonds, or the outstanding first mortgage bonds, including the Bonds. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to each series of Bonds. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

General

The mortgage permits us to issue first mortgage bonds from time to time subject to limitations described under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series,

including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with the previously issued first mortgage bonds of that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

Payment

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the trustee in the Borough of Manhattan, City and State of New York.

Interest on the 2052 Bonds accrues at the rate of 5.0% per year. Interest on the 2066 Bonds accrues at the rate of 5.50% per year. In each case, interest started to accrue from the date that the respective series of Bonds was issued. Interest payments on the 2052 Bonds are made on March 1, June 1, September 1 and December 1 of each year, and on the 2066 Bonds are made on January 1, April 1, July 1 and October 1 of each year. As long as the Bonds are registered in the name of The Depository Trust Company (“DTC”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest, in the case of the 2052 Bonds at a rate of 6.0% per year, and in the case of the 2066 Bonds at a rate of 6.50% per year, to the holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of a Bond falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

Redemption and Purchase

Optional Redemption

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice to holders by mail, at any time, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date.

Unless the Bonds are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply (see “Book-Entry Only Securities”), if less than all of the Bonds of any series are to be redeemed, the trustee will select the Bonds to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon presentation and surrender of any Bond for redemption. If only part of a Bond is redeemed, the trustee will deliver to the holder of the Bond a new Bond of the same series for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the trustee has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds.

Redemption of Bonds at Option of Holders

The terms of the franchise ordinances pursuant to which we provide electric and gas service to the City of New Orleans state that the City has a continuing option to purchase our electric and gas properties. If all or substantially all of our property subject to the mortgage is taken or acquired by the City of New Orleans or any instrumentality or designee thereof, upon the consummation of this taking or acquisition, we have agreed to direct the trustee to send a written notice to each registered holder of bonds then outstanding stating that each such holder has the right to require us to redeem its bonds, in whole or in part, at the special redemption price of 101% of the principal amount of the bonds being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date.

Upon the mailing of notice by the trustee, each holder will have 45 days to deliver written notice to the trustee of such holder's intent to have its bonds redeemed by us in accordance with the preceding paragraph on the 60th day following the date of the notice upon delivery and surrender of such bond.

Exchange or Redemption of Bonds upon Merger or Consolidation

Although we do not currently have any plans to merge or consolidate with Entergy Louisiana, LLC, one of our affiliates, the mortgage provides that, in the event of such a merger or consolidation, we would have the right to offer to exchange all outstanding Bonds for a like principal amount of the new merged or consolidated company's first mortgage bonds with the same interest rates, interest payment dates, maturity dates and redemption provisions. Unless we waive this right, the holders of outstanding Bonds must either accept such first mortgage bonds in exchange for all or a portion of their Bonds or tender to us for redemption any Bonds not so exchanged. The redemption price applicable for these purposes to the Bonds will be 100% of the principal amount plus accrued interest thereon to, but not including, the redemption date.

Form and Exchange

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. Each series of the Bonds is represented by a global certificate without coupons registered in the name of a nominee of DTC.

The Bonds are exchangeable for other Bonds of the same series in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any Bond:

- during the 15 days before an interest payment date (unless such Bond has a record date for the payment of interest),
- during the 15 days before any designation of such Bond to be redeemed, or
- selected for redemption.

Security

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on substantially all of our property (the “mortgaged property”), subject to bankruptcy law and:

1. minor defects and encumbrances customarily found in similar properties that do not materially impair the use of the mortgaged property in the conduct of our business;
2. other liens, defects and encumbrances, if any, existing or created at the time of our acquisition of the mortgaged property; and
3. excepted encumbrances.

The mortgage does not create a lien on the following “excepted property”:

- cash and securities;
- all merchandise, equipment, apparatus, materials or supplies held for sale or other disposition in the usual course of business or consumable during use;
- automobiles, vehicles and aircraft, timber, minerals, mineral rights and royalties; and
- accounts receivable, contracts, leases and operating agreements.

The mortgage contains provisions that impose the lien of the mortgage on property we acquire after the date of the mortgage, other than excepted property, subject to pre-existing liens. However, if we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to, another entity, unless the successor entity elects otherwise in its sole discretion, the lien created by the mortgage will generally not cover the property of the successor company, other than the mortgaged property it acquires from us and improvements, replacements and additions to such property.

The mortgage also provides that the trustee has a lien on the mortgaged property to ensure the payment of its reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the Bonds.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created after November 30, 2017, to revise the definition of “excepted encumbrances” to mean the following:

- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;

- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations;
- rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

Issuance of Additional First Mortgage Bonds

The maximum principal amount of first mortgage bonds that may be issued under the mortgage is limited to \$10 billion at any time outstanding under the mortgage, subject to the issuance restrictions described below. First mortgage bonds of any series may be issued from time to time on the basis of:

1. 70% of property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds; or
3. deposit of cash with the trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after December 31, 1986. Securities, automobiles, vehicles or aircraft, or property used principally for the production or gathering of natural gas, are not included as property additions. Deposited cash may be withdrawn upon the bases stated in clauses (1) or (2) above.

The mortgage contains restrictions on the issuance of first mortgage bonds against property subject to liens.

As of December 31, 2021, we had approximately \$685 million principal amount of first mortgage bonds outstanding. As of December 31, 2021, we could have issued approximately \$165 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds, and we had approximately \$280 million of unfunded property additions, entitling us to issue approximately \$196 million principal amount of additional first mortgage bonds on the basis of property additions. The 2052 Bonds were issued on the basis of retired bond credits, and the 2066 Bonds were issued on the basis of property additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

Release and Substitution of Property

Property other than the Municipalization Interest (as defined in the mortgage) may be released from the lien of the mortgage on the basis of:

1. the deposit with the trustee of cash or purchase money mortgages;

2. the lower of cost or fair value to us of unfunded property additions designated by us, after adjustments in certain cases to offset retirements and after making adjustments for certain prior lien bonds, if any, outstanding against property additions; or
3. an amount equal to the principal amount of the retired first mortgage bonds that we elect to use as the basis for such release times the reciprocal of the bonding ratio in effect at the time such retired first mortgage bonds were originally issued.

Property owned by us on December 31, 1986 may be released from the lien of the mortgage at its depreciated book value on December 31, 1986; all other property may be released at its cost, as defined in the mortgage. Unfunded property may also be released without complying with clauses (1), (2) or (3) above if, after its release, we would have at least one dollar of unfunded property that remains subject to the lien of the mortgage.

We can withdraw cash upon the bases stated in clauses (2) or (3) above.

Generally, “funded property” under the mortgage means all mortgaged property owned by us on December 31, 1986 and all property additions used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee. We may at any time, without the further consent of any holders of first mortgage bonds, change the definition of “funded property” to mean any mortgaged property specified by us with a fair value, to be determined by an independent expert, of not less than 10/7ths of the sum of the amount of the outstanding first mortgage bonds and retired bond credits, together with all property additions thereafter used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee.

We may, without any release or consent by the trustee,

- grant, free from the lien of the mortgage, easements, ground leases or rights-of-way in, upon, over and/or across our property for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines and similar purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment, but only if such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by us, and
- cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights of way and similar rights and/or interests.

Modification

Modification Without Consent

Without the consent of any holder of first mortgage bonds, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series of first mortgage bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
- to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;

- to provide for the procedures required for use of a non-certificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest, if any, shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

Modification Requiring Consent

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- impair or affect the right of such holder to receive payment of the principal of (and premium, if any) and interest on such first mortgage bond, on or after the respective due dates expressed in such first mortgage bond, or to institute suit for the enforcement of any such payment on or after such respective dates;
- permit the creation of any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or permit the deprivation of any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to certain tax, assessment and governmental liens and certain prior liens); or
- permit the reduction of the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any affiliate of ours shall not be deemed outstanding for the purpose of certain votes, consents or quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee its right to vote such first mortgage bonds and such pledgee is not our affiliate.

Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

Defaults and Notices Thereof

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond after it is due and payable;
2. failure to pay interest upon any first mortgage bond for a period of 30 days after it is due and payable;
3. certain events of bankruptcy, insolvency or reorganization;
4. defaults under a supplemental indenture; and
5. the expiration of a period of 90 days after the mailing by the trustee to us of a written demand, or by the holders of 15% in principal amount of the first mortgage bonds at the

time outstanding to the trustee and us of a written demand, that we perform a specified covenant or agreement in the mortgage or a first mortgage bond, which specified covenant or agreement we shall have failed to perform prior to such mailing, unless during such period we shall have performed such covenant or agreement or shall have in good faith commenced efforts to perform the same. The trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds outstanding, shall, make such demand.

The trustee may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if the trustee in good faith determines it is in the interests of the holders of first mortgage bonds.

Remedies

Acceleration of Maturity

If a default under the mortgage occurs and is continuing, then the trustee, by written notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to the trustee and us, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

Annulment of Acceleration

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first mortgage bonds may annul such declaration of acceleration, by written notice to the trustee and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the trustee a sum sufficient to pay:

1. all overdue interest on all outstanding first mortgage bonds;
2. the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
3. interest on overdue interest, if any, to the extent lawful, at the rate borne by the first mortgage bonds for which interest is overdue plus 1% per year; and
4. all amounts due to the trustee under the mortgage.

Trustee Powers

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustee shall be entitled to the appointment of a receiver for the mortgaged property and is entitled to all other remedies available under applicable law.

Control by Holders

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee. The trustee is not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the trustee determines in good faith would involve the trustee in personal liability, would be unjustifiably

prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient. The trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured.

Limitation on Holders' Right to Institute Proceedings

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustee written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustee and have offered the trustee reasonable opportunity and indemnity satisfactory to the trustee to institute proceedings; and
- the trustee has failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

We have the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds, including the Bonds, to revise the limitations described in the first sentence of the immediately preceding paragraph to apply to any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds.

Evidence to be Furnished to the Trustee

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

Satisfaction and Discharge of Mortgage

After we provide for the payment of all of the first mortgage bonds (including the Bonds) and after paying all other sums due under the mortgage, the mortgage may be satisfied and discharged. The first mortgage bonds will be deemed to have been paid when money or Eligible Obligations (as defined below) sufficient to pay the first mortgage bonds (in the opinion of an independent accountant in the case of Eligible Obligations) at maturity or upon redemption have been irrevocably set apart or deposited with the trustee; provided that the trustee shall have received an opinion of counsel to the effect that the setting apart or deposit does not require registration under the Investment Company Act of 1940, as amended, does not violate any applicable laws and does not result in a taxable event with respect to the holders of the first mortgage bonds prior to the time of their right to receive payment. "Eligible Obligations" means obligations of the United States of America that do not permit the redemption thereof at the issuer's option.

Consolidation, Merger and Conveyance of Assets

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the energy, fuel, water or steam business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
- such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustee and the holders of first mortgage bonds;
- the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage;
- immediately after giving effect to such transaction, no default under the mortgage shall have occurred and be continuing; and
- in the case of a lease, such lease is made expressly subject to termination by us or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.

In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, the successor entity would be substituted for us under the mortgage, and we may be released and discharged from our obligations under the mortgage and on the then outstanding first mortgage bonds assumed by the successor entity, including the Bonds.

The mortgage does not prevent or restrict any conveyance or other transfer, or lease, of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

We have the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds, including the Bonds, as follows:

1. to provide that a statutory merger pursuant to which our assets and liabilities are allocated to one or more entities shall not be considered to be a merger subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all of our assets and liabilities are allocated to an entity other than us and we do not survive such statutory merger; in all other cases of a statutory merger pursuant to which any mortgaged property is allocated to one or more entities other than us, each allocation of any mortgaged property to an entity other than us shall be deemed, for purposes of the mortgage, to be a transfer of such mortgaged property to such entity and not a merger;
2. to provide that any conveyance, transfer or lease of any of our properties where we retain mortgaged property with a fair value in excess of 143% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a

- purchase money lien that ranks equally with, or senior to, the first mortgage bonds with respect to the mortgaged property, shall not be deemed to be a conveyance, transfer or lease of all or substantially all of our mortgaged property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us; and
3. to provide that, in the case of a consolidation or merger after the consummation of which we would be the surviving or resulting entity, unless we otherwise provide in a supplemental indenture to the mortgage, the lien of the mortgage will generally not cover any of the properties acquired by us in or as a result of such transaction or any improvements, extensions or additions to those properties.

Information about the Trustee

The trustee is The Bank of New York Mellon. In addition to acting as trustee, The Bank of New York Mellon also acts, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the trustee and its affiliates in the ordinary course of our respective businesses.

We have the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds, including the Bonds, to provide that, so long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

Book-Entry Only Securities

The Bonds trade through DTC. Each series of Bonds is represented by a separate global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificates were deposited with the trustee as custodian for DTC. Ownership of beneficial interests in the global certificates is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to

be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds of a given series, except if use of the book-entry system for the Bonds of that series is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of Bonds of such series held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to a series of Bonds has occurred and is continuing, certificates for the Bonds of such

series will be printed and delivered. If certificates for such series of Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds of the same series, having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

DESCRIPTION OF ENTERGY TEXAS, INC.'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934

References in this exhibit to “we,” “us,” or “our” are to Entergy Texas, Inc.

As of February 25, 2022, we have one series of preferred stock outstanding that is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our 5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share), traded on the NYSE under the ticker ETI/PR (the “Series A Preferred Stock”).

The following description of the Series A Preferred Stock does not purport to be complete. Reference is made to the Texas Business Organizations Code (“TXBQC”), our Amended and Restated Certificate of Formation, as amended by the Statement of Resolution Establishing the Series A Preferred Stock (“Resolution”) and the Statement of Resolution Establishing our 5.10% Series B Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) (the “Series B Preferred Stock”), in each case, adopted by our Board of Directors (our “Board”) (as so amended, the “Charter”), and our Amended and Restated Bylaws (the “Bylaws”). Each of the Charter and the Bylaws are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. The following statements are qualified in their entirety by such references.

General

Our Board is authorized under the Charter to provide for the issuance from time to time of preferred stock, with no par value (“Preferred Stock”), in one or more series, and, as to each series, to fix and determine the designations, preferences, limitations, and relative rights, including voting rights, applicable to shares of such series.

Under the Charter, we are authorized to issue 200,000,000 shares of common stock, with no par value (“Common Stock”) and 20,000,000 shares of Preferred Stock.

The Series A Preferred Stock is not subject to further capital calls or to assessment by us and has no exchange or conversion rights.

Dividends

The holders of the Series A Preferred Stock are entitled to receive, when, as and if, declared by our Board out of funds legally available, cash dividends at a rate per year equal to 5.375% and are not entitled to receive any other dividends.

Preferred dividends began accumulating on each share of Series A Preferred Stock from the date of issuance of that share. The preferred dividends accumulate from day to day, whether or not earned or declared by our Board, and are cumulative. The preferred dividends, if and when declared payable by our Board out of our legally available funds, will be payable in lawful money of the United States of America, quarterly on January 15, April 15, July 15 and October 15 of each year (each, a “Dividend Payment Date”). To the extent that any preferred

dividend is not paid on any Dividend Payment Date, that preferred dividend will accumulate until such preferred dividend is paid in full. The preferred dividends payable on each share of Series A Preferred Stock shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and with respect to any period less than a full dividend period, on the basis of the actual number of days elapsed during such period.

No dividend or distribution in cash or other property (other than shares of Junior Stock (as defined herein)) will be declared, paid, or set apart for payment on or with respect to the Junior Stock unless all preferred dividends on the Series A Preferred Stock and Series B Preferred Stock accumulated through the date of any distribution have been declared, paid, or set apart before or at the time of the declaration, distribution, or setting apart with respect to the Junior Stock. “Junior Stock” means the Common Stock and any series of Preferred Stock that ranks junior to the Series A Preferred Stock and Series B Preferred Stock as to dividends or liquidation, dissolution or winding up (whether voluntary or involuntary).

At any time that dividend payments due on one or more Dividend Payment Date on any shares of the Series A Preferred Stock are accumulated and unpaid, and thereafter until all accumulated and unpaid dividends on any such Series A Preferred Stock shall have been paid (without interest), we shall not redeem, repurchase or otherwise acquire, retire or make a liquidation payments with respect to any of our stock other than redemptions, repurchases, acquisitions, retirements or liquidation payments with respect to the Series A Preferred Stock and other series of Preferred Stock with similar redemption or repurchase provisions that rank senior to the Series A Preferred Stock as to dividends and liquidation, dissolution or winding up (whether voluntary or involuntary).

When dividends are not paid in full on any shares of outstanding Preferred Stock that rank equal with the Series A Preferred Stock (such as the Series B Preferred Stock) as to dividends and liquidation, dissolution or winding up (whether voluntary or involuntary) for a dividend period, all dividends declared with respect to shares of Series A Preferred Stock and all outstanding shares of such equal ranking Preferred Stock for such dividend period shall be declared pro rata so that the respective amounts of such dividends declared bear the same ratio to each other as all accumulated but unpaid dividends per share on the shares of Series A Preferred Stock and all shares of such outstanding equal ranking Preferred Stock for such dividend period bear to each other. Therefore, if we are not paying full dividends on any outstanding shares of such equal ranking Preferred Stock, we will not be able to pay full dividends on the Series A Preferred Stock. Similarly, if we issue any series of Preferred Stock that ranks senior to the Series A Preferred Stock as to dividends and liquidation, dissolution or winding up (whether voluntary or involuntary), we expect that if we do not pay any amount of stated dividends thereon, we will not be able to pay any dividends on the Series A Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) as may be determined by our Board may be declared and paid on the Common Stock and any other shares of Junior Stock (as defined below) from time to time outstanding out of any funds legally available for such payment or as otherwise permitted by applicable law, and the Series A Preferred Stock shall not be entitled to participate in any such dividend.

Ranking

The Series A Preferred Stock ranks senior to the Common Stock as to dividends, redemption, and amounts payable on our liquidation, dissolution or winding up, and equal to the Series B Preferred Stock.

Except with respect to Preferred Stock issued in the future in accordance with the provisions described under “Voting Rights—Restrictions on Issuance of Senior Equity

Securities,” the rights of the Series A Preferred Stock to dividends, redemption, and amounts payable on our liquidation, dissolution or winding up shall rank equal or senior to each other series of Preferred Stock which we may issue in the future.

Redemption

Optional Redemption

We may redeem shares of Series A Preferred Stock as follows:

- in whole but not in part, at any time and from time to time prior to October 15, 2024, within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Ratings Event (as defined herein), and the redemption price shall be equal to \$25.50 per share, plus the amount of accumulated and unpaid preferred dividends on such shares up to and including the date on which the redemption price on such shares has been paid in full; and/or
- in whole or in part, at any time and from time to time on or after October 15, 2024, and the redemption price shall be equal to \$25.00 per share, plus the amount of accumulated and unpaid preferred dividends on such shares being redeemed up to and including the date on which the redemption price on such shares being redeemed has been paid in full.

Partial payments on any share will be applied first to preferred dividends and then to the redemption price.

“Ratings Event” means that any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act or in any successor provision thereto, that then publishes a rating for us (a “rating agency”) amends, clarifies or changes the criteria it uses to assign equity credit to the Series A Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series A Preferred Stock is assigned a particular level of equity credit by that rating agency as compared to the length of time the Series A Preferred Stock would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock; or
- the lowering of the equity credit (including up to a lesser amount) assigned to the Series A Preferred Stock by that rating agency as compared to the equity credit assigned thereto by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock.

Redemption Notice

At least 30 days and not more than 60 days before a redemption date, we will mail or cause to be mailed written notice, postage prepaid, to each holder of record of shares of Series A Preferred Stock to be redeemed at the holder’s mailing address last shown on our share transfer records for the Series A Preferred Stock. The redemption notice will state:

- the total number of shares of Series A Preferred Stock that we will redeem on the redemption date;
- the number of shares of Series A Preferred Stock held by the holder that we will redeem on the redemption date;
- the redemption date and the redemption price;
- any conditions to such redemption; and
- the time, place, and manner in which the holder is to surrender to the registrar the certificate or certificates representing shares of Series A Preferred Stock to be redeemed.

Conditions to Redemption

If the redemption notice shall specify conditions to redemption of shares of Series A Preferred Stock and such conditions shall not have been satisfied on or prior to the redemption date, the redemption notice shall be of no force and effect and such Series A Preferred Stock shall not be subject to redemption on such redemption date.

Partial Redemption

In case of any redemption of only part of the shares of Series A Preferred Stock at the time outstanding, the shares of Series A Preferred Stock to be redeemed shall be selected either pro rata or by lot. Subject to the provisions of the Resolution, we shall have full power and authority to prescribe the terms and conditions upon which shares of Series A Preferred Stock shall be redeemed from time to time. If fewer than all the shares of Series A Preferred Stock represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares of Series A Preferred Stock without charge to the holder thereof.

Termination of Rights

If the redemption notice is duly given and if, on or before the redemption date, the redemption price is either paid or made available for payment on or for the shares of the Series A Preferred Stock called for redemption, then all rights with respect to such shares will terminate immediately after the redemption date, except the right of the holders of such shares to receive the redemption price (without interest) on surrender of their certificates. This termination of rights will not be affected by any failure to surrender on or before the redemption date, any of the certificates representing the shares of Series A Preferred Stock called for redemption. Notwithstanding the foregoing, in the event the redemption notice is duly given and a deposit of an amount sufficient for redemption is made with a bank or trust company in accordance with the TXBOC, rights with respect to such shares (other than the right to receive payment of the redemption price without interest thereon from the bank or trust company) shall terminate on the date of such deposit.

Liquidation Rights

In the event of our liquidation, dissolution, or winding up, whether voluntary or involuntary, the holders of the shares of Series A Preferred Stock then outstanding will be entitled to be paid out of our assets available for distribution to our stockholders, whether such assets are capital, surplus, or earnings, before any payment or declaration and setting apart for payment of any amount is made in respect of the Junior Stock.

The holders of shares of Series A Preferred Stock will be paid an amount per share (the “Liquidation Value”) equal to the sum of \$25.00 (subject to appropriate adjustment to maintain the same aggregate accumulated dividend on, and liquidation value of, the Series A Preferred Stock following any stock dividend, stock split, combination, or other similar recapitalization affecting the shares of Series A Preferred Stock) plus an amount equal to all accumulated and unpaid preferred dividends payable up to and including the date full payment is tendered to the holders of shares of Series A Preferred Stock with respect to the liquidation, dissolution, or winding up, and no more.

If, upon our liquidation, dissolution, or winding up, whether voluntary or involuntary, the assets distributed to the holders of shares of Series A Preferred Stock and the holders of outstanding shares of other series of Preferred Stock ranking equal to the Series A Preferred Stock (such as the Series B Preferred Stock) as to liquidation, dissolution, or winding up are insufficient to permit payment of the full Liquidation Value thereof and the full liquidation value

of the outstanding shares of such other series of Preferred Stock, all of our assets will be distributed ratably to each holder of outstanding shares of Series A Preferred Stock and each holder of outstanding shares of other series of Preferred Stock ranking equal to the Series A Preferred Stock as to liquidation, dissolution, or winding upon the basis of the Liquidation Value of the shares of Series A Preferred Stock held by each such holder and the liquidation value of the shares of such other series of Preferred Stock.

Voting Rights

Series A Preferred Stock and Common Stock Voting Together

Each holder of Series A Preferred Stock will be entitled to vote on all matters as to which holders of the Common Stock shall be entitled to vote, in the same manner and with the same effect as such holders of the Common Stock, voting together with the holders of the Common Stock and any other series of Preferred Stock whose voting rights so provide as one class. Those shares of Preferred Stock entitled to vote with the Common Stock, including the Series A Preferred Stock and the Series B Preferred Stock, are referred to as “Voting Preferred Stock.” Regardless of the number of issued and outstanding shares of Preferred Stock and Common Stock, so long as any Voting Preferred Stock is outstanding, issued and outstanding Voting Preferred Stock shall possess at all times, in the aggregate, 21% of the total votes of the issued and outstanding Common Stock and Voting Preferred Stock combined, and the issued and outstanding Common Stock shall possess at all times 79% of the total votes of the issued and outstanding Common Stock and Voting Preferred Stock combined. The total number of votes allocated to the Voting Preferred Stock shall be allocated among the issued and outstanding shares of Voting Preferred Stock on a pro rata basis in the same manner as if the holders of issued and outstanding Voting Preferred Stock were all voting as a class as described below. So long as any Voting Preferred Stock is outstanding, the total votes allocated to the holders of Common Stock shall fluctuate from time to time depending on the number of shares of Common Stock and Voting Preferred Stock issued and outstanding and shall be calculated to be equal to that number of votes which would be 79% of the total number of votes of Common Stock and Voting Preferred Stock combined and shall be allocated among the shares of Common Stock on a pro rata basis. If no Voting Preferred Stock is outstanding, each holder of Common Stock will be entitled to one vote for each share of Common Stock held by such holder.

Series A Preferred Stock Voting as a Class

For any vote of the holders of the Series A Preferred Stock on a matter in which they are entitled to vote, considered as a single class, each holder will be entitled to one vote for each share of Series A Preferred Stock held by such holder.

Preferred Stock Voting as a Class

For any vote of the holders of all series of Preferred Stock entitled to vote on a matter considered as a single class, each holder of such Preferred Stock will have a number of votes equal to the number of dollars equaling the aggregate liquidation value of the Preferred Stock held by such holder. If a series of Preferred Stock shall provide for different liquidation values in the cases of voluntary liquidation and involuntary liquidation, for purpose of the voting provisions, liquidation value shall mean the involuntary liquidation value for Preferred Stock of such series.

Election of Additional Directors

In addition to the voting powers expressly conferred upon the Series A Preferred Stock as described herein and in addition to voting rights granted to the holders of Series A Preferred

Stock in statutory proceedings as to which their vote may be mandatorily required by the then-existing laws of the State of Texas and which is not permitted to be modified and so modified under the Resolution, in case at any time we shall fail to declare and pay or set aside for payment in full dividend payments due on the Series A Preferred Stock on six Dividend Payment Dates whether or not consecutive and thereafter until all dividends accumulated and payable on the Series A Preferred Stock shall have been fully paid without interest, then in each case, such holders of the Series A Preferred Stock and all other series of Preferred Stock hereafter established with provisions corresponding to those described herein for the election of additional directors shall thereupon have and continue to have, the right, voting together as a class for such purpose by vote of a majority of the votes entitled to be cast thereon by such holders of Preferred Stock, to elect two additional directors to our Board (the “Additional Directors”), such that the number of directors then constituting our Board shall automatically be increased by two; and, during the continuance of such right of the holders of series of Preferred Stock to elect the Additional Directors, the remaining directors shall continue to be elected as provided under the Charter, the Bylaws and the laws of the State of Texas.

Upon the termination at any time of such right of the holders of Preferred Stock entitled to vote thereon to elect Additional Directors, the term of office of the Additional Directors shall end.

Restriction on Issuance of Senior Equity Securities

So long as any shares of the Series A Preferred Stock are outstanding, we shall not create, authorize or issue any new stock that, after issuance, would rank senior to the Series A Preferred Stock as to dividends or in liquidation, dissolution or winding up (whether voluntary or involuntary) without the prior written consent, voting as a single class, of at least two-thirds of the votes entitled to be cast thereon by the holders of the Series A Preferred Stock and any other outstanding series of Preferred Stock ranking equal to the Series A Preferred Stock as to dividends or in liquidation, dissolution or winding up (whether voluntary or involuntary) (including the Series A Preferred Stock).

Amendments or Waivers

So long as any shares of the Series A Preferred Stock are outstanding, the prior written consent of the holders of at least two-thirds of the votes entitled to be cast thereon by the holders of the Series A Preferred Stock, voting as a separate class, shall be required for any amendment, modification or waiver of the provisions of the Charter (including the terms of the Series A Preferred Stock) insofar as such amendment, modification or waiver amends, modifies or waives a provision in a manner prejudicial in any material respect to the holders of the Series A Preferred Stock; provided, however, that, if more than one series of Preferred Stock shall be outstanding and if such amendment, modification or waiver would be correspondingly prejudicial to the rights of the holders of other series of Preferred Stock, in lieu of the separate class vote of the Series A Preferred Stock, the prior written consent or vote of at least two-thirds of the votes entitled to be cast thereon by the holders of all series of Preferred Stock so affected considered as a single class shall be required for such amendment, modification or waiver. For all purposes described in this paragraph, any increase in the amount of the authorized or issued Series A Preferred Stock or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equal with or junior to the Series A Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) or the distribution of assets upon any liquidation, dissolution or winding up of our affairs will not be deemed to materially and prejudicially affect the special rights, preferences, privileges or voting powers of the Series A Preferred Stock.

Elimination of Need for Formal Meetings

In accordance with Section 6.202 of the TXBOC, our Charter allows the taking of action without holding a meeting, providing notice, or taking a vote if stockholders having at least the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted, sign a written consent or consents stating the action taken.

Transfer Agent, Registrar and Paying Agent

Equiniti Trust Company, doing business as EQ Shareholder Services, is currently the transfer agent, registrar and paying agent for the Series A Preferred Stock.

Book-Entry Only Issuance—The Depository Trust Company

The Depository Trust Company (“DTC”) is currently the securities depository for the Series A Preferred Stock. The Series A Preferred Stock is represented by a global certificate registered in the name of Cede & Co., DTC’s nominee. The global certificate was deposited with the transfer agent as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants’ accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Series A Preferred Stock within the DTC system must be made through participants, who will receive a credit for the Series A Preferred Stock on DTC’s records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant’s records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Series A Preferred Stock. Transfers of ownership in the Series A Preferred Stock are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Series A Preferred Stock, except if use of the book-entry system for the Series A Preferred Stock is discontinued.

To facilitate subsequent transfers, all shares of Series A Preferred Stock deposited by participants with DTC are registered in the name of DTC’s nominee, Cede & Co. The deposit of the Series A Preferred Stock with DTC and its registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series A Preferred Stock. DTC’s records reflect only the identity of the participants to whose accounts such Series A Preferred Stock is credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Series A Preferred Stock may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series A Preferred Stock. Beneficial owners of the Series A Preferred Stock may wish to ascertain that the nominee holding the Series A Preferred Stock has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Series A Preferred Stock. If less than all of the shares of Series A Preferred Stock are being redeemed, DTC's practice is to determine by lot the amount of interest of each participant in such Series A Preferred Stock to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to the Series A Preferred Stock, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Series A Preferred Stock is credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Series A Preferred Stock.

Payments on the Series A Preferred Stock are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner of a global share of Series A Preferred Stock will not be entitled to receive physical delivery of Series A Preferred Stock. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Series A Preferred Stock.

DTC may discontinue providing its services as securities depository with respect to the Series A Preferred Stock at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Series A Preferred Stock will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to the Series A Preferred Stock. We understand, however, that under current industry practices, DTC would notify its participants of our decision, but will only withdraw beneficial interests from global shares of Series A Preferred Stock at the request of each participant. In that event, certificates for the Series A Preferred Stock will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

**PENSION EQUALIZATION PLAN
OF ENTERGY CORPORATION AND SUBSIDIARIES
(As Amended and Restated Effective January 1, 2009)**

**Certificate of Amendment
Amendment No. 6**

THIS INSTRUMENT, executed this 1st day of December, 2014, and effective December 1, 2014 constitutes the Sixth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated effective January 1, 2009) (the "Plan").

All capitalized terms used in this Amendment No. 6 shall have the meanings assigned to them in the Plan unless otherwise herein defined.

Pursuant to Section 8.01 of the Plan and in accordance with the Resolutions of the Personnel Committee of the Board of Directors adopted at its meeting of May 1, 2014, the Plan is hereby amended as follows:

Appendix C is added at the end of this Plan to read as follows:

**APPENDIX C- VERMONT YANKEE DECOMMISSIONING
SEVERANCE PROGRAM
PURSUANT TO THE ENTERGY SYSTEM SEVERANCE PAY PLAN NO. 537**

ARTICLE C-I - INTRODUCTION

- C-1.1 Plan Terms. Except as otherwise expressly provided or as the context may clearly require, the definitions of all terms used herein shall be the same as provided in Article I of the Plan. Where the context requires, the definition of any term set forth in the Plan shall apply with equal force and effect for purposes of interpreting and administering this Appendix C.
- C-1.2 Severance Program. The term "Severance Program" shall mean an Involuntary Severance Program certified on December 1, 2014 by the Administrator of the Entergy System Severance Pay Plan No. 537 as the Vermont Yankee Decommissioning Severance Program pursuant to the Entergy System Severance Pay Plan No. 537.
- C-1.3 Nature of Appendix. This Appendix C is intended to supplement and be a part of the Plan. The Plan as amended by this Appendix C is intended to continue to meet the requirements of Code Sections 409A and regulations thereunder.
- C-1.4 Coverage of Appendix C. This Appendix C shall apply only to those Participants who satisfy the eligibility requirements set forth in Article C-II of this Appendix C.

**ARTICLE C-II
ELIGIBILITY REQUIREMENTS**

- C-2.1 Eligibility Requirements. A Participant, who is eligible to participate in this Appendix C ("Eligible Appendix C Participant"), must satisfy all of the following requirements:

- (a) The Participant is eligible to participate in the Severance Program;
- (b) On the Participant's Universal Separation Date (as defined in the Severance Program), the Participant is within one (1) year of meeting the age and years of service requirement under the Qualified Plan for becoming eligible for early or normal retirement under the Qualified Plan;
- (c) The date of the Participant's Separation from Service is not more than six (6) months from the Participant's Universal Separation Date (as defined in the Severance Program);
- (d) On the date of the Participant's Separation from Service the Participant is not eligible for early or normal retirement under the Qualified Plan; and
- (e) The Participant's Separation from Service must result from termination from System Company employment pursuant to the Severance Program.

**ARTICLE C-III
ADDITIONAL SERVICE AND EARLY RETIREMENT REDUCTION FACTORS**

C-3.1 Additional Service.

- (a) An Eligible Appendix C Participant who on the date of his Separation from Service has not attained age fifty-five (55) shall be imputed the greater of the following:
 - (1) the period of service not to exceed one (1) year of service which would be required for the Eligible Appendix C Participant to be eligible to retire at early retirement under the Qualified Plan as of the date of his Separation from Service; and
 - (2) the period of service not to exceed one (1) year of service for the period between the Eligible Appendix C Participant's age as of the date of his Separation from Service and the date the Eligible Appendix C Participant will attain age (55).
- (b) An Eligible Appendix C Participant who on the date of his Separation from Service has attained age fifty-five (55) but has not attained age sixty-four (64) shall be imputed with the lesser of the following:
 - (1) the period of service not to exceed one (1) year of service which would be required for the Eligible Appendix C Participant to be eligible to retire at early retirement under the Qualified Plan as of the date of his Separation from Service; and
 - (2) the period of service not to exceed one (1) year of service for the period between the Eligible Appendix C Participant's age as of the date of his Separation from Service and the date the Eligible Appendix C Participant will attain the age at which the Eligible Appendix C Participant would be eligible to retire at early retirement under the Qualified Plan.
- (c) An Eligible Appendix C Participant who on the date of his Separation from Service has attained age sixty-four (64) shall be imputed with the lesser of the following:
 - (1) the period of service not to exceed one (1) year of service which would be required for the Eligible Appendix C Participant to be eligible to retire at early retirement under the Qualified Plan as of the date of his Separation from Service; and
 - (2) the period of service not to exceed one (I) year of service for the period between the Eligible Appendix C Participant's age as of the date of his Separation from Service and the date the Eligible Appendix C Participant will attain age sixty-five (65).

C-3.2 Early Retirement Reduction Factors.

- (a) For purposes of computing Present Value in Section 1.23 for an Eligible Appendix C Participant, Subsection 1.23(a) shall apply as if the Eligible Appendix C Participant were eligible for retirement at early retirement under the Qualified Plan at Separation from Service.
- (b) For purposes of computing Present Value in Subsection 1.23(a), if an Eligible Appendix C Participant has not attained age fifty-five (55) as of his Income Payment Date, then the Qualified Plan's early retirement reduction factors on the date the Eligible Appendix C Participant would have attained age fifty-five (55) shall apply to further reduce the applicable benefit to the Eligible Appendix C Participant from the date the Eligible Appendix C Participant would have attained age fifty-five (55) to the Eligible Appendix C Participant's Income Payment Date.

**ARTICLE C-IV
EFFECT ON AMOUNT OF BENEFITS**

C-4.1 Imputed Service Included in Calculating Benefits. Solely for purposes of calculating the benefit under this Plan, the additional service which is imputed pursuant to Article C – III shall be taken into account as additional benefit service for purposes of computing the benefit under (a) this Plan (Section 3.02(a)(1) of the Plan) and (b) the Qualified Plan (Section 3.02(a)(2) of the Plan). Taking into account imputed service shall not in in manner impact the amount the Eligible Appendix C Participant is entitled to receive under any qualified defined benefit pension plan, trust, or other arrangement sponsored by any System Company.

IN WITNESS WHEREOF, the Personnel Committee has caused this Sixth Amendment to the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated Effective January I, 2009) to be executed by its duly authorized representative on the day, month, and year above set forth, and effective December 1, 2014.

**ENTERGY CORPORATION
PERSONNEL COMMITTEE
Through the undersigned duly authorized representative**

/s/ Donald W. Vinci

**DONALD W. VINCI
Senior Vice-President,
Human Resources & Chief Diversity Officer**

**PENSION EQUALIZATION PLAN
OF ENTERGY CORPORATION AND SUBSIDIARIES
(As Amended and Restated Effective January 1, 2009)**

**Certificate of Amendment
Amendment No. 7**

THIS AMENDMENT, executed the 25 day of August, 2021, and effective January 1, 2022, constitutes the Seventh Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated effective January 1, 2009) (the "Plan").

All capitalized terms used in this Amendment No. 7 shall have the meanings assigned to them in the Plan unless otherwise herein defined.

WHEREAS, Amendment No. 5 to the Plan excluded from participation in the Plan any Employee who is a participant in the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees or the Entergy Corporation Cash Balance Plan for Bargaining Employees;

WHEREAS, Effective 12:01 a.m. Central Time on January 1, 2022, the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees merged with and into the Entergy Corporation Retirement Plan for Non-Bargaining Employees;

WHEREAS, to effect the merger, a new Appendix J was added to the Entergy Corporation Retirement Plan for Non-Bargaining Employees as of January 1, 2022 to govern the determination of benefits with respect to Appendix J Participants, defined to include those individuals who were eligible to participate in the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees immediately prior to the effective time of the merger, and who commenced participation in Appendix J pursuant to Section J-4.3 of Appendix J, as well as any other individuals who may become Appendix J Participants following the merger;

THEREFORE, pursuant to Section 8.01 of the Plan, and in accordance with the authority delegated by the Personnel Committee of the Board of Directors of Entergy Corporation to the undersigned officer, Entergy Corporation does hereby amend the Plan, as follows:

1. The second sentence in Section 1.24, "Qualified Plan" is amended and restated in its entirety to read as follows:

"The term "Qualified Plan" shall exclude the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees, the Entergy Corporation Cash Balance Plan for Bargaining Employees and commencing January 1, 2022, Appendix J of the Entergy Corporation Retirement Plan for Non-Bargaining Employees; and any reference herein to the "Qualified Cash Balance Plan" shall mean the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees, the Entergy Corporation Cash Balance Plan for Bargaining Employees, or Appendix J of the Entergy Corporation Retirement Plan for Non-Bargaining Employees."

2. Section 2.01, "Eligible Employees," is amended by amending and restating the third sentence of Section 2.01 in its entirety to read as follows:

"An Employee who on or after July 1, 2014 is reemployed in a position covered by a Qualified Cash Balance Plan, the Savings Plan of Entergy Corporation and Subsidiaries VIII, or the Savings Plan of Entergy Corporation and Subsidiaries IX and who continues to be eligible to receive a benefit under a Qualified Plan based on a prior period of employment with a System Company shall nevertheless be an Eligible Employee with respect to the benefits determined under Article III hereunder based on such prior period of employment, even if he first satisfies the eligibility requirements of this Section 2.01 while he was a participant in a Qualified Cash Balance Plan, the Savings Plan of Entergy Corporation and Subsidiaries VIII, or the Savings Plan of Entergy Corporation and Subsidiaries IX."

3. Section 2.02, "Participation," is amended by amending and restating the third sentence of Section 2.02 in its entirety to read as follows:

"Notwithstanding the preceding, if an Employee who is a Participant under this Plan is reemployed by a System Company on or after July 1, 2014 and becomes a participant in a Qualified Cash Balance Plan, the Savings Plan of Entergy Corporation and Subsidiaries VIII, or the Savings Plan of Entergy Corporation and Subsidiaries IX, service during the period of participation in the Qualified Cash Balance Plan, the Savings Plan of Entergy Corporation and Subsidiaries VIII, or the Savings Plan of Entergy Corporation and Subsidiaries IX shall be recognized under this Plan only to the extent such service is recognized under the Qualified Plans in which the Employee was a participant prior to July 1, 2014, such as for vesting, or eligibility for and the amount of any subsidized early retirement benefits or death benefits."

IN WITNESS WHEREOF, the Personnel Committee has caused this Seventh Amendment to the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated Effective January 1, 2009) to be executed by its duly authorized representative on the day, month, and year above set forth, and effective January 1, 2022.

ENTERGY CORPORATION PERSONNEL COMMITTEE
through the undersigned duly authorized representative

/s/Kathryn Collins

Kathryn Collins
Senior Vice President, HR and
Chief Human Resources Officer

PENSION EQUALIZATION PLAN
OF ENTERGY CORPORATION AND SUBSIDIARIES
(As Amended and Restated Effective January 1, 2009)

Certificate of Amendment – Amendment No. 8

THIS INSTRUMENT, executed this 2nd day of November, 2021, and effective December 1, 2021, constitutes the Eighth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated effective January 1, 2009) (the "Plan").

Pursuant to Section 8.01 of the Plan and in accordance with the Resolutions of the Personnel Committee of the Board of Directors adopted at its meeting of October 28, 2021, the Plan is hereby amended by adding the following sentence to the end of Section 2.02 of the Plan ("Participation") to read in its entirety as follows: "Notwithstanding any other provision of the Plan, Leo P. Denault shall cease to be a Participant in the Plan effective December 1, 2021, if he has not yet had a Separation from Service before such date."

IN WITNESS WHEREOF, the Personnel Committee has caused this Eighth Amendment to the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated Effective January 1, 2009) to be executed by its duly authorized representative on the day, month, and year above set forth and effective December 1, 2021.

ENTERGY CORPORATION
PERSONNEL COMMITTEE
through the undersigned authorized representative

/s/ Kathryn Collins
KATHRYN COLLINS
Senior Vice President, HR &
Chief Human Resources Officer

**SYSTEM EXECUTIVE RETIREMENT PLAN
OF ENTERGY CORPORATION AND SUBSIDIARIES
(As Amended and Restated Effective January 1, 2009)**

**Certificate of Amendment
Amendment No. 6**

THIS INSTRUMENT, executed this 2nd day of November, 2021 and effective December 1, 2021, constitutes the Sixth Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries (As Amended and Restated effective January 1, 2009) (the "Plan").

Pursuant to Section 9.01 of the Plan and in accordance with the Resolutions of the Personnel Committee of the Board of Directors adopted at its meeting of October 28, 2021, the Plan is hereby amended by adding an Appendix D at the end thereof to read in its entirety as follows:

**APPENDIX D
PROVISIONS APPLICABLE
TO A CERTAIN PARTICIPANT**

This Appendix D is intended to memorialize certain provisions applicable to the benefit under the Plan of one of its Participants, Leo P. Denault ("Executive"), including a provision whereby Executive's benefit under the Plan shall not increase or decrease in respect of service or other circumstances after November 30, 2021, except as otherwise expressly provided below.

Notwithstanding any other provisions of the Plan (including without limitation Article II and Section 7.03) to the extent otherwise inconsistent herewith and subject to the further provisions of this Appendix D, the following provisions apply to the benefit of Executive under the Plan in respect of any Retirement or termination of employment with the Employer by reason of death, in each case after November 30, 2021 (a "Covered Termination"):

1. The lump-sum cash amount payable under the Plan, if any, other than any amount payable to Executive's surviving spouse under Article IV of the Plan as applicable (which is addressed in Paragraph 2, below), shall be the amount Executive would have been paid under the Plan if he had Retired from Service on November 30, 2021 and had an Income Payment Date of December 1, 2021 (the "Benefit Amount"), which amount shall not be subject to increase or decrease except as provided in Section 3.03 of the Plan. Executive's entitlement to the Benefit Amount shall remain subject to the other applicable provisions of the Plan, including without limitation the forfeiture provisions of Article VI of the Plan and Section 7.02 of the Plan.
2. For purposes of determining any amount payable under Article IV of the Plan (i.e., in the event that Executive shall separate from service by reason of death and be

survived by a Surviving Spouse (such amount, the "Death Benefit")), Executive shall be deemed for purposes of Section 4.01(a) to have separated from service on November 30, 2021, survived to his Normal Retirement Date, Retired on his Normal Retirement Date, with Final Average Monthly Compensation and Years of Service calculated for all purposes (including actuarial assumptions) as if his Normal Retirement Date had been November 30, 2021, been entitled to a 50% joint and survivor annuity form of payment under the Plan, and then died immediately thereafter. The Death Benefit (if any) shall not be subject to increase or decrease. The entitlement of Executive's Surviving Spouse, if any, to the Death Benefit shall remain subject to the other applicable provisions of the Plan.

3. Except as provided in the foregoing two paragraphs, no benefit shall be payable to Executive or Executive's surviving spouse under the Plan in respect of a Covered Termination.
4. To the extent Entergy Corporation funds the Trust for Deferred Payments of Entergy Corporation and Subsidiaries or any other trust established by Entergy Corporation with all or a portion of the amounts that would be due Executive under the Plan as modified by this Appendix D in respect of Executive, then such trust deposits (and any earnings thereon) shall apply toward any funding obligation under Section 5.03 of the Plan to the extent applicable.

IN WITNESS WHEREOF, the Personnel Committee has caused this Amendment No. 6 to the Plan to be executed by its duly authorized representative on the date first set forth above and effective December 1, 2021.

ENTERGY CORPORATION
PERSONNEL COMMITTEE
through the undersigned duly authorized representative

/s/ Kathryn Collins

KATHRYN COLLINS
Senior Vice President, HR &
Chief Human Resources Officer

RETIREMENT BENEFIT AGREEMENT

This Retirement Benefit Agreement ("Agreement") dated as of November 2, 2021 is entered into by and between Entergy Corporation, a Delaware corporation ("Entergy"), and Leo P. Denault ("Executive" and, together with Entergy, the "Parties"), as approved by the Personnel Committee of the Entergy Board of Directors.

WHEREAS, Executive is a participant in the System Executive Retirement Plan of Entergy Corporation and Subsidiaries (as amended, the "SERP");

WHEREAS, the terms of Executive's participation in the SERP are governed by the SERP and the Restated Participant Application thereunder executed by Executive on April 15, 2010 (the "Participant Application");

WHEREAS, Executive and Entergy are party to a Retention Agreement effective on August 3, 2006 (as amended, the "Retention Agreement");

WHEREAS, Executive is a participant in the Pension Equalization Plan of Entergy Corporation and Subsidiaries (as amended, the "PEP");

WHEREAS, the Parties wish to provide that, in respect of any separation from service of Executive from Entergy or its affiliates after November 30, 2021 (a "Covered Termination"), Executive will not be eligible for any benefit under the PEP and that his benefit under the SERP will be the amount that would have been payable thereunder had he in fact separated from service on November 30, 2021;

NOW, THEREFORE, the Parties hereby agree as follows:

1. Executive consents to an amendment to the SERP in the form attached hereto as Exhibit A (the "Amendment"), and he agrees and acknowledges on his behalf and any others who may claim through him that his benefit entitlement under the SERP in respect of any Covered Termination shall be governed by the SERP as in effect as of the date hereof as further amended by the Amendment.

2. Executive, on his behalf and any others who may claim through him, agrees that he shall cease to be a participant in the PEP effective December 1, 2021, if he has not had a separation from service (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended) with Entergy and its affiliates before such date, and without limiting the preceding provisions of this Paragraph 2, he disclaims any benefit under the PEP in respect of any Covered Termination and consents to an amendment to the PEP in the form attached hereto as Exhibit B.

3. This Agreement constitutes the entire agreement between Executive and Entergy, and supersedes all prior agreements, understandings and arrangements, oral or written, between Executive and Entergy, with respect to the subject matter hereof, and in the event of any inconsistency between this Agreement and any other plan, program, practice or agreement to which Executive is party or in which he is a participant, this Agreement shall control unless such other plan, program, practice or agreement specifically refers to this Agreement as not so controlling. Without limiting the preceding sentence, the provisions of this Agreement are intended to, and Executive and Entergy agree that they are subject to and effect the provisions of (i) the Retention Agreement applicable to Executive's entitlement to and calculation of benefits

under the SERP in respect of certain Covered Terminations, exclusive of the provisions therein related to "SERP Permission to Retire" and (ii) the Participant Application and that, to the extent the provisions of this Agreement are otherwise inconsistent therewith, the terms of this Agreement shall prevail.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

ENTERGY CORPORATION
through the undersigned authorized representative

/s/ Kathryn Collins
KATHRYN COLLINS
Senior Vice President, HR &
Chief Human Resources Officer

/s/ Leo P. Denault
LEO P. DENAULT

**SYSTEM EXECUTIVE RETIREMENT PLAN
OF ENERGY CORPORATION AND SUBSIDIARIES
(As Amended and Restated Effective January 1, 2009)**

**Certificate of Amendment
Amendment No. 6**

THIS INSTRUMENT, executed this day of ____, 2021 and effective December 1, 2021, constitutes the Sixth Amendment of the System Executive Retirement Plan of Energy Corporation and Subsidiaries (As Amended and Restated effective January 1, 2009) (the “Plan”).

Pursuant to Section 9.01 of the Plan and in accordance with the Resolutions of the Personnel Committee of the Board of Directors adopted at its meeting of October 28, 2021, the Plan is hereby amended by adding an Appendix D at the end thereof to read in its entirety as follows:

**APPENDIX D
PROVISIONS APPLICABLE TO A CERTAIN PARTICIPANT**

This Appendix D is intended to memorialize certain provisions applicable to the benefit under the Plan of one of its Participants, Leo P. Denault (“Executive”), including a provision whereby Executive’s benefit under the Plan shall not increase or decrease in respect of service or other circumstances after November 30, 2021, except as otherwise expressly provided below.

Notwithstanding any other provisions of the Plan (including without limitation Article II and Section 7.03) to the extent otherwise inconsistent herewith and subject to the further provisions of this Appendix D, the following provisions apply to the benefit of Executive under the Plan in respect of any Retirement or termination of employment with the Employer by reason of death, in each case after November 30, 2021 (a “Covered Termination”):

1. The lump-sum cash amount payable under the Plan, if any, other than any amount payable to Executive’s surviving spouse under Article IV of the Plan as applicable (which is addressed in Paragraph 2, below), shall be the amount Executive would have been paid under the Plan if he had Retired from Service on November 30, 2021 and had an Income Payment Date of December 1, 2021 (the “Benefit Amount”), which amount shall not be subject to increase or decrease except as provided in Section 3.03 of the Plan. Executive’s entitlement to the Benefit Amount shall remain subject to the other applicable provisions of the Plan, including without limitation the forfeiture provisions of Article VI of the Plan and Section 7.02 of the Plan.
2. For purposes of determining any amount payable under Article IV of the Plan (i.e., in the event that Executive shall separate from service by reason of death and be survived by a Surviving Spouse (such amount, the “Death Benefit”)), Executive shall be deemed for purposes of Section 4.01(a) to have separated from service on November 30, 2021, survived to his Normal Retirement Date, Retired on his Normal Retirement Date, with Final Average Monthly Compensation and Years of Service calculated for all

purposes (including actuarial assumptions) as if his Normal Retirement Date had been November 30, 2021, been entitled to a 50% joint and survivor annuity form of payment under the Plan, and then died immediately thereafter. The Death Benefit (if any) shall not be subject to increase or decrease. The entitlement of Executive's Surviving Spouse, if any, to the Death Benefit shall remain subject to the other applicable provisions of the Plan. Except as provided in the foregoing two paragraphs, no benefit shall be payable to Executive or Executive's surviving spouse under the Plan in respect of a Covered Termination.

3. To the extent Entergy Corporation funds the Trust for Deferred Payments of Entergy Corporation and Subsidiaries or any other trust established by Entergy Corporation with all or a portion of the amounts that would be due Executive under the Plan as modified by this Appendix D in respect of Executive, then such trust deposits (and any earnings thereon) shall apply toward any funding obligation under Section 5.03 of the Plan to the extent applicable.

IN WITNESS WHEREOF, the Personnel Committee has caused this Amendment No. 6 to the Plan to be executed by its duly authorized representative on the date first set forth above and effective December 1, 2021.

ENTERGY CORPORATION PERSONNEL COMMITTEE
through the undersigned authorized representative

KATHRYN COLLINS
Senior Vice President, HR & Chief Human Resources Officer

**PENSION EQUALIZATION PLAN
OF ENTERGY CORPORATION AND SUBSIDIARIES
(As Amended and Restated Effective January 1, 2009)**

**Certificate of Amendment
Amendment No. 8**

THIS INSTRUMENT, executed this day of____, 2021, and effective December 1, 2021, constitutes the Eighth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated effective January 1, 2009) (the “Plan”).

Pursuant to Section 8.01 of the Plan and in accordance with the Resolutions of the Personnel Committee of the Board of Directors adopted at its meeting of October 28, 2021, the Plan is hereby amended by adding the following sentence to the end of Section 2.02 of the Plan (“Participation”) to read in its entirety as follows: “Notwithstanding any other provision of the Plan, Leo P. Denault shall cease to be a Participant in the Plan effective December 1, 2021, if he has not yet had a Separation from Service before such date.”

IN WITNESS WHEREOF, the Personnel Committee has caused this Eighth Amendment to the Pension Equalization Plan of Entergy Corporation and Subsidiaries (As Amended and Restated Effective January 1, 2009) to be executed by its duly authorized representative on the day, month, and year above set forth and effective December 1, 2021.

**ENTERGY CORPORATION PERSONNEL
COMMITTEE**
through the undersigned authorized representative

KATHRYN COLLINS
Senior Vice President, HR & Chief Human Resources Officer

Entergy Corporation

2022 – 2024 Performance Unit Grant Notice

Congratulations on your eligibility to participate in the performance unit program. In order for this 2022 – 2024 Performance Unit Grant Notice and the Performance Unit Agreement attached hereto (the “Agreement” and, together with this 2022 – 2024 Performance Unit Grant Notice, this “Award”) to become effective, Entergy Corporation requires electronic acceptance of and agreement to the terms and conditions of this Award set forth in the Agreement on or before April 29 following the Award Date set forth below. Failure to timely accept the terms of the Agreement on or before April 29 will be considered non-acceptance of the Award.

This Performance Unit Grant Notice (“Notice”) is subject to the terms of the Agreement. In the event of a conflict between this Notice and the Agreement, the terms of the Agreement shall prevail.

Participant:

Global ID:

Award Type: Performance Stock Units

Plan Name: 2022 – 2024 PUP

Award Date: 01-Jan-2022

Award Expiration Date: N/A

Total Granted:

Award Price: USD 0.0000

Vesting Schedule

Shares/Options Awarded	Vest Date
	31-Dec-2024

**2022-2024 Performance Unit Agreement (“Agreement”)
Under the 2019 Entergy Corporation Omnibus Incentive Plan**

Pursuant to the 2019 Entergy Corporation Omnibus Incentive Plan (the “Plan”), you are eligible to participate at a target Achievement Level (as defined below) of that number of performance units (subject to adjustment pursuant to Section 3 of this Agreement, the “Target Performance Units”) (based upon an Achievement Level of 100%) set forth under the heading “Total Granted” on the Performance Unit Grant Notice to which this Agreement is attached (the “Grant Notice”) for the performance period commencing January 1, 2022 and ending December 31, 2024 (the “Performance Period”), subject to the terms of the Plan and to the following terms and conditions:

1. Effective Date of Agreement; Acknowledgment and Acceptance of Performance Units. This Agreement is effective as of the Award Date set forth on the Grant Notice, contingent upon your acceptance of this Agreement in accordance with the terms of this Agreement and the Grant Notice. The effectiveness of this Agreement is subject to your electronically acknowledging and accepting this Agreement and all of its terms and conditions and the terms of the Plan in the manner and at the time set forth on the Grant Notice. If you do not timely acknowledge and accept this Agreement in accordance with the Grant Notice, the Company shall be entitled to unilaterally cancel and render void this Agreement and the Grant Notice.

2. Achievement Levels. The Personnel Committee of the Board (the “Committee”) shall determine the achievement level attained by the Company for the Performance Period (the “Achievement Level”) based (i) eighty percent (80%) on TSR Achievement Level (as defined below); and (ii) twenty percent (20%) on Adjusted FFO/Debt Ratio Achievement Level (as defined below). The weighted average of the two performance measures will determine the Achievement Level and overall payout for the Performance Period. For these purposes, and subject to the terms of the Plan, the Achievement Level shall be determined as follows:

a. The “TSR Achievement Level” shall be determined by comparing the Company’s “total shareholder return” for the Performance Period (“Company TSR”) to that of the peer group companies comprising the Philadelphia Electric Utilities Index (the “Peer Group”). For this purpose, subject to the terms of the Plan, “total shareholder return” shall be determined in accordance with Company administrative practice based on the changes in the stock price and dividends over the course of the Performance Period. The possible TSR Achievement Levels for the Performance Period shall be determined as follows: for bottom quartile performance (where Company TSR is in the fourth or bottom quartile of Peer Group TSR), the TSR Achievement Level is zero percent; for third quartile performance (where Company TSR is in the third quartile of Peer Group TSR), the TSR Achievement Level shall be determined by interpolating between index median (100% TSR Achievement Level) and the performance of the Peer Group company at the top of the fourth quartile, starting at 25% TSR Achievement Level; for second quartile performance (where Company TSR is in the second quartile of Peer Group TSR), the TSR Achievement Level shall be determined by interpolating between the performance of the Peer Group Company at the bottom of the top quartile (200% TSR Achievement Level) and index median (100% TSR Achievement Level); and for top quartile performance (where Company TSR is in the first or top quartile of Peer Group TSR), the TSR Achievement Level is 200%.

b. The Adjusted FFO/Debt Ratio Achievement Level” shall be determined by comparing, as of December 31st for each year in the Performance Period (1) the quotient of (x) FFO (as defined below) divided by (y) the Company’s consolidated debt, excluding securitization debt (or debt outstanding that is pending securitization) and adjusting for pre-defined exclusions and other adjustments determined by the Committee (such quotient, the “Annual Adjusted FFO/Debt Ratio”) to (2) the adjusted FFO/debt ratio achievement levels established by the Committee for such year as “Target,” (target Adjusted FFO/Debt Ratio), “Minimum,” and “Maximum.” For an Annual Adjusted FFO/Debt Ratio less than the Minimum, the Annual Adjusted FFO/Debt Ratio Achievement Level is zero percent. For an Annual Adjusted FFO/Debt Ratio equal to the Minimum, the Annual Adjusted FFO/Debt Ratio Achievement Level is 25%. For an Annual Adjusted FFO/Debt Ratio equal to the target Adjusted FFO/Debt Ratio, the Annual Adjusted FFO/Debt Ratio Achievement Level is 100%. For an Annual Adjusted FFO/Debt Ratio greater than or equal to the Maximum, the Annual Adjusted FFO/Debt Ratio Achievement Level is 200%. For an Annual Adjusted FFO/Debt Ratio that is greater than the Minimum and less than the Target, the Annual Adjusted FFO/Debt Ratio Achievement Level shall be determined by straight line interpolation between the Minimum and the Target. For an Annual Adjusted FFO/Debt Ratio that is greater than the Target and less than the Maximum, the Annual Adjusted FFO/Debt Ratio Achievement Level shall be determined by straight line interpolation between the Target and the Maximum. The final “Adjusted FFO/Debt Ratio Achievement Level” for the Performance Period shall be equal to the sum of (A) the three-year average of the Annual Adjusted FFO/Debt Ratios determined for each year in the Performance Period as described above and (B) the Credit Rating Modifier. The “Credit Rating Modifier” shall be equal to the sum of the following: (I) +10% if a Rating Agency’s corporate credit outlook for the Company as of the end of the Performance Period is more favorable than such Rating Agency’s corporate credit outlook for the Company as of the beginning of the Performance Period; (II) -10% if a Rating Agency’s corporate credit outlook for the Company as of the end of the Performance Period is less favorable than such Rating Agency’s corporate credit outlook for the Company as of the beginning of the Performance Period; (III) +20% if a Rating Agency’s corporate credit rating for the Company as of the end of the Performance Period is higher than such Rating Agency’s corporate credit rating for the Company as of the beginning of the Performance Period; and (IV) -20% if a Rating Agency’s corporate credit rating for the Company as of the end of the Performance Period is lower than such Rating Agency’s corporate credit rating for the Company as of the beginning of the Performance Period; provided that in no event shall the Credit Rating Modifier adjustment be more than +/- 20% and further, in no event shall the final Adjusted FFO/Debt Ratio Achievement Level exceed 200%. “Rating Agency” means Moody’s Investors Service and S&P Global Ratings. Subject to the terms of the Plan and such adjustments as set forth in this Section 2, these determinations shall be made by the Committee in accordance with Company administrative practice. “FFO” means the Company’s consolidated operating cash flow, adjusted for its allowance for funds used during construction, working capital amounts, the effects of securitization revenue, and certain pre-defined exclusions determined by the Committee.

c. The Achievement Level shall be equal to the sum of (1) and (2), where (1) is equal to 80% of the TSR Achievement Level, as calculated in Section 2.a. and (2) is equal to 20% of the Adjusted FFO/Debt Ratio Achievement Level, as calculated in Section 2.b. Notwithstanding anything herein to the contrary, the Achievement Level shall be adjusted for such items as the Committee may determine in its discretion during or after the Performance Period (but in any event before any delivery of Shares hereunder), whether resulting in an increase or decrease (including to zero (0)) in the number of Shares otherwise deliverable hereunder, considering management accountability and business rationale.

3. Performance Units Earned. The actual number of performance units awarded to you under this Agreement, if any (the “Performance Units”), shall be calculated by the Committee at the end of the Performance Period by multiplying the Target Performance Units by

the percentage of the Company's attained Achievement Level, determined as described in Section 2. Unless otherwise provided in the Plan or this Agreement, to earn Performance Units you must (i) remain a full-time employee of a System Company for the entire Performance Period, (ii) maintain a System Management Level ("ML") 1-4 role (an "Eligible Role"), resulting in an award opportunity dependent on your specific ML role ("Eligibility Level"); and (iii) comply with Section 10 of this Agreement.

Except as provided below for an employee on an extended leave of absence bridge to retirement under an approved severance program under the Entergy System Severance Pay Plan No. 537 or the Entergy System Severance Pay Plan No. 538, if you are approved by your System Company employer for a leave of absence (whether paid or unpaid) for reasons other than Disability or are a continuous part-time regular System Company employee participating in the phased retirement program under the Entergy System Policies & Procedures Phased Retirement – Pre-Separation Policy (the "Phased Retirement Program"), you will continue to be treated for purposes of the Plan and this Agreement as a full-time employee of a System Company while you are on such approved leave of absence or during such participation in the Phased Retirement Program, as applicable. If you are on an extended leave of absence bridge to retirement under an approved severance program offered pursuant to Entergy System Severance Pay Plan No. 537 or Entergy System Severance Pay Plan No. 538, you will not be considered under the Plan or this Agreement to be a full-time employee during the extended leave of absence bridge period or a part-time System Company employee under the Phased Retirement Program during the extended leave of absence bridge period, and your System Company employment will be considered terminated for purposes of vesting in Awards under this Agreement as of the commencement of your extended leave of absence bridge period.

If you have completed a minimum of twelve months of full-time employment in an Eligible Role during the Performance Period and you Retire, you will be eligible for a prorated portion of the applicable Achievement Level of Performance Units, based on your full months of participation and your Eligibility Level(s) during the Performance Period. For purposes of the preceding sentence, you will have "Retired" if you incur a separation from service with the System Companies and at the time of such separation from service, either (A) you are eligible to commence retirement benefits under a System Company-sponsored qualified final average pay defined benefit pension plan or (B) you have attained age 65 or have attained age 55 with ten (10) or more years of service with System Companies that is considered vesting service under the System Company-sponsored qualified defined benefit pension plan in which you actively participate or, if none, the System Company-sponsored qualified defined contribution pension plan in which you actively participate. If your employment terminates due to your incurring a Disability or you die during the Performance Period, you (or your Beneficiary or heirs) will be eligible for a prorated portion of the applicable Achievement Level of Performance Units, based on your full months of full-time employment prior to your Disability or death and your Eligibility Level(s) during the Performance Period. Notwithstanding anything to the contrary herein, if, during the Performance Period (x) your employment is terminated for Cause or (y) the Committee or its delegee determines that you engaged in an activity that would constitute Cause, then you shall not be entitled to receive any Performance Units pursuant to this Agreement.

Regardless of eligibility, you shall not be entitled to receipt of nor vest in any Performance Units and/or any dividends that have accrued on any Performance Units unless and until the Personnel Committee has certified the Achievement Level after the close of the Performance Period.

If you are promoted during the Performance Period, then the number of Target Performance Units set forth on the Grant Notice shall be adjusted (but not downward) to reflect the number of full months during the Performance Period for which you were eligible hereunder in each Eligibility Level, and the number of Performance Units, if any, awarded to you will be prorated to reflect the number of full months you earned Performance Units at each Eligibility Level.

If you are demoted during the Performance Period, but you remain in an Eligible Role following such demotion, then the number of Target Performance Units set forth on the Grant Notice shall be adjusted (but not upward) to reflect the number of full months during the Performance Period for which you were eligible hereunder in each Eligibility Level, and the number of Performance Units, if any, awarded to you will be prorated to reflect the number of full months you earned Performance Units at each Eligibility Level.

If any change to an Eligibility Level is effective on a date other than the first day of a calendar month, the number of Performance Units, if any, awarded to you with respect to the transition month in accordance with this Section 3 will be determined based on your prior Eligibility Level.

If you are demoted to a position that is not an Eligible Role or you are otherwise no longer in an Eligible Role during the Performance Period, but remain employed on a regular full-time basis by a System Company for the duration of the Performance Period, the number of Performance Units, if any, awarded to you will be prorated to reflect only the number of full months you earned Performance Units in an Eligible Role in accordance with your Eligibility Level(s).

4. Accelerated Change in Control Vesting. Notwithstanding anything herein to the contrary:

a. in the event that (i) a Change in Control occurs and (ii) either (x) outstanding Target Performance Units are not assumed or substituted in connection therewith as described in Section 12(b) of the Plan, or (y) outstanding Target Performance Units are so assumed or substituted in connection therewith and your employment or service is terminated by your System Company employer without Cause or by you for Good Reason on or after the effective date of the Change in Control but prior to twenty-four (24) months following the Change in Control (the date on which (x) or (y) occurs, the “CIC Vesting Date”), then (A) the Committee shall calculate the Achievement Level for the Performance Period during which the CIC Vesting Date occurs treating the CIC Vesting Date as if it were the last day of the Performance Period (the “CIC Achievement Level”) and you shall immediately become fully vested in that number of Performance Units calculated by multiplying the Adjusted Target Performance Units (as defined below) by the percentage of the Company’s attained Achievement Level that is the greater of Target Achievement Level or CIC Achievement Level and (B) the restrictive covenants set forth in Sections 10.b., 10.c., and 10.d. of this Agreement shall cease to apply as of the CIC Vesting Date. In the event of accelerated vesting as described in this Section 4.a., but subject to the conditions and limitations described herein and subject to Section 5 of the Plan, the Company shall pay you a number of Shares equal to the number of Performance Units that vest in accordance with this Section 4.a. no later than sixty (60) days after the CIC Vesting Date; provided, that if such 60-day period straddles two of your taxable years, the payment shall be made in the later year. “Adjusted Target Performance Units” means that number of units calculated by multiplying the Target Performance Units by a fraction, the numerator of which is the number of days in the Performance Period up to and including the CIC Vesting Date and the denominator of which is the total number of days in the Performance Period.

b. Notwithstanding anything herein to the contrary, the time and form of any payments to which you may be entitled pursuant to this Section 4 are subject to the requirements and limitations set forth in Section 22 of the Plan.

5. Dividend Equivalents. If you are awarded Performance Units pursuant to this Agreement, you will also be awarded the dividend equivalents attributable to such awarded Performance Units for the time you were a Participant in an Eligible Role and at the Eligibility Level underlying such Performance Units (“Dividend Equivalents”). The Dividend Equivalents with respect to each awarded Performance Unit will be equal to only the dividends paid with

respect to a Share for the period of your participation in the Plan at an Eligible Role during the Performance Period.

6. Settlement of Performance Units and Dividend Equivalents.

a. As soon as reasonably practicable following the date on which the Committee determines the number of Performance Units, if any, to be awarded to you under this Agreement and no later than March 15th following the end of the calendar year in which the Performance Units are no longer subject to a “substantial risk of forfeiture” within the meaning of Code Section 409A, the Company shall issue to you, after withholding all applicable income tax and employment tax amounts required to be withheld in connection with such payment in accordance with Section 6.d. of this Agreement: (i) one Share for each Performance Unit so determined to be awarded, and (ii) an additional number of Shares determined by dividing the total Dividend Equivalents with respect to such awarded Performance Units by the closing share price of a Share on the last trading date of the Performance Period. Notwithstanding the foregoing, if Dividend Equivalents are awarded with respect to Performance Units that are payable pursuant to Section 4.a., the number of Shares issuable pursuant to this Section 6 in respect of such Dividend Equivalents shall be calculated treating the CIC Vesting Date as the last day of the Performance Period and shall be issued no later than sixty (60) days after the CIC Vesting Date; provided, that if such 60-day period straddles two of your taxable years, such Shares shall be issued in the later year.

b. Shares (including any Dividend Equivalents that are settled in Shares) shall be credited to a separate book entry account in your name, and such vested Shares shall be free of all restrictions except any that may be imposed by law. Upon the crediting of vested Shares to a book entry account, you may treat the Shares in the same manner as all other shares of Common Stock owned by you, subject to the provisions of Section 6.c. below. All ML 1-4 Participants are considered Restricted Employees under Entergy’s Insider Trading Policy and, as such, may trade in Entergy Corporation securities only during an open window period (and only if not in possession of material, non-public information). Generally, window periods begin on the second business day after the quarterly earnings release and end at the close of trading on the 15th day of the third month of the Company’s fiscal quarter or, if such day is not a trading day, on the last preceding trading day. In addition, if you are a Restricted Employee, the Insider Trading Policy requires that you pre-clear all transactions involving Entergy securities with Entergy Corporation’s Office of the General Counsel.

c. Share Ownership Guidelines. All ML 1-4 Participants must maintain the applicable Common Stock Ownership Target Level in the chart below, which is expressed as a multiple of your base salary and depends on your management level.

<u>System Management Level</u>	<u>Common Stock Ownership Target Level</u>
ML 1	6 times base salary
ML 2	3 times base salary
ML 3	2 times base salary
ML 4	1 times base salary

These ownership multiples may be satisfied through any shares of Common Stock held by you, including those Shares earned with respect to this Performance Period, Restricted Shares, shares of Common Stock held in tax-qualified 401(k) plans, etc. You must continue to retain the book entry Shares issued to you pursuant to this Agreement until the earlier of (i) achieving and maintaining your applicable Common Stock Ownership Target Level, or (ii) your termination of full-time employment with all System Companies. Once you have achieved and maintain your

applicable Common Stock Ownership Target Level, you are no longer bound to hold the Shares earned during with respect to this Performance Period in book entry. However, you are still subject to the trading restrictions and pre-clearance requirements in transacting in these Shares described in Section 6.b. of this Agreement.

d. Withholding Taxes. The Company shall use the “net shares method” to satisfy any tax withholding obligation in respect of any payment under this Agreement, which means the Company will reduce the number of earned Shares otherwise payable to you by the amount necessary to cover up to the maximum amount of such obligation in any applicable jurisdiction. In no event shall the Company or any other System Company have any liability to you for your individual income tax liability, for withholding or failing to withhold taxes, or for remitting or failing to remit taxes with respect to your income, including without limitation, in the event that you are subject to penalty tax or premium interest tax pursuant to Code Section 409A.

e. No Fractional Shares. Any fractional Share to be distributed shall be settled in cash and applied to satisfy tax withholding requirements. The Company will not pay out any fractional Shares.

7. Termination of Agreement. Except as otherwise provided herein or in the Plan, this Agreement (other than the restrictive covenants set forth in Section 10) and your Target Performance Units award opportunity shall terminate and be forfeited on the date on which your full-time System Company employment terminates.

8. Performance Units Nontransferable. Your Target Performance Units award opportunity and any Performance Units awarded pursuant to this Agreement may not be sold, exchanged, pledged, transferred, assigned, or otherwise encumbered, hypothecated or disposed of by you (or your beneficiary) other than by will or laws of descent and distribution.

9. Entergy Policies.

a. Hedging Policy. Pursuant to the Entergy Corporation Policy Relating to Hedging, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, officers, directors and employees are prohibited from entering into hedging or monetization transactions involving Common Stock so they continue to own Common Stock with the full risks and rewards of ownership, thereby ensuring continued alignment of their objectives with the Company’s other shareholders. Participation in any hedging transaction with respect to Common Stock (including Target Performance Units or Performance Units) is prohibited.

b. Recoupment Policy; Dodd-Frank; Payment in Error. Pursuant to the Entergy Corporation Policy Relating to Recoupment of Certain Compensation, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, the Company is allowed to seek reimbursement of certain incentive compensation (including Performance Units and Shares issued in payment of Performance Units) from “executive officers” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, if the Company is required to restate its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws (other than corrections resulting from changes to accounting standards) or there is a material miscalculation of a performance measure relative to incentive compensation, regardless of the requirement to restate the financial statements; or the Board determines that an executive officer engaged in fraud resulting in either a restatement of the Company’s financial statements or a material miscalculation of a performance measure relative to incentive compensation whether or not the financial statements were restated. In addition, the Performance Units (and Shares issued in payment of Performance Units) are subject to any forfeiture and/or recoupment policy which the Company has adopted or

may adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and implementing rules and regulations thereunder, or as may be required by applicable law. To the maximum extent permitted by applicable law, in the event that a payment is made to you (whether in cash, stock or other property) in error that exceeds the amount to which you are entitled pursuant to the terms of this Agreement or the Plan, including without limitation pursuant to Section 28 of the Plan (such excess amount, an “Excess Payment”), you will repay to the Company, and the Company shall have the right to recoup from you such Excess Payment by notifying you in writing of the nature and amount of such Excess Payment together with (i) demand for direct repayment to the Company by you in the amount of such Excess Payment or (ii) reduction of any amount(s) owed to you by the Company or any other System Company by the amount of the Excess Payment.

10. Confidentiality and Restrictive Covenants. In consideration of the grant to you of the Target Performance Units award opportunity set forth herein and any Performance Units awarded to you pursuant to this Agreement, you hereby agree to the following restrictive covenants:

a. Confidential Information. You acknowledge that the System Companies have unique methods and processes for the generation, transmission and distribution and sale of energy and energy-related products, which give the System Companies a competitive advantage, including strategic and non-public plans for their products, geographic and customer markets, and for marketing, distributing and selling their products. You further acknowledge that you have held a position of confidence and trust with respect to the System Companies and that you have and will acquire additional detailed knowledge of the System Companies’ unique and confidential methods of doing business and plans for the future. You acknowledge that the System Companies are expending and will continue to expend substantial amounts of time, money and effort to develop effective business and regulatory strategies, methodologies and technology. You also acknowledge that the System Companies have a compelling business interest in protecting the System Companies’ Confidential Information (as defined below) and that the System Companies would be seriously and irreparably damaged by the improper disclosure of Confidential Information. You therefore agree that, during your employment or other service with any System Company and at all times thereafter, you will hold in a fiduciary capacity for the benefit of the System Companies and, other than as authorized in writing by the General Counsel of the Company or as required by law or in the proper performance of your duties and responsibilities, or as otherwise provided in this Section 10, you will not disclose, directly or indirectly, to any person or entity, or use, Confidential Information for any purpose other than the furtherance of your responsibilities to any System Company. For purposes of this Agreement, “Confidential Information” means information that is not generally known by persons outside the System Companies and could not easily be determined or learned by someone outside the System Companies, including without limitation, any and all information and knowledge, whether or not explicitly designated as confidential and whether or not reduced to writing, regarding the System Companies’ business, including, without limitation, (i) the generation, transmission, brokering, marketing, distribution, sale and delivery of electric power or natural gas (through regulated utilities or otherwise), (ii) the System Companies’ ownership, development, management or operation of power plants and power generation facilities (including, without limitation, nuclear power plants), and the provision of operations and management services (including, without limitation, decommissioning services) with respect to power plants, and the sale of the electric power produced by the System Companies’ operating plants to wholesale customers, (iii) the System Companies’ proprietary methods and methodology, technical data, trade secrets, know-how, research and development information, product plans, customer lists, specific information relating to products, services and customers or prospective customers (including, but not limited to, customers or prospective customers of any System Company with whom you became or become acquainted during your relationship with any System Company), books and records of any System Company, corporate, regulatory,

customer and strategic relationships, suppliers, markets, computer software, computer software development, inventions, processes, formulae, technology, designs, drawings, technical information, source codes, engineering information, hardware configuration information, and matters of a business nature such as information regarding marketing, costs, pricing, finances, financial models and projections, billings, new or existing business or economic development plans, initiatives, and opportunities, or any other similar business information made available to you in connection with your relationship with any System Company and (iv) any attorney-client privileged information of a System Company. Confidential Information shall also include non-public information concerning any director, officer, employee, shareholder, or partner of any System Company. You agree that your obligation not to disclose or use Confidential Information, and your obligation, detailed below, to return and not to retain materials and tangible property, upon your termination of employment with all System Companies, described in this Section shall also extend to such types of information, materials and tangible property of customers of and suppliers to the System Companies and to other third parties, in each case who may have disclosed or entrusted the same to you or to any System Company during your employment with any System Company.

b. Non-Competition. You agree that (i) at all times during the period of your employment or service with any System Company employer, and (ii) for one (1) year following the termination for any reason of your employment by or service with your last System Company employer ((i) and (ii) collectively, as applicable, the “Non-Compete Period”), you will not engage in Competing Employment. For purposes of this Section 10, “Competing Employment” means working for, providing services to or otherwise directly or indirectly assisting (whether or not for compensation) any person, entity or business which directly or indirectly competes with any part of the System Company business, and such employment or services involve products, services and business activities that are the same as or similar to those you provided to a System Company, or as to which you had access to Confidential Information while employed by any System Company or, with respect to that part of the Non-Compete Period described in subsection 12(b)(ii), in the two years preceding your termination of employment or service with all System Companies. You agree that it is reasonable for the restriction contained in this paragraph to apply in each and every county, province, state, city, parish or other political subdivision or territory of the United States in which any System Company engages in any business activity, or otherwise distributes, licenses or sells its products or services, including, without limitation, Arkansas, Connecticut, District of Columbia, Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, New York, Texas, and Vermont and any other state in which any System Company engages in business at any time and, with respect to the State of Louisiana, means the following Parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, La Salle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Point Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, St. Charles, St. Helena, Saint James, Saint John the Baptist, Saint Landry, Saint Martin, Saint Mary, Saint Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn (collectively, the “Restricted Territory”). Notwithstanding the foregoing, if your employment is terminated by any System Company employer without Cause, the covenant not to compete set forth in this Section 10.b. shall apply only for as long as the System Company employer continues to pay you, in accordance with the System Company employer’s regular payroll practices and schedule, your bi-weekly base salary in effect on the effective date of the termination of your employment, less any applicable tax withholdings and ordinary deductions (such payments, the “Non-Compete Payments”), but in no such event for longer than the Non-Compete Period. In any instance where a System Company employer has the right to elect to make Non-Compete Payments, such System Company employer must notify you in writing of such election, and the duration for which it elects to make Non-Compete Payments, within ten

(10) business days following the termination of your employment from all System Company employment. If the System Company Employer elects to make the Non-Compete Payments for less than the full Non-Compete Period, you shall be free to join a competitor after you cease receiving the Non-Compete Payments. For purposes of clarity, in the event of your termination for Cause or voluntary resignation, you shall be subject to the restrictions set forth in this Section 10.b. without any requirement that any System Company employer pay you any Non-Compete Payments.

c. Non-Solicitation; Non-Interference. You agree that, until the later of the end of the Non-Compete Period or the last day you are scheduled to receive cash severance payments from your System Company employer pursuant to any severance plan or other agreement, except in the good faith performance of your duties to the System Companies, you shall not, other than as authorized in writing by the General Counsel of the Company: (i) directly or indirectly, solicit or seek to hire or identify for potential hiring (whether on your own behalf or on behalf of any other person, entity or organization) any person who is at that time (or was during the prior six (6) months) an employee or consultant of any System Company, or (ii) within the Restricted Territory, directly or indirectly solicit the trade, business or patronage of any clients, customers or vendors or prospective clients, customers or vendors of any System Company to provide competing products or services or advise, or assist such clients, customers or vendors or prospective clients, customers or vendors to in any way modify their relationship with any System Company. This Section 10(c) shall not be violated by general advertising not targeted at the forgoing persons or entities. The non-solicitation covenant in subsection 10(c)(i) shall not apply to solicitation of persons involuntarily terminated from System Company employment and shall only apply to persons (A) who reported directly or indirectly to you; (B) with whom you had material contact while at a System Company; or (C) about whom or which you possessed (1) information regarding quality of performance while they were employed by or performing services for a System Company, which information you would not otherwise have except for the position you held with a System Company, or (2) Confidential Information. You further agree that while you are employed by any System Company and thereafter until the later of the end of the Non-Compete Period or the last day you are scheduled to receive cash severance payments from your System Company, you will not, directly or indirectly, induce or encourage any third party, including any provider of goods or services to any System Company, to terminate or diminish its business relationship with any System Company; nor will you take any other action that could, directly or indirectly, be detrimental to any System Company's relationships with its providers of goods or services or other business affiliates or that could otherwise interfere with any System Company's business.

d. Non-Disparagement. You agree that, to the fullest extent permitted by applicable law, you will not at any time (whether during or after your employment or service with any System Company), other than in the proper performance of your duties, publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning any System Company or any of their respective directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that are intended to, or could be construed in a manner so as to, impugn, discredit, injure or impair the business, reputation, character, honesty, integrity, judgment, morality or business acumen or abilities of the individual or entity being disparaged.

e. System Company Property. All tangible materials, equipment, devices, documents, copies of documents, data compilations (in whatever form), software programs, and electronically created or stored materials that you receive or create in the course of employment with a System Company are and shall remain the property of the System Company and you shall immediately return (and/or cooperate in the supervised deletion of) such property to your System Company employer upon the termination of your employment, for whatever reason. The obligation to return property and documents extends to anything received or made during and as

a result of employment by a System Company, regardless of whether it was received from a System Company or a third party, such as an actual or potential vendor or customer, and regardless of whether a document contains Confidential Information. The only documents not subject to the obligation to return are documents directly relating to your compensation and benefits, such as your pay stubs and benefit plan information.

f. Violation of the Restrictive Covenant Section. In the event that you violate any provision of this Section 10, the time periods set forth in those paragraphs shall be extended for the period of time you remain in violation of the provisions, to the greatest extent allowed by applicable law. The provisions of Sections 10.a. through 10.e. hereof are, and shall be construed as, independent covenants, and no claimed or actual breach of any contractual or legal duty by any System Company shall excuse or terminate your obligations hereunder or preclude any System Company from obtaining injunctive relief for your violation, or threatened violation, of any of those provisions. You also agree to indemnify and hold the System Companies harmless from any and all losses (including, but not limited to, reasonable attorney's fees and other expenses incurred to enforce this Agreement) suffered by any System Company as a result of any violation or threatened violation of any of your representations, warranties, covenants or undertakings set forth in this Agreement (in addition to any other remedies available to the System Companies set forth in Section 10.i. below), provided that a System Company is found to be the prevailing party in any such action.

g. Exclusions. Notwithstanding anything else in this Section 10 or in this Agreement to the contrary:

(i) The restrictive covenants in this Section 10 are not intended to restrict you from cooperating with any investigation or proceeding initiated by the Nuclear Regulatory Commission ("NRC") or any other federal or state regulatory agency. Further, you may make disclosure (A) to exercise your rights as a whistleblower under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Securities and Exchange Commission Rule 21F-17(a), or any other federal or state law providing whistleblower rights; (B) to the extent necessary when providing safety-related or other information to the NRC on matters within the NRC's regulatory jurisdiction; (C) when participating in "protected activities," as defined in Section 211 of the Energy Reorganization Act of 1974 and in C.F.R. Part 50.7; (D) when engaging in activities protected by the National Labor Relations Act or any similar federal or state law; or (E) when required to do so by a court of law, by any governmental agency or administrative or legislative body with jurisdiction to order you to divulge, disclose or make accessible such information. With the exception of Confidential Information subject to the attorney-client privilege, you shall have no obligation to seek prior approval of any System Company or to inform any System Company of such disclosure. This Agreement does not limit your ability to communicate, without notice to any System Company, with any government agencies or otherwise participate in any investigation or proceeding that may be conducted by any government agency, or to collect a reward in connection with any whistleblower information provided to a government agency.

(ii) *Defend Trade Secrets Act Immunity Notice.* Pursuant to the Defend Trade Secrets Act of 2016, non-compliance with the disclosure provisions of this Agreement shall not subject you to criminal or civil liability under any Federal or State trade secret law for the disclosure of a System Company trade secret: (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney in confidence solely for the purpose of reporting or investigating a suspected violation of law; (B) in a complaint or other document filed in a lawsuit or other proceeding, provided that any complaint or document containing the trade secret is filed under seal; or (C) to an attorney representing you in a lawsuit for retaliation by any System Company for reporting a suspected violation of law or to use the trade secret information in that court proceeding, provided that any document

containing the trade secret is filed under seal and you do not disclose the trade secret, except pursuant to court order.

(iii) All applicable laws with regard to restrictive covenants (including those of the State of California) are incorporated by reference herein and shall be treated as a part of this Section 10. Accordingly, in the event of an inconsistency between any provision of this Section 10 and an applicable legal requirement, the applicable legal requirement shall apply and this Section 10 shall be interpreted to require only such restrictions as are permitted by applicable law.

h. Restrictive Covenants Contained in Other Agreements. Notwithstanding any provision contained herein to the contrary, to the extent that you are or become subject to any other agreement that contains restrictive covenants different from the restrictive covenants contained in this Agreement, the restrictive covenants set forth in such other agreement shall supplement, and shall not replace, the restrictive covenants herein.

i. Enforcement. You hereby agree that the covenants set forth in this Section 10 are reasonable with respect to their scope, duration, and geographical area. You further agree and acknowledge that the restrictions contained in Section 10 do not and would not unreasonably impose limitations on your ability to earn a living. If any court or other tribunal determines that any term or provision of Section 10 is overbroad or otherwise invalid or unenforceable, you and the Company hereby agree that such court or tribunal shall have the power and obligation to narrow or otherwise reform the unenforceable term or provision, including to delete, replace, or add specific words or phrases, but only to the narrowest extent necessary to render the provision valid and enforceable (provided that in no event shall the length of any restrictive covenant or its scope be extended or expanded), and this Agreement shall be fully enforceable as so modified. Your agreement to the restrictions provided for in this Agreement and the Company's agreement to grant the Award are mutually dependent consideration. Therefore, notwithstanding any other provision to the contrary in this Agreement, if (i) the enforceability of any material restriction applicable to you as provided for in this Section 10 is challenged and found unenforceable by a court or other tribunal or (ii) you breach any of the provisions of Section 10, then the Company shall have the right to terminate this Agreement and recover from you all Shares paid to you pursuant to this Agreement and if you have sold, transferred, or otherwise disposed of any Shares paid to you pursuant to this Agreement, an amount equal to the aggregate Fair Market Value of such Shares on the date such Shares were paid to you pursuant to this Agreement. This provision shall be construed as a return of consideration or ill-gotten gains due to the failure of your promises and consideration under the Agreement, and not as a liquidated damages clause. In addition, in the event of the Company's termination of this Agreement, you shall immediately forfeit all unvested Target Performance Units and your Target Performance Units award opportunity under this Agreement. You further hereby agree that, in the event of a breach by you of any of the provisions of Sections 10.a., 10.b., 10.c., 10.d., or 10.e., monetary damages shall not constitute a sufficient remedy. Consequently, in the event of any such breach or threatened breach, the Company or a System Company may, in addition to and without prejudice to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof, without the requirement of posting a bond or proving actual damages and without having to demonstrate that money damages would be inadequate. You acknowledge (i) that you have carefully read this Agreement and have given careful consideration to the restraints imposed upon you by this Agreement, and you are in full accord as to their necessity for the reasonable and proper protection of the Confidential Information of the System Companies and their relationships with customers, suppliers and other business partners and (ii) that you are informed in writing hereby that you have a right to the advice of legal counsel and should consult with an attorney of your choice with regard to this Agreement, and you have been provided ample opportunity to seek out and consult with such counsel.

j. Third Party Beneficiaries; Survival of Restrictive Covenants. For purposes of this Section 10, “Company” shall include all System Companies. You and the Company agree that each System Company is an intended third-party beneficiary of this Section 10, and further agree that each System Company is entitled to enforce the provisions of this Section 10 in accordance with its terms. Notwithstanding anything to the contrary in this Agreement, the terms of the restrictive covenants set forth in this Section 10 shall survive the termination of this Agreement and shall remain in full force according to their respective terms.

k. Duty to Notify Prospective Employers of Restrictive Covenants. In the twelve (12) months following the termination of your employment with your last System Company employer, in the event you seek or obtain employment or another business affiliation with any person or entity other than a System Company, you agree to notify the Company in writing, as far in advance as is reasonably practicable, but in no event less than two weeks prior to your proposed commencement of employment, of the details of such employment or business affiliation. You also agree to show these restrictive covenant provisions to any prospective employer, and you consent to any System Company showing these provisions to any third party believed by a System Company to be a prospective or actual employer of you, or a receiver of services from you, and to insisting on your compliance with these terms. Your obligations under this Section 10.k. will expire on that date which is twelve months after the end of your employment with all System Companies (or, if later, the last date as of which you are scheduled to receive separation payments from any System Company pursuant to a severance plan or other agreement).

11. Governing Law/Court Proceedings. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state. Any suit, action or proceeding arising out of, or with respect to this Agreement, its enforcement, breach, or interpretation, shall be brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, and you and the Company hereby submit to the exclusive jurisdiction of such court (and its appellate court, whether or not located in the State of Delaware) for the purpose of any such suit, action, or proceeding. You and the Company hereby irrevocably waive (i) any objections which each may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and (iii) any right to a jury trial.

12. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the Target Performance Units, your Target Performance Units award opportunity under this Agreement, any Performance Units (and any Dividend Equivalents) awarded pursuant to this Agreement, and this Agreement shall be subject to all terms and conditions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern, and this Agreement shall be deemed to be modified accordingly, unless the Plan allows for such modification of the Plan’s terms by this Agreement.

13. Amendments. This Agreement may be amended or modified only by an instrument in writing signed by the parties hereto.

14. Rights as a Shareholder. Neither you nor any of your successors in interest shall have any rights as a stockholder of the Company with respect to any Target Performance Units,

your Target Performance Units award opportunity under this Agreement, Performance Units awarded pursuant to this Agreement, or Dividend Equivalents.

15. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by United States registered mail, return receipt requested, postage prepaid, if to you, to your last known address filed in the personnel records of the System Companies, and if to the Company, to the address set forth below, or thereafter to such other address as either party may have furnished to the other in writing in accordance herewith, except that any notice of change of address shall be effective only upon actual receipt thereof:

If to the Company, by hand-delivery or email to:

Entergy Services, LLC
Attention: Executive Vice-President & General Counsel
639 Loyola Avenue, 28th Floor
New Orleans, LA 70113-3125

16. Agreement Not a Contract of Employment. Your employment with your System Company employer shall remain at will. Neither the Plan, the granting of the Target Performance Units and/or Dividend Equivalents, the Grant Notice, this Agreement nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue as an employee of any System Company for any period of time or at any specific rate of compensation.

17. Authority of the Committee. The Committee shall have full authority and discretion to interpret and construe the terms of the Plan, the Grant Notice, and this Agreement. The determination of the Committee as to any such matter of interpretation or construction shall be final, binding and conclusive.

18. Compliance with Code Section 409A Limitations. Notwithstanding any provision to the contrary, all provisions of the Grant Notice and this Agreement shall be construed, administered and interpreted to comply with or be exempt from Code Section 409A, and, if necessary, any provision shall be held null and void to the extent such provision (or part thereof) fails to comply with Code Section 409A or final regulations issued thereunder. Specifically, the terms "termination" and "termination of employment" shall be applied in a manner consistent with the definition of "separation from service" within the meaning of Code Section 409A. A right of any System Company, if any, to offset or otherwise reduce any sums that may be due or become payable by any System Company to you by any overpayment or indebtedness of yours shall be subject to limitations imposed by Code Section 409A. For purposes of the limitations on nonqualified deferred compensation under Code Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Code Section 409A deferral election rules and the exclusion from Code Section 409A for certain short-term deferral amounts. Amounts payable under this Agreement shall be excludible from the requirements of Code Section 409A, to the maximum possible extent, either as (i) short-term deferral amounts (e.g., amounts payable no later than the 15th day of the third month following the end of the taxable year of your System Company employer in which such Performance Units are no longer subject to a substantial risk of forfeiture), or (ii) under the exclusion for involuntary separation pay provided in Treasury Regulations Section 1.409A-1(b)(9) (iii). To the extent that deferred compensation subject to the requirements of Code Section 409A becomes payable under this Agreement to you at a time when you are a "specified employee" (within the meaning of Code Section 409A), any such payments shall be delayed by six months to the extent necessary to comply with the requirements of Code Section 409A(a)(2)(B). The Company makes no representation that any or all of the payments or

benefits described in the Plan or this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment.

19. Waivers. Any term or provision of this Agreement may only be waived by a System Company. Any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized Company officer. The failure of any System Company to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any System Company thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

20. Headings. The titles and headings of the sections in this Agreement are for convenience of reference only, do not form part of this Agreement, and shall not affect the construction of this Agreement.

21. Electronic Signature. Electronic signature of this Agreement shall have the same validity and effect as a signature affixed by hand.

22. Entire Agreement. This Agreement (including the Plan) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior undertakings and agreements between the Company and its Affiliates and you with respect to the subject matter hereof.

23. Prospectus. This Agreement constitutes part of a prospectus covering Securities registered under the Securities Act of 1933. The remaining documents constituting the prospectus are available on Entergy Corporation's intranet under Our Company, Human Resources, Money & Finances, Compensation, Equity <https://entergy.sharepoint.com/sites/myhra/myBenefits/Pages/Compensation.aspx>.

**First Amended and Restated
2019 Entergy Corporation Non-Employee Director Service Recognition Program**

This First Amended and Restated 2019 Entergy Corporation Non-Employee Director Service Recognition Program (the “Amended SRP”) effective as of December 3, 2021 (the “Effective Date”) hereby amends and restates the 2019 Entergy Corporation Service Recognition Program for Non-Employee Directors, established pursuant to the terms of the Entergy Corporation 2019 Omnibus Incentive Plan (the “2019 OIP”), the terms of which are incorporated into this Amended SRP. References in this Amended SRP to any specific 2019 OIP provision do not limit the applicability of any other 2019 OIP provision. This Amended SRP shall be effective as of the Effective Date and shall, along with the terms of the 2019 OIP, govern: (i) Awards granted after the Effective Date to Eligible Non-Employee Directors (as defined below); and (ii) Awards previously granted to Eligible Non-Employee Directors actively serving on the Board on the Effective Date. In the event of a conflict between the terms of the 2019 OIP and this Amended SRP, the terms of the 2019 OIP shall prevail.

PURPOSE

This Amended SRP identifies those directors who are eligible for recognition for their service on the Board, sets forth the terms and conditions of the Amended SRP, and establishes the commencement date for receipt of benefits under this Amended SRP.

**ARTICLE I
DEFINITIONS**

1. **Definitions.** Capitalized terms used in this Amended SRP shall have the meanings assigned to them in the 2019 OIP unless expressly provided herein to the contrary; *provided* that, in any event, the following terms shall have the meaning specified for purposes of this Amended SRP.

- a. “Amended SRP” shall mean this First Amended and Restated 2019 Entergy Corporation Non-Employee Director Service Recognition Program, effective as of the Effective Date, and as further amended from time to time.
- b. “Award Date” shall mean the last day of May of each year, or if such day is a day on which the NYSE is not open for trading, the next succeeding NYSE trading day.
- c. “Committee” shall mean the Board.
- d. “Disability” shall mean a physical or mental condition of a Non-Employee Director, which, based on evidence satisfactory to the Committee, and in the opinion of the Committee, renders such Non-Employee Director unfit to perform his or her duties as a director. Evidence may include medical evidence or that the Non-Employee Director qualifies for disability benefits from the Social Security Administration.
- e. “Eligible Non-Employee Directors” shall mean Non-Employee Directors actively serving on the Board on or after the Effective Date.
- f. “Equity Unit” shall mean a phantom stock unit representing one (1) share of Common Stock.

- g. “NYSE” shall mean the New York Stock Exchange or any successor thereto.
- h. “Non-Employee Director” shall mean a member of the Board who is not an officer or an employee of a System Company.
- i. “SRP Award” shall mean the annual grant of Equity Units to Eligible Non-Employee Directors made pursuant to Section 3.1 of this Amended SRP.
- j. “Separated Non-Employee Director” shall mean a Non-Employee Director who becomes Separated from the Board after the Effective Date.
- k. “Separation” shall mean the occurrence of any of the following events: (a) the Non-Employee Director’s voluntary resignation or retirement from, or failure to be re-elected to the Board; (b) a Non-Employee Director’s involuntary removal from the Board; (c) the Non-Employee Director’s Disability or (d) the Non-Employee Director’s death. A Non-Employee Director shall be considered “Separated” from the Board on his or her last day of service as a Non-Employee Director on the Board for any of the reasons set forth in this Section 1(k). Notwithstanding the foregoing, a Separation shall not be deemed to occur under this Amended SRP unless the event (other than death) also qualifies as a “separation from service” within the meaning of Code Section 409A.
- l. “Year of Service” shall mean the one-year period beginning on an Award Date and ending on the next succeeding Award Date.

ARTICLE II **PARTICIPATION**

2 **Eligible Participants.** Only Eligible Non-Employee Directors are eligible to receive Awards of Equity Units under this Amended SRP. Outstanding Awards held by Eligible Non-Employee Directors on the Effective Date will be governed by the terms of this Amended SRP; *provided* that the time and form of payment of any such Award that is non-qualified deferred compensation under Code Section 409A will not change.

ARTICLE III **BENEFITS**

3.1 Service Recognition Awards.

a. **Annual Awards.** Subject to Sections 3.1(b), on each Award Date, the account maintained under the Amended SRP for each Eligible Non-Employee Director will be credited with an annual award of Equity Units. The number of Equity Units shall be determined by dividing \$80,000 by the per-share closing price of the Common Stock on the NYSE on the Award Date.

b. **Pro-Rated Awards.** Eligible Non-Employee Directors who serve on the Board for a portion of a Year of Service shall receive a prorated SRP Award. Eligible Non-Employee Directors who commence service on the Board during a Year of Service and continue in service through the next Award Date shall be credited on the next Award Date with the number of Equity Units equal to \$80,000 divided by the per-share closing price of the Common Stock on the NYSE on the Award Date multiplied by a fraction, the numerator of which is the actual number of days the individual served as a Non-Employee Director during the Year of Service and the denominator of which is 365 days.

For Non-Employee Directors who Separate from the Board during a Year of Service, their accounts will be credited on the last trading day of the month in which the Non-Employee Director Separates from the Board with the number of Equity Units equal to \$80,000 divided by the per-share closing price of the Common Stock on the NYSE on such date multiplied by a fraction, the numerator of which is the actual number of days the individual served as a Non-Employee Director during the Year of Service and the denominator of which is 365 days.

c. Fractional Shares. Any fractional Equity Units that result from the determination of any Award shall be rounded up to the next whole share and shall be included in the Award to the Eligible Non-Employee Director.

d. Vesting. All benefits awarded under this Amended SRP to Eligible Non-Employee Directors shall at all times be vested.

3.2 Dividend Equivalents. If the Company declares one or more cash dividends respecting the Common Stock to holders of record as of a date or dates occurring on or after the Effective Date of this Amended SRP, the account of each Eligible Non-Employee Director and each Separated Non-Employee Director shall be credited on the dividend payment date with a Dividend Equivalent equal in value to the cash dividend paid to a holder of record on each share of Common Stock multiplied by the number of outstanding undistributed Equity Units that such Eligible Non-Employee Director or Separated Non-Employee Director has accumulated under this Amended SRP and any prior service recognition plans through the Award Date immediately preceding such record date. The accounts of each Eligible Non-Employee Director and each Separated Non-Employee Director will be credited on the dividend payment date with the cash value of the Dividend Equivalents received on each dividend payment date.

3.3 Payment of Benefits.

a. Lump Sum Distribution. Unless an Eligible Non-Employee Director elects to receive the distribution of SRP Awards (and Dividend Equivalents attributable to the SRP Awards) granted after the Effective Date in accordance with the provisions of Section 3.3(b) or 3.4:

i. The Eligible Non-Employee Director will receive such SRP Awards (and the Dividend Equivalents attributable to such SRP Awards) in a lump sum distribution upon Separation. The lump sum distribution shall be made in shares of Common Stock with the number of shares attributable to Dividend Equivalents to be determined by dividing the value of the Dividend Equivalents by the per-share closing price of the Common Stock on the NYSE on the day immediately preceding the date of the Eligible Non-Employee Director's Separation. Notwithstanding the foregoing provisions or the provisions of Section 3.3(c), the portion of the SRP Award made on the 2022 Award Date that is attributable to service prior to 2022 shall be distributed in installments as described in Section 3.3(b).

ii. SRP Awards outstanding as of the Effective Date are not eligible to be distributed in a lump sum and will be paid as provided in Section 3.3(b) unless an Eligible Non-Employee Director elects to defer his or her award as provided in Section 3.4.

b. Installment Distribution. For SRP Awards granted after the Effective Date, an Eligible Non-Employee Director may elect to receive distribution of such awards and accumulated Dividend Equivalents in annual installments. If such an election

is made, commencing on the first day of the month next following an Eligible Non-Employee Director's Separation, and thereafter for the four consecutive anniversary dates of such date (each an "Annual Installment Date"), a Separated Non-Employee Director shall receive an annual installment payment, as hereinafter determined, based on the accumulated Equity Units and Dividend Equivalents credited to the Separated Non-Employee Director's account. After Separation, unpaid Equity Units in a Separated Director's Account will continue to be credited with Dividend Equivalents pursuant to Section 3.2. Except for Separation as a result of death, the five annual installments represent the earliest payment schedule for Awards outstanding as of the Effective Date and for those SRP Awards for which a director has elected to receive payment of such awards in annual installments. Payment of benefits shall be subject to the following:

i. Annual Installments. Each annual installment shall be made within thirty (30) days after the applicable Annual Installment Date. Each annual installment represents a proportionate share of the remaining accumulated Equity Units and Dividend Equivalents accrued by the Separated Non-Employee Director based on the number of remaining annual installments to be paid. For instance, at Separation, the first annual installment shall equal one-fifth of the aggregate value of the accumulated Equity Units and Dividend Equivalents at the first Annual Installment Date. The second annual installment shall equal one-fourth of the aggregate value of the remaining accumulated Equity Units and Dividend Equivalents at the second Annual Installment Date. The third annual installment shall equal one-third of the aggregate value of the remaining accumulated Equity Units and Dividend Equivalents at the third Annual Installment Date. The fourth annual installment shall equal one-half of the aggregate value of the remaining accumulated Equity Units and Dividend Equivalents at the fourth Annual Installment Date, and the fifth and final annual installment shall equal the remaining accumulated Equity Units and Dividend Equivalents at the fifth Annual Installment Date.

ii. Manner of Payment. Each annual installment shall be paid in shares of Common Stock. In the case of Dividend Equivalents, the number of shares will be determined by dividing the value of the Dividend Equivalents to be paid pursuant to paragraph (b)(i) above by the closing price of a share of Common Stock on the last NYSE trading day immediately preceding the applicable Annual Installment Date. All installments payable under this Amended SRP shall cease upon the distribution of all five installments. Notwithstanding the foregoing, if a Separated Non-Employee Director dies after Separation, but before all five annual installments have been paid, then the Separated Non-Employee Director's remaining unpaid accumulated Equity Units and Dividend Equivalents shall be distributed in a lump sum in stock to his or her designated beneficiary on file with the Company's Secretary, or, in the absence of any such designated beneficiary, shall be distributed pursuant to the Separated Non-Employee Director's will or by the applicable laws of descent and distribution, in each case as soon as administratively practicable following notice to the Company's Secretary of the Separated Non-Employee Director's death. The number of shares to be distributed with respect to the unpaid accumulated Dividend Equivalents will be determined by dividing the value of the unpaid accumulated Dividend Equivalents by the closing price of a share of the Common Stock on the last NYSE trading day immediately preceding the Separated Non-Employee Director's death.

iii. Election Timing. Any distribution election shall be made by filing an irrevocable written election with the Board no later than the 31st day of December of the calendar year immediately preceding the Year of Service in

respect of which the SRP Award is granted (or, in respect of the SRP Award granted in 2022, and subject to the provisions of Section 3.3(a) on or before December 31, 2021). Any distribution election shall continue in effect for subsequent SRP Awards unless and until the Non-Employee Director elects to have such election no longer apply. If no election is made with respect to a SRP Award granted in a calendar year that begins after the Effective Date (or, in respect of the SRP Award granted in 2022, with respect to such portion of such SRP Award that is attributable to the period during 2022 on and prior to the date of grant of the award), such awards shall be distributed in a lump-sum upon Separation.

3.4 **Deferral.** Notwithstanding the foregoing, an Eligible Non-Employee Director may, at least one year prior to Separation from the Board or any later fixed date specified in accordance with Section 3.3(b), as the case may be, and subject to consent from the Company, execute a written deferral election under which the commencement of the five annual installments or lump-sum distribution under this Amended SRP may be irrevocably deferred for a fixed number of years, equal to at least five years but not to exceed fifteen (15) years from the date distribution otherwise would have been made. If the Eligible Non-Employee Director executes such a deferral election and subsequently dies prior to any deferred payment date, the survivor's benefit provisions described in Section 3.6 shall apply as if the Non-Employee Director had not Separated at the time of death.

3.5 **Cash Settlement.** Notwithstanding anything herein to the contrary, solely to the extent (i) that the Company has an insufficient number of shares of common stock registered and authorized for delivery under the 2015 Equity Ownership Plan of Entergy Corporation and Subsidiaries and the 2019 OIP to settle an award hereunder or (ii) required by applicable law, outstanding awards may be settled in cash rather than in shares of common stock, payable pursuant to the payment schedule otherwise applicable to such award and with the amount payable in respect of equity units to be calculated based on the closing price of a share of common stock on the last NYSE trading day immediately preceding the lump sum distribution date or each annual installment date, as applicable.

3.6 **Death While In Active Service on the Board.** If an Eligible Non-Employee Director dies while serving on the Board, the Eligible Non-Employee Director's accumulated Equity Units and Dividend Equivalents shall be distributed in a lump sum in stock (based on the closing price of a share of the Common Stock on the last NYSE trading day immediately preceding the Eligible Non-Employee Director's death) to the Eligible Non-Employee Director's designated beneficiary, or, in the absence of a designated beneficiary, shall be distributed pursuant to the Eligible Non-Employee Director's will or by the applicable laws of descent and distribution, in each case as soon as administratively practicable following notice to the Company's Secretary of the Eligible Non-Employee Director's death. A beneficiary designation shall be effective only if in writing, signed by the Eligible Non-Employee Director and received by the Company's Secretary prior to the death of the Eligible Non-Employee Director.

3.7 **Required Six-Month Delay for Certain Distributions.** Notwithstanding the foregoing, except as explicitly stated in this Section 3.7, unless an Eligible Non-Employee Director's Separation is the result of such director's death, then to the extent required to avoid the imposition of tax under Code Section 409A, no distributions may be made to a Separated Non-Employee Director within six months following the Separated Non-Employee Director's Separation, if the Separated Non-Employee Director is a Specified Employee at the time of Separation. Any payments that are delayed pursuant to this Section 3.7 shall be paid in full on the first business day after the six-month required delay period ends or, if earlier, upon the Separated Non-Employee Director's death in accordance with Section 6.

3.8 **Source of Payment.** Neither the Company nor any of its Affiliates, nor the 2019 OIP or the Amended SRP shall be required to set aside a fund or assets for the payment of any amounts hereunder. No Non-Employee Director shall look to any other person or entity other than the Company for the payment of benefits under the Amended SRP. The Non-Employee Directors or any other person or entity having or claiming a right to payments hereunder shall rely solely on the unsecured obligation of the Company to the Non-Employee Director set forth herein. Each Non-Employee Director shall have the right to enforce his or her claim under the Amended SRP in the same manner as any other unsecured general creditor of the Company and its Affiliates. Nothing stated herein shall prohibit the Company from adopting or establishing a trust or other means for funding any obligations created hereunder provided, however, any and all rights that any such Non-Employee Directors shall have with respect to any such trust or other fund shall be governed by the terms thereof. Notwithstanding the foregoing, no contributions shall be made to such a trust during any “restricted period” within the meaning of Code Section 409A(b)(3).

ARTICLE IV **MISCELLANEOUS**

4.1 **Amendment or Termination.** This Amended SRP shall be administered by the Board, which shall have the authority to make all determinations under the Amended SRP, including substituting or adjusting outstanding Awards as provided in Section 5 of the 2019 OIP. Except as otherwise provided herein, and subject to the requirements of Code Section 409A, this Amended SRP shall be subject to amendment or termination by a majority vote of the Board at any time. Any such amendment or termination shall be binding on all active Non-Employee Directors alike regardless of their status; *provided, however*, that no such amendment or termination shall affect an Eligible or Separated Non-Employee Director’s rights to any and all benefits accrued and vested prior to the effective date of such amendment or termination. Notwithstanding the foregoing, unless (i) specifically provided, no amendment shall “materially modify” benefits under the Amended SRP, within the meaning of Code Section 409A, that became earned and vested on or before December 31, 2004, and (ii) no amendment shall modify the time and form of payment of any benefit under the Amended SRP that constitutes nonqualified deferred compensation within the meaning of Code Section 409A.

4.2 **Board Approval.** The Board must approve any deviations from this Amended SRP relating to the amount of compensation or benefits of Non-Employee Directors.

4.3 **Code Section 409A.** The Amended SRP is intended to comply with the applicable requirements of Code Section 409A and the regulations thereunder, and shall be administered in accordance with those provisions of Code Section 409A and the regulations thereunder that apply to the Amended SRP. To the extent that any provision of the Amended SRP would cause a conflict with the requirements of Code Section 409A and the regulations thereunder, or would cause the administration of the Amended SRP to fail to satisfy such requirements, such provision shall be deemed null and void to the extent permitted by applicable law. Each payment under this Amended SRP shall be deemed a separate payment for purposes of Code Section 409A.

**The First Amended and Restated
2019 Entergy Corporation Non-Employee Director Stock Program**

1. General

This First Amended and Restated 2019 Entergy Corporation Non-Employee Director Stock Program (the “Amended 2019 Stock Program”) effective as of December 3, 2021 (the “Effective Date”) hereby amends and restates the 2019 Entergy Corporation Non-Employee Director Stock Program established pursuant to Article 10 of the 2019 Entergy Corporation Omnibus Incentive Plan (the “2019 OIP”); the terms of which are incorporated into this Amended 2019 Stock Program. References in this Amended 2019 Stock Program to any specific 2019 OIP provision do not limit the applicability of any other 2019 OIP provision. This Amended 2019 Stock Program shall, along with the terms of the 2019 OIP, govern Awards granted after the Effective Date. Capitalized terms used in this Amended 2019 Stock Program that are not otherwise defined shall have the meanings assigned to them in the 2019 OIP. In the event of a conflict between the terms of the 2019 OIP and this Amended 2019 Stock Program, the terms of the 2019 OIP shall prevail.

2. Purpose

The purpose of the Amended 2019 Stock Program is to promote the interests of the Company and its shareholders by attracting and retaining Non-Employee Directors, as defined below, of outstanding ability and enabling Non-Employee Directors to participate in the long-term growth and financial success of the Company.

3. Eligibility

The only persons eligible to participate in this Amended 2019 Stock Program are members of the Board who are not employees of a System Company (“Non-Employee Directors”).

4. Administration

Pursuant to Article 3 of the 2019 OIP, the Board shall administer the Amended 2019 Stock Program with respect to any Award granted to a Non-Employee Director; provided, however, that the Board may delegate its authority to administer the Amended 2019 Stock Program to any committee or subcommittee of the Board that is comprised solely of Non-Employee Directors.

5. Quarterly Stock Awards

5.1 Quarterly Stock Awards. Subject to the provisions of Section 4(a) and Article 10 of the 2019 OIP and Sections 6 and 7 of this Amended 2019 Stock Program, each Non-Employee Director shall receive on an Award Date (as defined in Section 5.3 below) a quarterly grant of shares of Common Stock equal in value to \$19,375 (the “Quarterly Stock Award”) as of such Award Date for serving as a Non-Employee Director during the entire calendar quarter ending on, or immediately prior to, such Award Date. The number of shares of Common Stock granted on an Award Date shall be determined by dividing (a) \$19,375 by (b) the closing price of a share of Common Stock on the New York Stock Exchange (“NYSE”) on such Award Date. Any fractional share that results from this determination shall be rounded up to the next whole share and shall be included in the applicable Quarterly Stock Award.

5.2 Consideration. Each Quarterly Stock Award is granted in exchange for services rendered during the calendar quarter ending on, or immediately prior to, the Award Date and does not require the payment of consideration.

5.3 Award Dates. Quarterly Stock Awards will be granted on the last day of May, August, November and February of each year or, if such date is a day on which the NYSE is not open for trading, the next succeeding NYSE trading day (each an “Award Date”).

5.4 Proration. If a Non-Employee Director serves as a Non-Employee Director for less than the full calendar quarter ending on, or immediately prior to, an Award Date, the number of shares of Common Stock awarded to the Non-Employee Director on such Award Date shall be determined by multiplying the number of shares (including fractional shares) of Common Stock such Non-Employee Director would have received on such Award Date had he or she served as a Non-Employee Director for the full calendar quarter by a fraction, the numerator of which is the actual number of days (up to 90) the individual served as a Non-Employee Director during the applicable calendar quarter and the denominator of which is 90 days. Any fractional share that results from this determination shall be rounded up to the next whole share and shall be included in the pro-rated Quarterly Stock Award to the Non-Employee Director.

5.5 Employment by System Company. If a Non-Employee Director subsequently becomes an employee of a System Company while remaining a member of the Board, the former Non-Employee Director’s participation in this Amended 2019 Stock Program will be terminated effective immediately upon his or her employment by the System Company. The change in the Non-Employee Director’s employment status shall have no effect on Quarterly Stock Awards granted prior to his or her employment by a System Company; provided that the former Non-Employee Director shall be entitled to a pro-rated Quarterly Stock Award for the calendar quarter in which he or she becomes an employee of a System Company in accordance with Section 5.4 of the Amended 2019 Stock Program.

5.6 Taxes. If required by applicable law, the Non-Employee Director shall pay to the Company any amount necessary to satisfy applicable federal, state or local tax withholding requirements attributable to the Quarterly Stock Awards promptly upon notification of the amounts due. If required to pay withholding taxes, the Non-Employee Director may, to the extent consistent with the requirements of Code Section 409A and regulations thereunder, elect to pay such taxes from the shares of Common Stock that otherwise would be distributed to such Non-Employee Director, or from a combination of cash and shares of Common Stock. As provided in Section 4(b) of the 2019 OIP, Common Stock related to that portion of an Award utilized for the payment of withholding taxes shall not again be available for Awards under the 2019 OIP.

5.7 Delivery. The Company may deliver shares of Common Stock representing a Quarterly Stock Award by book-entry credit to the account of the Non-Employee Director or by the delivery of certificated shares. The Company may affix to these shares any legend that it determines to be necessary or advisable.

6 Deferral

In lieu of taking delivery of shares of Common Stock on an Award Date, a Non-Employee Director may elect to defer the receipt of such Quarterly Stock Award to a subsequent calendar year provided that he or she files an irrevocable written deferral election with the Board

no later than the 31st day of December of the calendar year immediately preceding the calendar year in which the Non-Employee Director commences the services to which the Award Date relates. Accordingly, for those Quarterly Stock Awards granted with respect to the quarters ending on the last day of May, August and November, such deferral election must be filed by December 31 of the calendar year immediately preceding such Award Dates and, for those Quarterly Stock Awards granted with respect to quarters ending on the last day of February, such deferral election must be filed by December 31 of the second calendar year immediately preceding such Award Dates. Any person who shall become a Non-Employee Director during any calendar year, and who was not a Non-Employee Director of the Company before the beginning of such calendar year, may elect, within 30 days after the Non-Employee Director's term begins, to defer the receipt of the Quarterly Stock Awards earned during the remainder of such calendar year and the calendar quarter ending the last day of February of the succeeding calendar year from and after the date of such election. Quarterly Stock Awards deferred pursuant to this Section 6 shall be deferred as equity units, each of which shall have the value, as of the Award Date, of one (1) share of Common Stock. Equity units do not represent actual shares of Common Stock and no shares of Common Stock will be purchased or acquired for the payout of any Quarterly Stock Award deferred under this Amended 2019 Stock Program. On each Award Date, the deferred equity units shall be credited to each Non-Employee Director's bookkeeping account maintained by the Company with respect to such Non-Employee Director's deferrals.

The Non-Employee Director's written deferral election must specify the date on which the deferred equity units will be paid ("Payment Date"), which Payment Date must be no earlier than January 2nd of the third calendar year immediately following the calendar year in which the applicable Award Date occurs. Quarterly Stock Awards deferred pursuant to this Section shall accrue dividend equivalents, which dividend equivalents will be paid on the Payment Date together with interest calculated at an annual rate based upon the 52-week U.S. Treasury Bill Rate as in effect on the first business day of each year. On each Payment Date, equity units deferred and elected to be paid out on such date shall be paid in cash in an amount equal to (a) the number of equity units outstanding on the Payment Date multiplied by the closing price of a share of Common Stock on the NYSE as of the close of business on the Payment Date or, if such Payment Date is a day on which the NYSE is not open for trading, the closing price of Common Stock on the next succeeding NYSE trading day, plus (b) the amount of all accrued dividend equivalents with respect to such equity units and (c) interest on the dividend equivalents through such Payment Date.

In the case of any Quarterly Stock Award deferred pursuant to this Section 6, no shares of Common Stock shall be purchased, distributed or contributed at the time of the deferral, and none of the Company, the 2019 OIP or this Amended 2019 Stock Program shall be required to set aside a fund or assets for the payment of any such deferred amount. No Non-Employee Director shall look to any other person or entity other than the Company for the payment of benefits under this Amended 2019 Stock Program. The Non-Employee Directors or any other person or entity having or claiming a right to payments hereunder shall rely solely on the unsecured obligation of the Company to the Non-Employee Director set forth herein. Nothing in this Amended 2019 Stock Program shall be construed to give a Non-Employee Director or any other person or entity any right, title, interest, or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever, owned by the Company or any of its Affiliates or in which the Company or any of its Affiliates may have any right, title or interest now or in the future. Each Non-Employee Director shall have the right to enforce his or her claim under the Amended 2019 Stock Program in the same manner as any other unsecured creditor of the Company and its Affiliates.

7. Miscellaneous

The Board reserves the right at any time to amend the terms and conditions set forth in this Amended 2019 Stock Program to the extent permitted under the 2019 OIP. Further, the Amended 2019 Stock Program is intended to comply with the requirements of Code Section 409A and the regulations thereunder and shall be administered in accordance with Code Section 409A and the regulations thereunder to the extent this Amended 2019 Stock Program is subject thereto. To the extent that any provision of the Amended 2019 Stock Program would conflict with the requirements of Code Section 409A and the regulations thereunder or would cause the administration of the 2019 Stock Program to fail to satisfy such requirements, such provision shall be deemed null and void to the extent permitted by applicable law. Each payment under this Amended 2019 Stock Program shall be deemed a separate payment for purposes of Code Section 409A.

The obligations of the Company under the Amended 2019 Stock Program shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

**ENTERGY CORPORATION
NON-EMPLOYEE DIRECTOR CASH DEFERRAL PLAN**

This Non-Employee Director Cash Deferral Plan (the “Plan”) is being established by Entergy Corporation (the “Company”) pursuant to the terms of the Entergy Corporation 2019 Omnibus Incentive Plan (the “2019 OIP”); the terms of which are incorporated into this Plan. References in this Plan to any specific 2019 OIP provision do not limit the applicability of any other 2019 OIP provision. This Plan shall be effective as of December 3, 2021 (the “Effective Date”) and shall subject to its terms apply to deferrals of cash fees payable in respect of the period after the Effective Date. Capitalized terms used in this Plan that are not otherwise defined shall have the meanings assigned to them in the 2019 OIP.

1. Eligibility. The only persons eligible to participate in the Plan are members of the Board of Directors of the Company (the “Board”) who are not employees of a System Company (each, a “Non-Employee Director”).

2. Participation.

(a) Time of Election. Before the beginning of a calendar year, each eligible Non-Employee Director may elect to participate in the Plan by directing that all or any part of their cash compensation (including fees payable for services as chair, lead director, or similar position, Board committee chair or a member of a committee of the Board) which otherwise would have been earned currently for services rendered as a Non-Employee Director (“Compensation”) during such calendar year shall be credited to a deferred notional compensation account (such account severally with respect to each calendar year, the “Account”); provided, however, that in respect of calendar year 2022, each Non-Employee Director may elect to defer only Compensation earned from and after March 1, 2022. Any such election shall be irrevocable as of the last day of the calendar year preceding the year for which it is made. Any person who shall become a Non-Employee Director during any calendar year, and who was not a Non-Employee Director of the Company before the beginning of such calendar year, may elect, within 30 days after the Non-Employee Director’s term begins, to defer payment of all or any part of their Compensation earned during the remainder of such calendar year from and after the date of such election. Equity awards granted to the Non-Employee Directors may not be deferred pursuant to the terms of this Plan.

(b) Form and Duration of Election. An election to participate in the Plan shall be made by written notice filed with the Board as provided in Section 2(a) hereof. Such election shall specify the amount (all or a portion) of the Non-Employee Director’s Compensation to be deferred and the form of its distribution in accordance with Section 4 hereof. An election made with respect to a calendar year shall continue in effect for later calendar years unless and until the Non-Employee Director changes or terminates the election by written notice timely filed with the Board. Any such change or termination shall become effective with respect to Compensation earned from and after the first day of the calendar year following the calendar year in which such notice is given.

(c) Renewal. A Non-Employee Director who has terminated his election to participate may thereafter file another election to participate for the calendar year subsequent to the filing of such election in accordance with the requirements of Section 2(a) hereof.

3. The Non-Employee Director’s Account.

(a) As of the date the Non-Employee Director's Compensation would otherwise be payable, the Non-Employee Director's Account will be credited with a notional amount equal to the amount of such Compensation which the Non-Employee Director elected to defer.

(b) A Non-Employee Director may from time to time direct the investment of the Non-Employee Director's Account in one or more hypothetical investment alternatives made available by the Board from time to time, and, except as otherwise provided in Section 3(c), earnings or losses thereon shall be credited to the Non-Employee Director's Account in accordance with the valuation procedures under such investment alternatives. The Non-Employee Director shall make his or her investment elections, and changes thereto, in accordance with procedures established by the Board. Unless the Board determines otherwise, the investment alternatives available under the Plan (and corresponding valuation procedures) shall, to the extent administratively practicable, mirror the alternatives that are made available from time to time under the Savings Plan of Entergy Corporation and Subsidiaries (or any successor thereto), but in all events including an investment alternative denominated in shares of Common Stock and excluding any investment window alternative. The provisions of Section 5 of the 2019 OIP (Equitable Adjustments) shall apply in respect of deemed Common Stock investments under the Plan.

(c) If the Company declares a cash dividend in respect of holders of Common Stock, each Non-Employee Director's Account, to the extent deemed invested in Common Stock, shall be credited on the dividend payment date with a dividend equivalent equal in value to the per-share cash dividend paid to a holder of record multiplied by the number of shares of Common Stock then deemed credited to the Non-Employee Director's Account, and such dividend equivalent shall then be deemed immediately invested in a number of shares of Common Stock equal to the quotient of such dividend equivalent amount divided by the Fair Market Value of a share of Common Stock on the dividend payment date.

4. Distribution from Accounts.

(a) Lump Sum Distribution. Unless a Non-Employee Director elects to receive the distribution of the value of the Non-Employee Director's Account in accordance with the provisions of Section 4(b), upon the Non-Employee Director's separation from service with the Board (within the meaning of Section 409A of the Code, a "Separation"), the Company shall pay to the Non-Employee Director (or, upon a Separation by reason of death, to the Non-Employee Director's designated beneficiary or estate if none) the value of the Non-Employee Director's Account in a lump sum in cash.

(b) Installment Distribution. A Non-Employee Director may elect to receive distribution of the value of the Non-Employee Director's Account in annual installments. If such an election is made, commencing on the first day of the month next following the Non-Employee Director's Separation, and thereafter for the four consecutive anniversary dates of such date (each an "Annual Installment Date"), the Non-Employee Director shall receive an annual installment payment as follows:

i) Timing. Each annual installment shall be paid in cash within thirty (30) days after the applicable Annual Installment Date.

ii) Each annual installment represents a proportionate share of the remaining accumulated value in the Non-Employee Director's Account based on the number of remaining annual installments to be paid. Accordingly, at Separation, the first

annual installment shall equal one-fifth of the aggregate value of the Account at the first Annual Installment Date. The second annual installment shall equal one-fourth of the aggregate value of the remaining Account at the second Annual Installment Date. The third annual installment shall equal one-third of the aggregate value of the remaining Account at the third Annual Installment Date. The fourth annual installment shall equal one-half of the aggregate value of the remaining Account at the fourth Annual Installment Date, and the fifth and final annual installment shall equal the remaining value of the Account at the fifth Annual Installment Date.

5. Miscellaneous.

(a) The right of a Non-Employee Director to receive any amount in the Non-Employee Director's Account shall not be transferable or assignable by the Non-Employee Director other than by will or the laws of descent and distribution, and no part of such amount shall be subject to attachment or other legal process.

(b) The Plan is intended to constitute an "unfunded" plan for incentive compensation. The Company shall not be required to reserve or otherwise set aside funds for the payment of its obligations hereunder. The establishment and maintenance of, or allocation and credits to, a Non-Employee Director's Account shall not vest in the Non-Employee Director or his beneficiary any right, title or interest in and to any specific assets of the Company. The rights of a Non-Employee Director to receive payments under the Plan shall be no greater than the right of an unsecured general creditor of the Company.

(c) The Plan shall be administered by the Board. The Board shall have the full discretion and power to interpret provisions of the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to compute amounts to be credited to and distributed from Non-Employee Directors' Accounts, and to make all other determinations it deems necessary or advisable to administer the Plan, with all such determinations being final and binding. The Board may delegate its rights and obligations hereunder as the Board shall determine.

(d) The Board may at any time terminate the Plan or amend the Plan in any manner it deems advisable and in the best interests of the Company; provided, however, that (i) no amendment or termination shall impair the rights of a Non-Employee Director with respect to amounts then credited to the Non-Employee Director's Account, and (ii) no amendment or termination shall accelerate or defer any payments or distributions that would have been made under the Plan if it had not been amended or terminated, except to the extent that such acceleration or deferral could be made without subjecting the Non-Employee Directors to additional taxes under Section 409A of the Code.

(e) The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state.

(f) The Plan and the payments and benefits under the Plan are intended to be exempt from or, to the extent subject thereto, to comply with Section 409A of the Code, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted in accordance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, a Non-Employee Director shall not be considered for purposes of the Plan to have terminated service on the Board, and no payment shall be due to a Non-Employee Director under the Plan, until the Non-Employee Director would be considered

to have incurred a Separation from the Company and its affiliates within the meaning of Section 409A of the Code.

(g) If any provision of the Plan is held to be invalid or unenforceable, the other provisions of the Plan shall not be affected but shall be applied as if the invalid or unenforceable provision had not been included in the Plan.

(h) The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

(i) The titles and headings of the sections in the Plan are for convenience of reference only and do not form part of the Plan.

Subsidiaries of Entergy Corporation as of December 31, 2021

Certain subsidiaries, which if considered in the aggregate as a single subsidiary would not constitute a significant subsidiary as of December 31, 2021, have been omitted.

Name of Company	State of Incorporation
Entergy Utility Affiliates Holdings, Inc.	Texas
Entergy Utility Affiliates, LLC	Texas
Entergy Utility Assets Holdings, Inc.	Texas
Entergy Utility Assets, LLC	Texas
Entergy Utility Group, Inc.	Texas
Entergy Utility Enterprises, Inc.	Texas
Entergy Utility Property, Inc.	Texas
Entergy Utility Holding Company, LLC	Texas
Entergy Holdings Company LLC	Delaware
Entergy Finance Company LLC	Delaware
Entergy Arkansas, LLC	Texas
Arkansas Power & Light Company, LLC	Arkansas
AR Searcy Partnership, LLC	Delaware
Entergy Louisiana, LLC	Texas
Prudential Oil & Gas L.L.C. (57.5%)	Texas
Gulf States Utilities Company	Texas
Varibus L.L.C.	Texas
Southern Gulf Railway LLC (57.5%)	Texas
Entergy Louisiana Investment Recovery Funding I, L.L.C.	Louisiana
Louisiana Power & Light Company, LLC	Delaware
Entergy New Orleans, LLC	Texas
Entergy New Orleans Storm Recovery Funding I, L.L.C.	Louisiana
New Orleans Public Service Inc.	Louisiana
Entergy Mississippi, LLC	Texas
Entergy Power & Light Company	Mississippi
The Light, Heat and Water Company of Jackson, Mississippi	Mississippi
Mississippi Power & Light Company	Mississippi
Entergy Texas, Inc.	Texas
Entergy Texas Restoration Funding, LLC	Delaware
Entergy Gulf States Reconstruction Funding I, LLC	Delaware
Prudential Oil & Gas L.L.C. (42.5%)	Texas
Southern Gulf Railway LLC (42.5%)	Texas
System Energy Resources, Inc.	Arkansas
Entergy Services Holding, Inc.	Delaware
Entergy Services, LLC	Louisiana
Entergy Account Services, LLC	Delaware
Entergy Operations, Inc.	Delaware
Entergy Enterprises, Inc.	Louisiana
Entergy Nuclear, Inc.	Delaware
Entergy Finance Holding, Inc.	Arkansas
Entergy Nuclear Holding Company # 1	Delaware
Entergy Nuclear New York Investment Company, LLC	Delaware

Entergy Nuclear Indian Point 3, LLC	Delaware
Entergy Northeast Holdings, LLC	Delaware
Merchant Holdings Properties, LLC	Delaware
Entergy Power Marketing Assets, LLC	Delaware
Entergy Nuclear Power Marketing, LLC	Delaware
Entergy Nuclear Holding Company # 2	Delaware
Entergy Nuclear Operations, Inc.	Delaware
Entergy Nuclear Fuels Company	Delaware
Entergy Nuclear Holding Company, LLC	Delaware
Entergy Nuclear Midwest Investment Company, LLC	Delaware
Entergy Nuclear Palisades, LLC	Delaware
Entergy Nuclear Holding Company #3, LLC	Delaware
Entergy Nuclear Indian Point 2, LLC	Delaware
Entergy Nuclear Nebraska, LLC	Delaware
Entergy Assets Management Company, LLC	Delaware
Entergy Assets Management Operations, LLC	Delaware
TLG Services, LLC	Delaware
Entergy Power Marketing Holding I, Inc.	Delaware
Entergy Power Marketing Properties, LLC	Delaware
Entergy Power Marketing Holding II, Inc.	Delaware
Entergy Amalgamated Competitive Holdings, LLC	Delaware
Entergy Power Operations U.S. Inc.	Delaware
Entergy Power Gas Operations, LLC	Delaware
Entergy Power Ventures, LLC	Delaware
EWO Marketing, LLC	Delaware
EAM Nelson Holding, LLC	Delaware
Entergy Power Investment Holding, Inc.	Delaware
Entergy Asset Management, Inc.	Delaware
Entergy Power, LLC	Delaware

February 25, 2022

TO: Kimberly A. Fontan
Daniel T. Falstad

Re: Power of Attorney - Form 10-K

Entergy Corporation, referred to herein as the Company, will file with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 2021, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The Company and the undersigned persons, in their respective capacities as directors and/or officers of the Company, as specified in Attachment I, do each hereby make, constitute and appoint Kimberly A. Fontan and Daniel T. Falstad and each of them, their true and lawful Attorneys (with full power of substitution) for each of the undersigned and in his or her name, place and stead to sign and cause to be filed with the Securities and Exchange Commission the aforementioned Annual Report on Form 10-K and any amendments thereto.

Yours very truly,

ENTERGY CORPORATION

By: /s/ Leo P. Denault
Leo P. Denault
Director, Chairman of the Board
and Chief Executive Officer

/s/ John R. Burbank
John R. Burbank
Director

/s/ Alexis M. Herman
Alexis M. Herman
Director

/s/ Patrick J. Condon
Patrick J. Condon
Director

/s/ M. Elise Hyland
M. Elise Hyland
Director

/s/ Leo P. Denault
Leo P. Denault
Director, Chairman of the Board and
Chief Executive Officer

/s/ Stuart L. Levenick
Stuart L. Levenick
Director

/s/ Kirkland H. Donald
Kirkland H. Donald
Director

/s/ Blanche L. Lincoln
Blanche L. Lincoln
Director

/s/ Brian W. Ellis
Brian W. Ellis
Director

/s/ Karen A. Puckett
Karen A. Puckett
Director

/s/ Philip L. Frederickson
Philip L. Frederickson
Director

/s/ Andrew S. Marsh
Andrew S. Marsh
Executive Vice President and Chief
Financial Officer

Entergy Corporation

Chairman of the Board and Chief Executive Officer - Leo P. Denault (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - John R. Burbank, Patrick J. Condon, Leo P. Denault, Kirkland H. Donald, Brian W. Ellis, Philip L. Frederickson, Alexis M. Herman, M. Elise Hyland, Stuart L. Levenick, Blanche L. Lincoln and Karen A. Puckett

February 25, 2022

TO: Kimberly A. Fontan
Daniel T. Falstad

Re: Power of Attorney - Form 10-K

Entergy Arkansas, LLC., Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas, Inc. and System Energy Resources, Inc. (collectively referred to herein as the Companies) will each file with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 2021, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The Companies and the undersigned persons, in their respective capacities as directors and/or officers of the Companies, as specified in Attachment I, do each hereby make, constitute and appoint Kimberly A. Fontan and Daniel T. Falstad and each of them, their true and lawful Attorneys (with full power of substitution) for each of the undersigned and in his or her name, place and stead to sign and cause to be filed with the Securities and Exchange Commission the aforementioned Annual Report on Form 10-K and any amendments thereto.

Yours very truly,

ENTERGY ARKANSAS, LLC
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, LLC
ENTERGY NEW ORLEANS, LLC
ENTERGY TEXAS, INC.
SYSTEM ENERGY RESOURCES, INC.

/s/ A. Christopher Bakken, III
A. Christopher Bakken, III
Director of System Energy Resources, Inc.

/s/ Phillip R. May, Jr.
Phillip R. May, Jr.
Director, Chairman of the Board, President and Chief
Executive Officer of Entergy Louisiana, LLC

/s/ Haley R. Fisackerly
Haley R. Fisackerly
Director, Chairman of the Board, President and Chief
Executive Officer of Entergy Mississippi, LLC

/s/ Steven C. McNeal
Steven C. McNeal
Director of System Energy Resources, Inc.

/s/ Paul D. Hinnenkamp
Paul D. Hinnenkamp
Director of Entergy Arkansas, LLC, Entergy Louisiana, LLC,
Entergy Mississippi, LLC, Entergy New Orleans, LLC and
Entergy Texas, Inc.

/s/ Deanna D. Rodriguez
Deanna D. Rodriguez
Director, Chair of the Board, President and Chief Executive
Officer of Entergy New Orleans, LLC

/s/ Laura R. Landreaux
Laura R. Landreaux
Director, Chair of the Board of Directors, President and Chief
Executive Officer of Entergy Arkansas, LLC

/s/ Eliecer Viamontes
Eliecer Viamontes
Director, Chairman of the Board of Directors, President and
Chief Executive Officer of Entergy Texas, Inc.

/s/ Andrew S. Marsh
Andrew S. Marsh
Director, Executive Vice President and Chief Financial
Officer of Entergy Arkansas, LLC, Entergy Louisiana, LLC,
Entergy Mississippi, LLC, Entergy New Orleans, LLC,
Entergy Texas, Inc. and System Energy Resources, Inc.

/s/ Roderick K. West
Roderick K. West
Director of Entergy Arkansas, LLC, Entergy Louisiana, LLC,
Entergy Mississippi, LLC, Entergy New Orleans, LLC and
Entergy Texas, Inc.

Director, Chairman of the Board, President and Chief
Executive Officer of System Energy Resources, Inc.

Entergy Arkansas, LLC

Chair of the Board of Directors, President and Chief Executive Officer - Laura R. Landreaux (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Laura R. Landreaux, Andrew S. Marsh and Roderick K. West

Entergy Louisiana, LLC

Chairman of the Board, President and Chief Executive Officer - Phillip R. May, Jr. (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Andrew S. Marsh, Phillip R. May, Jr. and Roderick K. West

Entergy Mississippi, LLC

Chairman of the Board, President and Chief Executive Officer - Haley R. Fisackerly (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Haley R. Fisackerly, Paul D. Hinnenkamp, Andrew S. Marsh and Roderick K. West

Entergy New Orleans, LLC

Chair of the Board, President and Chief Executive Officer - Deanna D. Rodriguez (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Andrew S. Marsh, Deanna D. Rodriguez and Roderick K. West

Entergy Texas, Inc.

Chairman of the Board of Directors, President and Chief Executive Officer - Eliecer Viamontes (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Andrew S. Marsh, Eliecer Viamontes and Roderick K. West

System Energy Resources, Inc.

Chairman of the Board, President and Chief Executive Officer - Roderick K. West (principal executive officer)
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - A. Christopher Bakken, III, Andrew S. Marsh, Steven C. McNeal and Roderick K. West

CERTIFICATIONS

I, Leo P. Denault, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Leo P. Denault

Leo P. Denault
Chairman of the Board and Chief Executive Officer
of Entergy Corporation

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and
Chief Financial Officer of Entergy Corporation

Date: February 25, 2022

CERTIFICATIONS

I, Laura R. Landreaux, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Arkansas, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Laura R. Landreaux

Laura R. Landreaux
Chair of the Board, President, and
Chief Executive Officer of Entergy Arkansas, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Arkansas, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Arkansas, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Phillip R. May, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Louisiana, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Phillip R. May, Jr.

Phillip R. May, Jr.
Chairman of the Board, President, and Chief Executive
Officer of Entergy Louisiana, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Louisiana, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Louisiana, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Haley R. Fisackerly, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Mississippi, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Haley R. Fisackerly

Haley R. Fisackerly
Chairman of the Board, President, and
Chief Executive Officer
of Entergy Mississippi, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Mississippi, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Mississippi, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Deanna D. Rodriguez, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy New Orleans, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Deanna D. Rodriguez

Deanna D. Rodriguez
Chair of the Board, President, and
Chief Executive Officer of Entergy New Orleans, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy New Orleans, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer of
Entergy New Orleans, LLC

Date: February 25, 2022

CERTIFICATIONS

I, Eliecer Viamontes, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Texas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eliecer Viamontes

Eliecer Viamontes
Chairman of the Board, President, and
Chief Executive Officer of Entergy Texas, Inc.

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Texas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Texas, Inc.

Date: February 25, 2022

CERTIFICATIONS

I, Roderick K. West, certify that:

1. I have reviewed this annual report on Form 10-K of System Energy Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Roderick K. West

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

Date: February 25, 2022

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of System Energy Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of System Energy Resources, Inc.

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Leo P. Denault, Chairman of the Board and Chief Executive Officer of Entergy Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Leo P. Denault

Leo P. Denault
Chairman of the Board and
Chief Executive Officer
of Entergy Corporation

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and
Chief Financial Officer of Entergy Corporation

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Laura R. Landreaux, Chair of the Board, President, and Chief Executive Officer of Entergy Arkansas, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Laura R. Landreaux

Laura R. Landreaux
Chair of the Board, President, and
Chief Executive Officer of Entergy Arkansas, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Arkansas, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Arkansas, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Phillip R. May, Jr., Chairman of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Phillip R. May, Jr.

Phillip R. May, Jr.
Chairman of the Board, President,
and Chief Executive Officer of Entergy Louisiana, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Louisiana, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Louisiana, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Haley R. Fisackerly, Chairman of the Board, President, and Chief Executive Officer of Entergy Mississippi, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Haley R. Fisackerly

Haley R. Fisackerly
Chairman of the Board, President, and Chief Executive
Officer of Entergy Mississippi, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Mississippi, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Mississippi, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Deanna D. Rodriguez, Chair of the Board, President, and Chief Executive Officer of Entergy New Orleans, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Deanna D. Rodriguez

Deanna D. Rodriguez
Chair of the Board, President, and
Chief Executive Officer of
Entergy New Orleans, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy New Orleans, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy New Orleans, LLC

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eliecer Viamontes, Chairman of the Board, President, and Chief Executive Officer of Entergy Texas, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Eliecer Viamontes

Eliecer Viamontes
Chairman of the Board, President, and
Chief Executive Officer
of Entergy Texas, Inc.

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Texas, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of Entergy Texas, Inc.

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Roderick K. West, Chairman of the Board, President, and Chief Executive Officer of System Energy Resources, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Roderick K. West

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

Date: February 25, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of System Energy Resources, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Executive Vice President and Chief Financial Officer
of System Energy Resources, Inc.

Date: February 25, 2022

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended September 30, 2022

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, LLC (a Texas limited liability company) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 83-1918668	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 2107 Research Forest Drive The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 576-4000 47-4469646	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777
1-31508	ENTERGY MISSISSIPPI, LLC (a Texas limited liability company) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 83-1950019		

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

Registrant	Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Entergy Corporation	Common Stock, \$0.01 Par Value	ETR	New York Stock Exchange
	Common Stock, \$0.01 Par Value	ETR	NYSE Chicago, Inc.
Entergy Arkansas, LLC	Mortgage Bonds, 4.875% Series due September 2066	EAI	New York Stock Exchange
Entergy Louisiana, LLC	Mortgage Bonds, 4.875% Series due September 2066	ELC	New York Stock Exchange
Entergy Mississippi, LLC	Mortgage Bonds, 4.90% Series due October 2066	EMP	New York Stock Exchange
Entergy New Orleans, LLC	Mortgage Bonds, 5.0% Series due December 2052	ENJ	New York Stock Exchange
	Mortgage Bonds, 5.50% Series due April 2066	ENO	New York Stock Exchange
Entergy Texas, Inc.	5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share)	ETI/PR	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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

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 October 31, 2022
Entergy Corporation	(\$0.01 par value)	203,483,660

Entergy Corporation, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, 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, 2021 and the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022, 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, projections, 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,” “continue,” “potential,” “plan,” “predict,” “forecast,” and other similar words or expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although each of these registrants believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, these registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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

- resolution of pending and future rate cases and related litigation, 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, as well as delays in cost recovery resulting from these proceedings;
- 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, the MISO-wide base rate of return on equity allowed or any MISO-related charges and credits required by the FERC, 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 return on equity criteria, 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 owned or operated nuclear generating facilities, nuclear materials and fuel, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license 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 changing regulatory requirements, changing economic conditions, and emerging operating and industry issues, and the risks related to recovery of these costs and capital expenditures from Entergy’s customers (especially in an increasing cost environment);
- the commitment of substantial human and capital resources required for the safe and reliable operation and maintenance of Entergy’s nuclear generating facilities;

FORWARD-LOOKING INFORMATION (Continued)

- Entergy's ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts;
- volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;
- changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;
- 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 and other regulated air emissions, heat and other regulated discharges to water, requirements for waste management and disposal and for the remediation of contaminated sites, wetlands protection and permitting, and changes in costs of compliance with 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, trade/tariff, domestic purchase requirements, or energy policies and related laws, regulations, and other governmental actions;
- the effects of full or partial shutdowns of the federal government or delays in obtaining government or regulatory actions or decisions;
- 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, as well as any related unplanned outages;
- effects of climate change, including the potential for increases in extreme weather events and sea levels or coastal land and wetland loss;
- the risk that an incident at any nuclear generation facility in the U.S. could lead to the assessment of significant retrospective assessments and/or retrospective insurance premiums as a result of Entergy's participation in a secondary financial protection system and a utility industry mutual insurance company;
- 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, including completion of projects timely and within budget and to obtain the anticipated performance or other benefits, and its operation and maintenance costs;
- the effects of supply chain disruptions, including those driven by the COVID-19 global pandemic or by trade-related governmental actions, on Entergy's ability to complete its capital projects in a timely and cost-effective manner;
- 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 events and circumstances that could influence economic conditions in those areas, including power prices and inflation, and the risk that anticipated load growth may not materialize;
- changes to federal income tax laws and regulations, including the Inflation Reduction Act of 2022, and the continued impact of the Tax Cuts and Jobs Act of 2017 and the CARES Act of 2020, and any related intended or unintended consequences on financial results and future cash flows;
- the effects of Entergy's strategies to reduce tax payments;
- changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to and cost of capital and Entergy's ability to refinance existing securities and fund investments and acquisitions;

FORWARD-LOOKING INFORMATION (Concluded)

- 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 effects of litigation and government investigations or proceedings;
- changes in technology, including (i) Entergy's ability to implement new or emerging technologies, (ii) the impact of changes relating to new, developing, or alternative sources of generation such as distributed energy and energy storage, renewable energy, energy efficiency, demand side management and other measures that reduce load and government policies incentivizing development of the foregoing, and (iii) competition from other companies offering products and services to Entergy's customers based on new or emerging technologies or alternative sources of generation;
- Entergy's ability to effectively formulate and implement plans to reduce its carbon emission rate and aggregate carbon emissions, including its commitment to achieve net-zero carbon emissions by 2050, and the potential impact on its business of attempting to achieve such objectives;
- 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;
- the effects of a global or geopolitical event or pandemic, such as the COVID-19 global pandemic and the military activities between Russia and Ukraine, including economic and societal disruptions; volatility in the capital markets (and any related increased cost of capital or any inability to access the capital markets or draw on available bank credit facilities); reduced demand for electricity, particularly from commercial and industrial customers; increased or unrecoverable costs; supply chain, vendor, and contractor disruptions; delays in completion of capital or other construction projects, maintenance, and other operations activities, including prolonged or delayed outages; impacts to Entergy's workforce availability, health, or safety; increased cybersecurity risks as a result of many employees telecommuting; increased late or uncollectible customer payments; regulatory delays; executive orders affecting, or increased regulation of, Entergy's business; changes in credit ratings or outlooks as a result of any of the foregoing; or other adverse impacts on Entergy's ability to execute on its business strategies and initiatives or, more generally, on Entergy's results of operations, financial condition, and liquidity;
- Entergy's ability to attract and retain talented management, directors, and employees with specialized skills;
- Entergy's ability to attract, retain, and manage an appropriately qualified workforce;
- changes in accounting standards and corporate governance best practices;
- declines in the market prices of marketable securities and resulting funding requirements and the effects on benefits costs for Entergy's defined benefit pension and other postretirement benefit plans;
- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;
- 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; and
- Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete strategic transactions that they may undertake.

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
COVID-19	The novel coronavirus disease declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention in March 2020
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. With the sale of Palisades in June 2022, Entergy completed its multi-year strategy to exit the merchant nuclear power business.
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2021 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy

DEFINITIONS (Continued)

Abbreviation or Acronym	Term
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
HLBV	Hypothetical liquidation at book value
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in April 2020 and was sold in May 2021
Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in April 2021 and was sold in May 2021
IRS	Internal Revenue Service
ISO	Independent System Operator
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LPSC	Louisiana Public Service Commission
LURC	Louisiana Utilities Restoration Corporation
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), which equals one thousand kilowatts
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, 70% of which is co-owned by Entergy Louisiana (57.5%) and Entergy Texas (42.5%) and 10.9% of which is owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
NRC	Nuclear Regulatory Commission
Palisades	Palisades Nuclear Plant (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in May 2022 and was sold in June 2022
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
PPA	Purchased power agreement or power purchase agreement
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, 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.

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
System Energy	System Energy Resources, Inc.
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by the FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014 and was disposed of in January 2019
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, owned 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

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 shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants. With the sale of Palisades in June 2022, Entergy completed its multi-year strategy to exit the merchant nuclear power business.

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

Results of Operations

Third Quarter 2022 Compared to Third Quarter 2021

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the third quarter 2022 to the third quarter 2021 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)			
2021 Net Income (Loss) Attributable to Entergy Corporation	\$570,366	\$25,517	(\$64,880)	\$531,003
Operating revenues	965,376	(100,266)	(27)	865,083
Fuel, fuel-related expenses, and gas purchased for resale	623,649	5,380	(3)	629,026
Purchased power	101,408	2,323	3	103,734
Other regulatory charges (credits) - net	(111,607)	—	—	(111,607)
Other operation and maintenance	132,029	(40,994)	1,515	92,550
Asset write-offs, impairments, and related charges (credits)	—	(4)	—	(4)
Taxes other than income taxes	8,938	(1,257)	28	7,709
Depreciation and amortization	39,246	(7,298)	(405)	31,543
Other income (deductions)	(35,648)	(2,819)	(24,279)	(62,746)
Interest expense	14,589	(1,042)	4,413	17,960
Other expenses	10,097	(24,800)	—	(14,703)
Income taxes	18,616	9,416	(2,202)	25,830
Preferred dividend requirements of subsidiaries and noncontrolling interest	(9,239)	—	(48)	(9,287)
2022 Net Income (Loss) Attributable to Entergy Corporation	<u>\$672,368</u>	<u>(\$19,292)</u>	<u>(\$92,487)</u>	<u>\$560,589</u>

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

Operating Revenues

Utility

Following is an analysis of the change in operating revenues comparing the third quarter 2022 to the third quarter 2021:

	Amount
	(In Millions)
2021 operating revenues	\$3,191
Fuel, rider, and other revenues that do not significantly affect net income	811
Retail electric price	100
Volume/weather	92
Retail one-time bill credit	(37)
2022 operating revenues	\$4,157

The Utility operating companies' results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to:

- an increase in Entergy Arkansas's formula rate plan rates effective January 2022;
- increases in Entergy Louisiana's formula rate plan revenues, including increases in the distribution and transmission recovery mechanisms, effective September 2021 and September 2022;
- increases in Entergy Mississippi's formula rate plan rates effective April 2022 and August 2022;
- increases in Entergy New Orleans's formula rate plan rates effective November 2021 and September 2022; and
- an increase in the distribution cost recovery factor rider effective January 2022 and an increase in the transmission cost recovery factor rider effective March 2022, each at Entergy Texas.

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

The volume/weather variance is primarily due to an increase of 2,260 GWh, or 7%, in electricity usage across all customer classes, including the effect of more favorable weather on residential and commercial sales and the effects of Hurricane Ida in third quarter 2021. The increase in industrial usage was due to an increase in demand from expansion projects, primarily in the chemicals industry, an increase in demand from small industrial customers, and an increase in demand from cogeneration customers. The increase in weather-adjusted commercial usage was primarily due to the effect of the COVID-19 pandemic on businesses in third quarter 2021.

The retail one-time bill credit represents the disbursement of settlement proceeds in the form of a one-time bill credit provided to Entergy Mississippi's retail customers, effective during the September 2022 billing cycle, as a result of the System Energy partial settlement agreement with the MPSC. There is no effect on net income as the reduction in operating revenues was offset by regulatory credits recorded in third quarter 2022. See Note 2 to the financial statements herein for further discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds.

Total electric energy sales for Utility for the three months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	11,272	10,545	7
Commercial	8,223	7,649	8
Industrial	13,926	13,021	7
Governmental	702	648	8
Total retail	34,123	31,863	7
Sales for resale	4,809	4,350	11
Total	38,932	36,213	8

See Note 13 to the financial statements herein for additional discussion of operating revenues.

Entergy Wholesale Commodities

Operating revenues for Entergy Wholesale Commodities decreased from \$162 million for the third quarter 2021 to \$62 million for the third quarter 2022 primarily due to the shutdown of Palisades in May 2022.

Following are key performance measures for Entergy Wholesale Commodities for the third quarters 2022 and 2021:

	2022	2021
Owned capacity (MW) (a)	394	1,205
GWh billed	577	2,166
<u>Entergy Wholesale Commodities Nuclear Fleet</u>		
Capacity factor	—%	97%
GWh billed	—	1,702
Average energy price (\$/MWh)	\$—	\$69.35
Average capacity price (\$/kW-month)	\$—	\$0.15

- (a) The reduction in owned capacity is due to the shutdown of the 811 MW Palisades plant in May 2022. With the sale of Palisades in June 2022, Entergy completed its multi-year strategy to exit the merchant nuclear power business.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$644 million for the third quarter 2021 to \$776 million for the third quarter 2022 primarily due to:

- an increase of \$36 million in power delivery expenses primarily due to higher vegetation maintenance costs, higher reliability costs, and higher safety and training costs, partially offset by a decrease in meter reading expenses as a result of the deployment of advanced metering systems;

- an increase of \$30 million in nuclear generation expenses primarily due to a higher scope of work performed and higher outage costs in 2022 as compared to prior year and higher nuclear labor costs;
- an increase of \$20 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year;
- a gain of \$15 million, recorded in the third quarter 2021, on the sale of a pipeline; and
- an increase of \$13 million in bad debt expense, including the deferral in 2021 of bad debt expense resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic.

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

Other regulatory charges (credits) - net includes:

- a regulatory credit of \$37 million, recorded in the third quarter 2022 at Entergy Mississippi, to reflect a one-time bill credit to customers as a result of the partial settlement agreement and offer of settlement with System Energy. This regulatory credit offsets a reduction in gross revenue from the bill credits provided to customers in the September bill cycle. See Note 2 to the financial statements herein for further discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds; and
- regulatory credits of \$23 million, recorded in the third quarter 2022 at Entergy Mississippi, to reflect the effects of the joint stipulation reached in the 2022 formula rate plan filing proceeding. See Note 2 to the financial statements herein for discussion of the 2022 formula rate plan filing.

In addition, Entergy records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and nuclear decommissioning trust earnings plus asset retirement obligation-related costs collected in revenue.

Other income decreased primarily due to changes in decommissioning trust fund activity, including portfolio rebalancing of the decommissioning trust funds in 2021. The decrease was partially offset by an increase of \$24 million in intercompany dividend income. The increase in intercompany dividend income results from the Entergy Louisiana storm trust's investment of securitization proceeds in affiliated preferred membership interests, partially offset by the liquidation of Entergy Louisiana's investment in affiliated preferred membership interests acquired in connection with previous securitizations of storm restoration costs. The intercompany dividend income on the affiliate preferred membership interests is eliminated for consolidation purposes and has no effect on net income since the investment is in another Entergy subsidiary. See Note 2 to the financial statements herein for discussion of the securitization.

Interest expense increased primarily due to:

- the issuance by Entergy Arkansas of \$200 million of 4.20% Series mortgage bonds in March 2022;
- the issuance by Entergy Louisiana of \$1 billion of 0.95% Series mortgage bonds in October 2021;
- the issuance by Entergy Louisiana of \$500 million of 4.75% Series mortgage bonds in August 2022;
- the issuance by Entergy Mississippi of \$200 million of 2.55% Series mortgage bonds in November 2021;
- the \$150 million unsecured term loan proceeds received by Entergy Mississippi in June 2022;
- borrowings of \$100 million in 2022 on Entergy Mississippi's credit facility;
- the issuances by Entergy New Orleans of \$90 million of 4.19% Series mortgage bonds and \$70 million of 4.51% Series mortgage bonds, each in November 2021; and
- the issuance by Entergy Texas of \$325 million of 5.00% Series mortgage bonds in August 2022.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$51 million for the third quarter 2021 to \$10 million for the third quarter 2022 primarily due to a decrease of \$39 million resulting from the absence of expenses from Palisades, after it was shut down in May 2022, and a decrease of \$3 million in severance and retention expenses. See “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” below and in the Form 10-K for a discussion of management’s strategy to shut down and sell all plants in Entergy Wholesale Commodities’ merchant nuclear fleet. See Note 7 to the financial statements herein for further discussion of severance and retention expenses.

Depreciation and amortization expenses decreased primarily due to the absence of depreciation expense from Palisades, after it was shut down in May 2022.

Other expenses decreased primarily due to the absence of decommissioning expense and nuclear refueling outage expense from Palisades, after it was shut down in May 2022 and sold in June 2022. See Note 14 to the financial statements herein for discussion of the sale of Palisades.

Parent and Other

Other income decreased primarily due to the elimination for consolidation purposes of intercompany dividend income, as discussed above.

Income Taxes

The effective income tax rate was 24.9% for the third quarter 2022. The difference in the effective income tax rate for the third quarter 2022 versus the federal statutory rate of 21% was primarily due to state income taxes and a provision recorded for uncertain tax positions, partially offset by the amortization of excess accumulated deferred income taxes and certain book and tax differences related to utility plant items. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

The effective income tax rate was 22.8% for the third quarter 2021. The difference in the effective income tax rate for the third quarter 2021 versus the federal statutory rate of 21% was primarily due to state income taxes, partially offset by the amortization of excess accumulated deferred income taxes and certain book and tax differences related to utility plant items. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021 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)			
2021 Net Income (Loss) Attributable to Entergy Corporation	\$1,252,835	(\$212,101)	(\$181,140)	\$859,594
Operating revenues	1,729,800	(258,430)	(73)	1,471,297
Fuel, fuel-related expenses, and gas purchased for resale	803,142	17,533	3	820,678
Purchased power	305,790	6,093	(3)	311,880
Other regulatory charges (credits) - net	643,891	—	—	643,891
Other operation and maintenance	192,684	(139,562)	8,054	61,176
Asset write-offs, impairments, and related charges (credits)	—	(508,690)	—	(508,690)
Taxes other than income taxes	48,849	(1,427)	66	47,488
Depreciation and amortization	103,258	(22,689)	(1,359)	79,210
Other income (deductions)	(87,226)	(109,424)	(36,762)	(233,412)
Interest expense	40,651	(6,357)	18,803	53,097
Other expenses	11,199	(93,355)	—	(82,156)
Income taxes	(408,823)	93,639	342	(314,842)
Preferred dividend requirements of subsidiaries and noncontrolling interest	(10,801)	—	(144)	(10,945)
2022 Net Income (Loss) Attributable to Entergy Corporation	<u>\$1,165,569</u>	<u>\$74,860</u>	<u>(\$243,737)</u>	<u>\$996,692</u>

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

Results of operations for the nine months ended September 30, 2022 include: 1) a regulatory charge of \$551 million (\$413 million net-of-tax), recorded at Utility, as a result of System Energy's partial settlement agreement and offer of settlement related to pending proceedings before the FERC; 2) a \$283 million reduction in income tax expense as a result of the Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida securitization financing, which also resulted in a \$224 million (\$165 million net-of-tax) regulatory charge, recorded at Utility, to reflect Entergy Louisiana's obligation to provide credits to its customers in recognition of obligations related to an LPSC ancillary order issued as part of the securitization regulatory proceeding; and 3) a gain of \$166 million (\$130 million net-of-tax) as a result of the sale of the Palisades plant in June 2022. See Note 2 to the financial statements herein for further discussion of the System Energy partial settlement agreement and offer of settlement. See Notes 2 and 10 to the financial statements herein for further discussion of the securitization. See Note 14 to the financial statements herein for discussion of the sale of the Palisades plant.

Results of operations for the nine months ended September 30, 2021 include a charge of \$340 million (\$268 million net-of-tax) as a result of the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of the Indian Point Energy Center.

Operating Revenues

Utility

Following is an analysis of the change in operating revenues comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021:

	Amount
	(In Millions)
2021 operating revenues	\$8,461
Fuel, rider, and other revenues that do not significantly affect net income	1,220
Retail electric price	249
Volume/weather	218
Storm restoration carrying costs	59
Return of unprotected excess accumulated deferred income taxes to customers	21
Retail one-time bill credit	(37)
2022 operating revenues	\$10,191

The Utility operating companies' results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to:

- increases in Entergy Arkansas's formula rate plan rates effective May 2021 and January 2022;
- increases in Entergy Louisiana's formula rate plan revenues, including increases in the distribution and transmission recovery mechanisms, effective September 2021 and September 2022;
- increases in Entergy Mississippi's formula rate plan rates effective April 2021, July 2021, April 2022, and August 2022;
- an increase in Entergy New Orleans's formula rate plan rates effective November 2021; and
- increases in the transmission cost recovery factor rider effective March 2021 and March 2022, an increase in the distribution cost recovery factor rider effective January 2022, and the implementation of the generation cost recovery rider, which includes the first-year revenue requirement for the Montgomery County Power Station, effective in late January 2021, each at Entergy Texas.

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

The volume/weather variance is primarily due to an increase of 5,317 GWh, or 6%, in electricity usage across all customer classes, including the effect of more favorable weather on residential and commercial sales. The increase in industrial usage was due to an increase in demand from expansion projects, primarily in the chemicals, transportation, and petroleum refining industries, an increase in demand from cogeneration customers, an increase in demand from existing customers, primarily in the chemicals, pulp and paper, and transportation industries as a result of prior year temporary plant shutdowns, partially offset by decreased demand in the petroleum refining industry as a result of a permanent plant shutdown due to Hurricane Ida, and an increase in demand from small industrial customers. The increase in weather-adjusted commercial usage was primarily due to an increase in customers and the effect of the COVID-19 pandemic on businesses in 2021. The increased usage from these

industrial and commercial customers has a relatively smaller effect on operating revenues because a larger portion of the revenues from those customers comes from fixed charges.

Storm restoration carrying costs, representing the equity component of storm restoration carrying costs, includes \$37 million at Entergy Louisiana and \$22 million at Entergy Texas, recorded in second quarter 2022, recognized as part of the Entergy Louisiana storm cost securitization in May 2022 and the Entergy Texas storm cost securitization in April 2022. See Note 2 to the financial statements herein for discussion of storm cost securitizations.

The return of unprotected excess accumulated deferred income taxes to customers resulted from activity at the Utility operating companies in response to the enactment of the Tax Cuts and Jobs Act. The return of unprotected excess accumulated deferred income taxes began in second quarter 2018. In the nine months ended September 30, 2022, \$50 million was returned to customers through reductions in operating revenues as compared to \$71 million in the nine months ended September 30, 2021. There is no effect on net income as the reductions in operating revenues were offset by reductions in income tax expense. See Note 2 to the financial statements in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The retail one-time bill credit represents the disbursement of settlement proceeds in the form of a one-time bill credit provided to Entergy Mississippi's retail customers, effective during the September 2022 billing cycle, as a result of the System Energy partial settlement agreement with the MPSC. There is no effect on net income as the reduction in operating revenues was offset by regulatory credits recorded in third quarter 2022. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds.

Total electric energy sales for Utility for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	29,218	27,695	5
Commercial	21,697	20,490	6
Industrial	39,903	37,399	7
Governmental	1,928	1,845	4
Total retail	92,746	87,429	6
Sales for resale	12,371	13,365	(7)
Total	105,117	100,794	4

See Note 13 to the financial statements herein for additional discussion of operating revenues.

Entergy Wholesale Commodities

Operating revenues for Entergy Wholesale Commodities decreased from \$559 million for the nine months ended September 30, 2021 to \$301 million for the nine months ended September 30, 2022 primarily due to the shutdown of Indian Point 3 in April 2021 and Palisades in May 2022.

Following are key performance measures for Entergy Wholesale Commodities for the nine months ended September 30, 2022 and 2021:

	2022	2021
Owned capacity (MW) (a)	394	1,205
GWh billed	4,172	9,265
<u>Entergy Wholesale Commodities Nuclear Fleet</u>		
Capacity factor	93%	97%
GWh billed	2,741	8,046
Average energy price (\$/MWh)	\$48.99	\$54.65
Average capacity price (\$/kW-month)	\$0.15	\$0.26

- (a) The reduction in owned capacity is due to the shutdown of the 811 MW Palisades plant in May 2022. With the sale of Palisades in June 2022, Entergy completed its multi-year strategy to exit the merchant nuclear power business.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$1,937 million for the nine months ended September 30, 2021 to \$2,130 million for the nine months ended September 30, 2022 primarily due to:

- an increase of \$54 million in power delivery expenses primarily due to higher vegetation maintenance costs, higher reliability costs, and higher safety and training costs, partially offset by a decrease in meter reading expenses as a result of the deployment of advanced metering systems;
- an increase of \$37 million in nuclear generation expenses primarily due to a higher scope of work performed and higher nuclear labor costs in 2022, partially offset by spending in 2021 on sanitation and social distancing protocols as a result of the COVID-19 pandemic;
- an increase of \$21 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year;
- an increase of \$16 million in customer service center support costs primarily due to higher contract costs;
- a gain of \$15 million, recorded in the third quarter 2021, on the sale of a pipeline;
- an increase of \$14 million in bad debt expense, including the deferral in 2021 of bad debt expense resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic; and
- an increase of \$11 million in energy efficiency expenses due to the timing of recovery from customers.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments, increases in franchise taxes, and increases in employment taxes.

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

Other regulatory charges (credits) - net includes:

- the reversal in first quarter 2021 of the remaining \$39 million regulatory liability for Entergy Arkansas's 2019 historical year netting adjustment as part of its 2020 formula rate plan proceeding. See Note 2 to the financial statements in the Form 10-K for discussion of the 2020 formula rate plan filing;
- a regulatory charge of \$224 million, recorded by Entergy Louisiana in second quarter 2022, to reflect its obligation to provide credits to its customers in recognition of obligations related to an LPSC ancillary order

issued in the Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida securitization regulatory proceeding. See Note 2 to the financial statements herein for discussion of the storm cost securitization;

- a regulatory credit of \$37 million, recorded in the third quarter 2022 at Entergy Mississippi, to reflect a one-time bill credit to customers as a result of the partial settlement agreement and offer of settlement with System Energy. This regulatory credit offsets a reduction in gross revenue from the bill credits provided to customers in the September bill cycle. See Note 2 to the financial statements herein for further discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds;
- regulatory credits of \$20 million, recorded in the second quarter 2021 at Entergy Mississippi, to reflect the effects of the joint stipulation reached in the 2021 formula rate plan filing proceeding. See Note 2 to the financial statements in the Form 10-K for discussion of the 2021 formula rate plan filing;
- regulatory credits of \$23 million, recorded in the third quarter 2022 at Entergy Mississippi, to reflect the effects of the joint stipulation reached in the 2022 formula rate plan filing proceeding. See Note 2 to the financial statements herein for discussion of the 2022 formula rate plan filing; and
- a regulatory charge of \$551 million, recorded by System Energy in second quarter 2022, to reflect the effects of the partial settlement agreement and offer of settlement related to pending proceedings before the FERC. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and offer of settlement.

In addition, Entergy records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and nuclear decommissioning trust earnings plus asset retirement obligation-related costs collected in revenue.

Other income decreased primarily due to:

- changes in decommissioning trust fund activity, including portfolio rebalancing of the decommissioning trust funds in 2022 and 2021; and
- a \$32 million charge at Entergy Louisiana for the LURC's 1% beneficial interest in the storm trust established as part of the Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida securitization.

This decrease was partially offset by:

- an increase of \$35 million in intercompany dividend income. The increase in intercompany dividend income results from the Entergy Louisiana storm trust's investment of securitization proceeds in affiliated preferred membership interests, partially offset by the liquidation of Entergy Louisiana's investment in affiliated preferred membership interests acquired in connection with previous securitizations of storm restoration costs. The intercompany dividend income on the affiliate preferred membership interests is eliminated for consolidation purposes and has no effect on net income since the investment is in another Entergy subsidiary; and
- an increase of \$12 million due to the recognition of storm restoration carrying costs, primarily related to Hurricane Ida.

See Note 2 to the financial statements herein for discussion of the securitization.

Interest expense increased primarily due to:

- the issuance by Entergy Arkansas of \$400 million of 3.35% Series mortgage bonds in March 2021;
- the issuance by Entergy Arkansas of \$200 million of 4.20% Series mortgage bonds in March 2022;
- the issuances by Entergy Louisiana of \$500 million of 2.35% Series mortgage bonds and \$500 million of 3.10% Series mortgage bonds, each in March 2021;

- the issuance by Entergy Louisiana of \$1 billion of 0.95% Series mortgage bonds in October 2021;
- the \$1.2 billion unsecured term loan proceeds received by Entergy Louisiana in January 2022. The term loan was repaid in June 2022;
- the issuance by Entergy Louisiana of \$500 million of 4.75% Series mortgage bonds in August 2022;
- the issuance by Entergy Mississippi of \$200 million of 3.50% Series mortgage bonds in March 2021;
- the issuance by Entergy Mississippi of \$200 million of 2.55% Series mortgage bonds in November 2021; and
- the issuances by Entergy New Orleans of \$90 million of 4.19% Series mortgage bonds and \$70 million of 4.51% Series mortgage bonds, each in November 2021.

The increase was partially offset by the repayment by Entergy Arkansas of \$350 million of 3.75% Series mortgage bonds in February 2021 and the repayment by Entergy Louisiana of \$200 million of 4.8% Series mortgage bonds in May 2021.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$233 million for the nine months ended September 30, 2021 to \$94 million for the nine months ended September 30, 2022 primarily due to a decrease of \$127 million resulting from the absence of expenses from Indian Point 3, after it was shut down in April 2021, and Palisades, after it was shut down in May 2022, and a decrease of \$8 million in severance and retention expenses. Severance and retention expenses were incurred in 2022 and 2021 due to management's strategy to exit the Entergy Wholesale Commodities merchant power business. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" below and in the Form 10-K for a discussion of management's strategy to shut down and sell all plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 7 to the financial statements herein for further discussion of severance and retention expenses.

Asset write-offs, impairments, and related charges (credits) for the nine months ended September 30, 2022 include a gain of \$166 million (\$130 million net-of-tax) as a result of the sale of the Palisades plant in June 2022. Asset write-offs, impairments, and related charges (credits) for the nine months ended September 30, 2021 include a charge of \$340 million (\$268 million net-of-tax) as a result of the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements herein for discussion of the sale of the Palisades plant and Note 14 to the financial statements in the Form 10-K for discussion of the sale of the Indian Point Energy Center. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" below and in the Form 10-K for a discussion of management's strategy to shut down and sell all of the plants in the Entergy Wholesale Commodities merchant nuclear fleet.

Depreciation and amortization expenses decreased primarily due to the absence of depreciation expense from Indian Point 3, after it was shut down in April 2021, and Palisades, after it was shut down in May 2022. The decrease was partially offset by the effect of recording in 2021 a final judgment to resolve claims in the Palisades damages case against the DOE related to spent nuclear fuel storage costs. The damages awarded included \$9 million of spent nuclear fuel storage costs previously recorded as depreciation expense. See Note 8 to the financial statements in the Form 10-K for discussion of the spent nuclear fuel litigation.

Other income decreased primarily due to the absence of earnings from the nuclear decommissioning trust funds that were transferred in the sale of the Indian Point Energy Center in May 2021 and the sale of Palisades in June 2022, partially offset by lower non-service pension costs. See Notes 8 and 9 to the financial statements herein for a discussion of decommissioning trust fund investments. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of the Indian Point Energy Center. See Note 14 to the financial statements herein for discussion of the sale of Palisades. See Note 6 to the financial statements herein for a discussion of pension and other postretirement benefits costs.

Other expenses decreased primarily due to the absence of decommissioning expense from Indian Point 2 and Indian Point 3, after the sale of the Indian Point Energy Center in May 2021, and from Palisades, after the sale of Palisades in June 2022. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of the Indian Point Energy Center. See Note 14 to the financial statements herein for discussion of the sale of Palisades.

Parent and Other

Other income decreased primarily due to the elimination for consolidation purposes of intercompany dividend income, as discussed above.

Income Taxes

The effective income tax rate was (12.2%) for the nine months ended September 30, 2022. The difference in the effective income tax rate for the nine months ended September 30, 2022 versus the federal statutory rate of 21% was primarily due to the reduction in income tax expense as a result of the securitization of Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida storm costs pursuant to Louisiana Act 55, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021, the amortization of excess accumulated deferred income taxes and certain book and tax differences related to utility plant items, partially offset by state income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act. See Notes 2 and 10 to the financial statements herein for discussion of the Entergy Louisiana securitization.

The effective income tax rate was 19.1% for the nine months ended September 30, 2021. The difference in the effective income tax rate for the nine months ended September 30, 2021 versus the federal statutory rate of 21% was primarily due to the amortization of excess accumulated deferred income taxes, a reduction of a valuation allowance, book and tax differences related to the allowance for equity funds used during construction, and certain book and tax differences related to utility plant items, partially offset by state income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 3 to the financial statements in the Form 10-K for discussion of the valuation allowance reduction.

Income Tax Legislation

The Inflation Reduction Act of 2022, signed into law on August 16, 2022, significantly expanded federal tax incentives for clean energy production, including the extension of production tax credits to solar projects and certain qualified nuclear power plants. Additionally, the Inflation Reduction Act of 2022 enacted a 1% excise tax on the buyback of public company stock and a new corporate alternative minimum tax (CAMT). Effective for tax years beginning after December 31, 2022, the CAMT imposes a 15% tax on the Adjusted Financial Statement Income (AFSI) on each corporation in a group of corporations that averages greater than \$1 billion in AFSI over a three-year period. Taxpayers subject to the CAMT regime must pay the greater of 15% of AFSI or their regular federal tax liability. Entergy and the Registrant Subsidiaries are closely monitoring any potential impact associated with the expansion of federal tax incentives, the 1% excise tax, and CAMT. Based on current information and forecasts, Entergy and the Registrant Subsidiaries may be subject to the CAMT beginning in 2026. The United States Treasury Department is expected to issue guidance beginning later this year that will further clarify how the tax credit provisions and CAMT provisions will be interpreted and applied. This guidance will determine the amount of tax credits and incremental cash tax payments Entergy expects in the future as a result of the legislation. Prior to receiving this guidance, Entergy cannot adequately assess the expected future effects on its results of operations, financial position and cash flows. There are no expected effects on the financial statements as of and for the year ended December 31, 2022.

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 shut down and sell all plants in the Entergy Wholesale Commodities merchant nuclear fleet. Following are updates to that discussion.

In April 2022, Entergy and Nebraska Public Power District signed an agreement to mutually terminate the management support services contract, under which Entergy provided plant operation support services for the 800 MW Cooper Nuclear Station located near Brownville, Nebraska, effective July 31, 2022.

In October 2022, Entergy sold its 50% membership interest in RS Cogen LLC, an unconsolidated joint venture which owns the RS Cogen plant, to a subsidiary of the other 50% equity partner. Entergy sold its 50% membership interest in RS Cogen, LLC for approximately \$5 million with no resulting income statement effect.

Shutdown and Sale of Palisades

As discussed in the Form 10-K, in July 2018, Entergy entered into a purchase and sale agreement to sell 100% of the equity interests in the subsidiary that owns Palisades and the Big Rock Point Site, for \$1,000 (subject to adjustment for net liabilities and other amounts) to a Holtec subsidiary. Palisades was shut down in May 2022 and defueled in June 2022. The transaction closed in June 2022. The sale included the transfer of the nuclear decommissioning trust and the asset retirement obligation for spent fuel management and plant decommissioning. The transaction resulted in a gain of \$166 million (\$130 million net-of-tax) in the second quarter of 2022. See Note 14 to the financial statements herein for further discussion of the sale of the Palisades plant. In December 2020, Entergy and Holtec submitted a license transfer application to the NRC requesting approval to transfer the Palisades and Big Rock Point licenses from Entergy to Holtec. In February 2021 several parties, including the Michigan Attorney General, filed with the NRC petitions to intervene and requests for hearing challenging the license transfer application. The NRC issued an order approving the application in December 2021, subject to the NRC’s authority to condition, revise, or rescind the approval order based on the resolution of pending requests for hearing. These petitions and requests for hearing remained pending with the NRC at the time of the closing of the Palisades transaction in June 2022. In July 2022 the NRC issued an order granting the Michigan Attorney General’s petition hearing request.

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 and Resources

Entergy's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio for Entergy as of September 30, 2022 is primarily due to an increase in equity resulting from net income, partially offset by the net issuance of debt in 2022.

	September 30, 2022	December 31, 2021
Debt to capital	69.0 %	69.5 %
Effect of excluding securitization bonds	(0.2 %)	(0.1 %)
Debt to capital, excluding securitization bonds (a)	68.8 %	69.4 %
Effect of subtracting cash	(0.8 %)	(0.3 %)
Net debt to net capital, excluding securitization bonds (a)	68.0 %	69.1 %

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

As of September 30, 2022, 20% of the debt outstanding is at the parent company, Entergy Corporation, 79.5% is at the Utility, and 0.5% is at Entergy Wholesale Commodities. Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable and commercial paper, finance 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 June 2027. 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 nine months ended September 30, 2022 was 2.39% on the drawn portion of the facility. As of September 30, 2022, amounts outstanding and capacity available under the \$3.5 billion credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$150	\$3	\$3,347

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

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of September 30, 2022, Entergy Corporation had \$1.387 billion of commercial paper outstanding. The weighted-average interest rate for the nine months ended September 30, 2022 was 1.52%.

Entergy Louisiana had \$291 million and Entergy Mississippi had \$33 million in their storm reserve escrow accounts at September 30, 2022.

Equity Issuances and Equity Distribution Program

As discussed in the Form 10-K, in January 2021, Entergy entered into an equity distribution sales agreement with several counterparties establishing an at the market equity distribution program, pursuant to which Entergy may offer and sell from time to time shares of its common stock. The sales agreement provides that, in addition to the issuance and sale of shares of Entergy common stock, Entergy may also enter into forward sale agreements for the sale of its common stock. Initially, the aggregate number of shares of common stock sold under this sales agreement and under any forward sale agreement could not exceed an aggregate gross sales price of \$1 billion. In May 2022, Entergy increased the aggregate gross sales price authorized under the at the market equity distribution program by \$1 billion. Through September 30, 2022, Entergy has utilized the equity distribution program either to sell or to enter into forward sale agreements with respect to shares of common stock with an aggregate gross sales price of approximately \$1 billion, of which approximately \$870 million of aggregate gross sales price is the subject of forward sale agreements that have not been settled and is subject to adjustment pursuant to the forward sale agreements. Entergy currently expects to settle the forward sales agreements by December 31, 2022. In addition to settlement of existing forward sale agreements, Entergy Corporation currently expects to issue approximately \$130 million of equity through 2024. See Note 3 to the financial statements herein for discussion of the forward sale agreements and common stock issuances and sales under the equity distribution program.

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida (Entergy Louisiana)

As discussed in the Form 10-K, in August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild. In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs, and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms were estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana sought an LPSC determination that \$2.11 billion was prudently incurred and, therefore, was eligible for recovery from customers. Additionally, Entergy Louisiana requested that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million was appropriate. In July 2021, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021.

In August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately \$1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, Entergy Louisiana sought approval for the creation and funding of a \$1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review.

After filing of testimony by the LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests in regard to Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contained the following key terms: \$2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and were eligible for recovery; carrying costs of \$51 million were recoverable; a \$290 million cash storm reserve should be re-established; a \$1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana was authorized to finance \$3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC issued an order approving the settlement in March 2022. As a result of the financing order, Entergy Louisiana reclassified \$1.942 billion from utility plant to other regulatory assets.

In May 2022 the securitization financing closed, resulting in the issuance of \$3.194 billion principal amount of bonds by Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA), a political subdivision of the State of Louisiana. The securitization was authorized pursuant to the Louisiana Utilities Restoration Corporation Act, Part VIII of Chapter 9 of Title 45 of the Louisiana Revised Statutes, as supplemented by Act 293 of the Louisiana legislature approved in 2021. The LCDA loaned the proceeds to the LURC. Pursuant to Act 293, the LURC contributed the net bond proceeds to a State legislatively authorized and LURC-sponsored trust, Restoration Law Trust I (the storm trust).

Pursuant to Act 293, the net proceeds of the bonds were used by the storm trust to purchase 31,635,718.7221 Class A preferred, non-voting membership interest units (the preferred interests) issued by Entergy Finance Company, LLC, a majority-owned indirect subsidiary of Entergy. Entergy Finance Company is required to make annual distributions (dividends) commencing on December 15, 2022 on the preferred interests issued to the storm trust. These annual dividends received by the storm trust will be distributed to Entergy Louisiana and the LURC, as beneficiaries of the storm trust. Specifically, 1% of the annual dividends received by the storm trust will be distributed to the LURC, for the benefit of customers, and 99% will be distributed to Entergy Louisiana, net of storm trust expenses. The preferred interests have a stated annual cumulative cash dividend rate of 7% and a liquidation price of \$100 per unit. The terms of the preferred interests include certain financial covenants to which Entergy Finance Company is subject.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA. The bonds are secured by system restoration property, which is the right granted by law to the LURC to collect a system restoration charge from customers. The system restoration charge is adjusted at least semi-annually to ensure that it is sufficient to service the bonds. Entergy Louisiana collects the system restoration charge on behalf of the LURC and remits the collections to the bond indenture trustee. Entergy Louisiana began collecting the system restoration charge effective with the first billing cycle of June 2022 and the system restoration charge is expected to remain in place up to 15 years. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as a billing and collection agent for the LCDA and the LURC. In the remote possibility that the system restoration charge, as well as any funds in the excess subaccount and funds in the debt service reserve account, are insufficient to service the bonds resulting in a payment default, the storm trust is required to liquidate Entergy Finance Company preferred interests in an amount equal to what would be required to cure the default. The estimated value of this indirect guarantee is immaterial.

From the proceeds from the issuance of the preferred membership interests, Entergy Finance Company distributed \$1.4 billion to its parent, Entergy Holdings Company, LLC. Subsequently, Entergy Holdings Company liquidated, distributing the \$1.4 billion it received from Entergy Finance Company to Entergy Louisiana as holder of 6,843,780.24 units of Class A, 4,126,940.15 units of Class B, and 2,935,152.69 units of Class C preferred membership interests. Entergy Louisiana had acquired these preferred membership interests with proceeds from previous securitizations of storm restoration costs. Entergy Finance Company loaned the remaining \$1.7 billion from the preferred membership interests proceeds to Entergy which used the cash to redeem \$650 million of 4.00% Series senior notes due July 2022 and indirectly contributed \$1 billion to Entergy Louisiana as a capital contribution.

Entergy Louisiana used the \$1 billion capital contribution to fund its Hurricane Ida escrow account and subsequently withdrew the \$1 billion from the escrow account. With a portion of the \$1 billion withdrawn from the escrow account and the \$1.4 billion from the Entergy Holdings Company liquidation, Entergy Louisiana deposited \$290 million in a restricted escrow account as a storm damage reserve for future storms, used \$1.2 billion to repay its unsecured term loan due June 2023, and used \$435 million to redeem a portion of its 0.62% Series mortgage bonds due November 2023.

As discussed in Note 10 to the financial statements herein, the securitization resulted in recognition of a reduction of income tax expense of approximately \$290 million by Entergy Louisiana. Entergy's recognition of reduced income tax expense was partially offset by other tax charges resulting in a net reduction of income tax expense of \$283 million. In recognition of obligations related to an LPSC ancillary order issued as part of the securitization regulatory proceeding, Entergy Louisiana recorded a \$224 million (\$165 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to share the benefits of the securitization with customers.

As discussed in Note 12 to the financial statements herein, Entergy Louisiana consolidates the storm trust as a variable interest entity and the LURC's 1% beneficial interest is shown as noncontrolling interest in the financial statements. In second quarter 2022, Entergy Louisiana recorded a charge of \$31.6 million in other income to reflect the LURC's beneficial interest in the trust.

In April 2022, Entergy Louisiana filed an application with the LPSC relating to Hurricane Ida restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by Hurricane Ida currently are estimated to be approximately \$2.54 billion, including approximately \$1.96 billion in capital costs and approximately \$586 million in non-capital costs. Including carrying costs of \$57 million through December 2022, Entergy Louisiana is seeking an LPSC determination that \$2.60 billion was prudently incurred and, therefore, is eligible for recovery from customers. As part of this filing, Entergy Louisiana also is seeking an LPSC determination that an additional \$32 million in costs associated with the restoration of Entergy Louisiana's electric facilities damaged by Hurricane Laura, Hurricane Delta, and Hurricane Zeta as well as Winter Storm Uri was prudently incurred. This amount is exclusive of the requested \$3 million in carrying costs through December 2022. In total, Entergy Louisiana is requesting an LPSC determination that \$2.64 billion was prudently incurred and, therefore, is eligible for recovery from customers. As discussed above, in March 2022 the LPSC approved financing of a \$1 billion storm escrow account from which funds were withdrawn to finance costs associated with Hurricane Ida restoration. In June 2022, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. In October 2022 the LPSC staff recommended a finding that the requested storm restoration costs of \$2.64 billion, including associated carrying costs of \$59.1 million, were prudently incurred and are eligible for recovery from customers. The LPSC staff further recommended approval of Entergy Louisiana's plans to securitize these costs, net of the \$1 billion in funds withdrawn from the storm escrow account described above. A procedural schedule has been established with a hearing in December 2022.

Hurricane Ida (Entergy New Orleans)

As discussed in the Form 10-K, in August 2021, Hurricane Ida caused significant damage to Entergy New Orleans's service area, including Entergy's electrical grid. The storm resulted in widespread power outages, including the loss of 100% of Entergy New Orleans's load and damage to distribution and transmission infrastructure, including the loss of connectivity to the eastern interconnection. In September 2021, Entergy New Orleans withdrew \$39 million from its funded storm reserves. In June 2022, Entergy New Orleans filed an application with the City Council requesting approval and certification that storm restoration costs associated with Hurricane Ida of approximately \$170 million, which included \$11 million in estimated costs, were reasonable, necessary, and prudently incurred to enable Entergy New Orleans to restore electric service to its customers and to repair Entergy New Orleans's electric utility infrastructure. In addition, estimated carrying costs through December 2022 related to Hurricane Ida restoration costs were \$9 million. Also, Entergy New Orleans is requesting approval that the \$39 million withdrawal from its funded storm reserve in September 2021 and \$7 million in excess storm reserve escrow withdrawals related to Hurricane Zeta and prior miscellaneous storms are properly applied to Hurricane Ida storm restoration costs, the application of which reduces the amount to be recovered from Entergy New Orleans customers by \$46 million.

Additionally, as discussed in the Form 10-K, in February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans's storm reserve and increase the storm reserve funding level to \$150 million, to be funded through securitization. In August 2022 the City Council's advisors recommended that the City Council authorize a single securitization bond issuance to fund Entergy New Orleans's storm recovery reserves to an amount sufficient to: (1) allow recovery of all of Entergy New Orleans's unrecovered storm recovery costs following Hurricane Ida, subject to City Council review and certification; (2) provide initial funding of storm recovery reserves for future storms to a level of \$75 million; and (3) fund the storm recovery bonds' upfront financing costs. In September 2022, Entergy New Orleans and the City Council's advisors entered into an agreement in principle, which was approved by the City Council along with a financing order in October 2022, authorizing Entergy New Orleans to proceed with a single securitization bond issuance of \$206 million, with \$125 million interim recovery, subject to City Council review and certification, to be allocated to unrecovered Hurricane Ida storm recovery costs; \$75 million to provide for a storm recovery reserve for future storms; and the remainder to fund the recovery of storm recovery bonds' upfront financing costs. In November 2022 the City Council adopted a procedural schedule regarding the certification of the Hurricane Ida storm restoration costs in which the hearing officer shall certify the record for City Council consideration no later than August 2023.

Hurricane Laura, Hurricane Delta, and Winter Storm Uri (Entergy Texas)

As discussed in the Form 10-K, in August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to distribution and transmission infrastructure, and the loss of sales during the power outages. In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of certain system restoration costs, which were approved by the PUCT as eligible for securitization in December 2021. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement. As a result of the financing order, in first quarter 2022, Entergy Texas reclassified \$153 million from utility plant to other regulatory assets.

In April 2022, Entergy Texas Restoration Funding II, LLC, a company wholly-owned and consolidated by Entergy Texas, issued \$290.85 million of senior secured system restoration bonds (securitization bonds). With the proceeds, Entergy Texas Restoration Funding II purchased from Entergy Texas the transition property, which is the right to recover from customers through a system restoration charge amounts sufficient to service the securitization

bonds. Entergy Texas began cost recovery through the system restoration charge effective with the first billing cycle of May 2022 and the system restoration charge is expected to remain in place up to 15 years. See Note 4 to the financial statements herein for a discussion of the April 2022 issuance of the securitization bonds.

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 2022 through 2024. Following are updates to that discussion.

Entergy is developing its capital investment plan for 2023 through 2025 and currently anticipates that the Utility will make approximately \$15.5 billion in capital investments during that period. The preliminary Utility estimate includes investments in generation projects to modernize, decarbonize, and diversify Entergy’s portfolio, including Walnut Bend Solar, West Memphis Solar, Driver Solar, Orange County Advanced Power Station, and St. Jacques Louisiana Solar; investments in Entergy’s nuclear fleet; transmission spending to drive reliability and resilience while also supporting renewables expansion; distribution and Utility support spending to improve reliability, resilience, and customer experience through projects focused on asset renewals and enhancements and grid stability; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints and requirements, environmental regulations, business opportunities, market volatility, economic trends, changes in project plans, and the ability to access capital.

While Entergy is still assessing the effect on its planned solar projects, the investigation by the U.S. Department of Commerce into potential circumvention of duties and tariffs may result in increased duties or tariffs on imported solar panels and has exacerbated previously existing supply chain disruptions, which have negatively affected the timing and cost of completion of these projects.

Walnut Bend Solar

As discussed in the Form 10-K, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In January 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained or a tax equity partnership is no longer sought. Closing was expected to occur in 2022. The counter-party notified Entergy Arkansas that it was terminating the project, though it was willing to consider an alternative for the site. Entergy Arkansas disputed the right of termination. Negotiations are ongoing, including with respect to updates arising as a result of the Inflation Reduction Act of 2022, and the updates would require additional APSC approval. At this time the project is expected to achieve commercial operation in 2024.

West Memphis Solar

As discussed in the Form 10-K, in October 2021 the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In April 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained or a tax equity partnership is no longer sought. Closing had been expected to occur in 2023. The counter-party notified Entergy Arkansas that it was seeking changes to certain terms of the build-own-transfer agreement, including both cost and schedule. Negotiations are ongoing, including with respect to updates arising as a result of the Inflation Reduction Act of 2022, and the updates would require additional APSC approval. At this time the project is expected to achieve commercial operation in 2024.

Driver Solar

In April 2022, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 250 MW Driver Solar facility is in the public interest and requested cost recovery through the formula rate plan rider. The APSC established a procedural schedule with a hearing scheduled in June 2022, but the parties later agreed to waive the hearing and submit the matter to the APSC for a decision consistent with the filed record. In August 2022 the APSC granted Entergy Arkansas's petition and approved the acquisition of Driver Solar and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to inform the APSC as to the status of a tax equity partnership once construction is commenced. The parties are evaluating the effects of certain matters related to the Inflation Reduction Act of 2022, including with respect to the viability of a tax equity partnership. The facility is expected to be in service by the end of 2024.

2021 Solar Certification and the Geaux Green Option

As discussed in the Form 10-K, in November 2021, Entergy Louisiana filed an application with the LPSC seeking certification of and approval for the addition of four new solar photovoltaic resources with a combined nameplate capacity of 475 megawatts (the 2021 Solar Portfolio) and the implementation of a new green tariff, the Geaux Green Option (Rider GGO). These resources, all of which would be constructed in Louisiana, include (i) Vacherie Solar Energy Center, a 150 megawatt resource in St. James Parish; (ii) Sunlight Road Solar, a 50 megawatt resource in Washington Parish; (iii) St. Jacques Louisiana Solar, a 150 megawatt resource in St. James Parish; and (iv) Elizabeth Solar facility, a 125 megawatt resource in Allen Parish. St. Jacques Louisiana Solar would be acquired through a build-own-transfer agreement; the remaining resources involve power purchase agreements. Sunlight Road Solar and Elizabeth Solar facility have estimated in service dates in 2024, and Vacherie Solar Energy Center and St. Jacques Louisiana Solar have estimated in service dates in 2025. In March 2022 direct testimony from Walmart, the Louisiana Energy Users Group (LEUG), and the LPSC staff was filed. Each party recommended that the LPSC approve the resources proposed in Entergy Louisiana's application, and the LPSC staff witness indicated that the process through which Entergy Louisiana solicited or obtained the proposals for the resources complied with applicable LPSC orders. The LPSC staff and LEUG's witnesses made recommendations to modify the proposed Rider GGO and Entergy Louisiana's proposed rate relief. In April 2022 the LPSC staff and LEUG filed cross-answering testimony concerning the other party's proposed modifications to Rider GGO and the proposed rate recovery. Entergy Louisiana filed rebuttal testimony in June 2022. In August 2022 the parties reached a settlement certifying the 2021 Solar Portfolio and approving implementation of Rider GGO. In September 2022 the LPSC approved the settlement.

Sunflower Solar

As discussed in the Form 10-K, in April 2020 the MPSC issued an order approving certification of the Sunflower Solar facility and its recovery through the interim capacity rate adjustment mechanism, subject to certain conditions. In May 2022 both Entergy Mississippi and the tax equity investor made capital contributions to the tax equity partnership that were then used to make an initial payment of \$105 million for acquisition of the facility. In July 2022, pursuant to the MPSC's April 2020 order, Entergy Mississippi submitted a compliance filing to the MPSC with updated calculations of the impact of the Sunflower Solar facility on rate base and revenue requirement for the Sunflower Solar facility and benefits of the tax equity partnership. In November 2022 the MPSC approved Entergy Mississippi's July 2022 compliance filing and authorized the recovery of the costs of the Sunflower Solar facility through the interim capacity rate adjustment mechanism in the formula rate plan with rates effective in December 2022. Substantial completion of the Sunflower Solar facility was accepted by Entergy Mississippi in September 2022. A final payment is currently expected in fourth quarter 2022. Commercial operation at the Sunflower Solar facility commenced in September 2022. See Note 14 to the financial statements herein for discussion of Entergy Mississippi's purchase of the Sunflower Solar facility.

Orange County Advanced Power Station

As discussed in the Form 10-K, in September 2021, Entergy Texas filed an application seeking PUCT approval to amend Entergy Texas's certificate of convenience and necessity to construct, own, and operate the Orange County Advanced Power Station, a new 1,215 MW combined-cycle combustion turbine facility to be located in Bridge City, Texas at an initially-estimated expected total cost of \$1.2 billion inclusive of the estimated costs of the generation facilities, transmission upgrades, contingency, an allowance for funds used during construction, and necessary regulatory expenses, among others. The project includes combustion turbine technology with dual fuel capability, able to co-fire up to 30% hydrogen by volume upon commercial operation and upgradable to support 100% hydrogen operations in the future. In December 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. In March 2022 certain intervenors filed testimony opposing the hydrogen co-firing component of the proposed project and others filed testimony opposing the project outright. Also in March 2022 the PUCT staff filed testimony opposing the hydrogen co-firing component of the proposed project, but otherwise taking no specific position on the merits of the project. The PUCT staff also proposed that the PUCT establish a maximum amount that Entergy Texas may recover in rates attributable to the project. In April 2022, Entergy Texas filed rebuttal testimony addressing and rebutting these various arguments. Also in April 2022 the ALJs with the State Office of Administrative Hearings approved a continuance of the hearing on the merits from April 2022 to June 2022, providing Entergy Texas an opportunity to accelerate the determination and fixing of pricing for 60 days for the Orange County Advanced Power Station prior to the hearing. In May 2022, Entergy Texas obtained and provided to the parties an updated fixed pricing option of \$1.58 billion, available until mid-July 2022. The hearing on the merits was held in June 2022, and post-hearing briefs were submitted in July 2022. In September 2022 the ALJs with the State Office of Administrative Hearings issued a proposal for decision recommending the PUCT approve Entergy Texas's application for certification of Orange County Advanced Power Station subject to certain conditions, including a cap on cost recovery at \$1.37 billion, the exclusion of investment associated with co-firing hydrogen, weatherization requirements, and customer receipt of any contractual benefits associated with the facility's guaranteed heat rate. In October 2022 the parties in the proceeding filed exceptions and replies to exceptions to the proposal for decision. Also in October 2022, Entergy Texas filed with the PUCT information regarding a new fixed pricing option for an estimated project cost of approximately \$1.55 billion associated with Entergy Texas's issuance of limited notice to proceed by mid-November 2022. A final order by the PUCT is expected in the fourth quarter of 2022. Entergy Texas also is pursuing environmental permitting that is required prior to the commencement of construction. Subject to receipt of required regulatory approvals, permits, and other conditions, the facility is expected to be in service by the end of 2026.

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 October 2022 meeting, the Board declared a dividend of \$1.07 per share, an increase from the previous \$1.01 quarterly dividend per share that Entergy has paid since the third quarter 2021.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Millions)	
Cash and cash equivalents at beginning of period	\$443	\$1,759
Net cash provided by (used in):		
Operating activities	1,809	2,011
Investing activities	(4,369)	(3,862)
Financing activities	3,120	1,092
Net increase (decrease) in cash and cash equivalents	560	(759)
Cash and cash equivalents at end of period	\$1,003	\$1,000

Operating Activities

Net cash flow provided by operating activities decreased \$202 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- increased fuel costs. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of fuel and purchased power cost recovery;
- payments to vendors, including timing and an increase in Utility cost of operations;
- an increase of \$66 million in storm spending primarily due to spending on Hurricane Ida in 2022, partially offset by decreased spending on Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Ida**" above and in the Form 10-K for discussion of storm restoration efforts;
- an increase of \$41 million in interest paid; and
- lower cash from Entergy Wholesale Commodities plant operations in 2022. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" above for a discussion of the exit of the Entergy Wholesale Commodities merchant power business.

The decrease was partially offset by:

- higher collections from Utility customers;
- a decrease of \$178 million in pension contributions in 2022 as compared to the same period in 2021. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" herein and in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding;
- a decrease of \$79 million in severance and retention payments in 2022 as compared to the same period in 2021. See Note 7 to the financial statements herein for a discussion of the severance and retention payments related to Entergy Wholesale Commodities. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" above for a discussion of the exit of the Entergy Wholesale Commodities merchant power business; and
- income tax refunds of \$7 million in 2022 compared to income tax payments of \$29 million in 2021. Entergy had income tax refunds in 2022 as a result of an overpayment on a prior year state income tax return. Entergy had net income tax payments in 2021 as a result of amended Mississippi state tax returns filed and other state income taxes paid, partially offset by federal income tax refunds received associated with the completion of the 2014-2015 IRS audit.

Investing Activities

Net cash flow used in investing activities increased \$507 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- net payments to storm reserve escrow accounts of \$291 million in 2022 compared to net receipts from storm reserve escrow accounts of \$83 million in 2021;
- an increase of \$153 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2022;
- the initial payment of approximately \$105 million in May 2022 for the purchase of the Sunflower Solar facility by the Entergy Mississippi tax equity partnership. See Note 14 to the financial statements herein for discussion of the Sunflower Solar facility purchase;
- a decrease of \$57 million in decommissioning trust fund investment activity;
- an increase of \$47 million in information technology capital expenditures primarily due to increased spending on various technology projects in 2022; and
- cash collateral of \$31 million posted in 2022 to support Entergy Texas's obligations to MISO.

The increase was partially offset by a decrease of \$268 million in transmission construction expenditures primarily due to lower capital expenditures for storm restoration in 2022 and the purchase of the Hardin County Peaking Facility by Entergy Texas in June 2021 for approximately \$37 million.

Financing Activities

Net cash flow provided by financing activities increased \$2,028 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to proceeds from securitization of \$3,164 million received by the storm trust at Entergy Louisiana in 2022 and an increase of \$807 million in net issuances of commercial paper in 2022 compared to 2021. The increase was partially offset by:

- long-term debt activity providing approximately \$318 million of cash in 2022 compared to providing approximately \$2,222 million of cash in 2021; and
- an increase of \$44 million in common stock dividends paid as a result of an increase in the dividend paid per share in 2022 compared to 2021.

See Note 2 to the financial statements herein for a discussion of the Entergy Louisiana securitization. For details of Entergy's commercial paper program 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

Entergy Wholesale Commodities Portfolio

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 primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. Cash and letters of credit are also acceptable forms of credit support. At September 30, 2022, based on power prices at that time, Entergy had liquidity exposure of \$13 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$8 million of posted cash collateral.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **Nuclear Matters**" in the Form 10-K for a discussion of nuclear matters. Following is an update to that discussion.

NRC Reactor Oversight Process

As discussed in the Form 10-K, the NRC's Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC's inspection program and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC's Reactor Oversight Process Action Matrix columns: "licensee response column," or Column 1, "regulatory response column," or Column 2, "degraded cornerstone column," or Column 3, "multiple/repetitive degraded cornerstone column," or Column 4, and "unacceptable performance," or Column 5. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC with, in general, progressively increasing levels of associated costs. Continued plant operation is not permitted for plants in Column 5. All of the nuclear generating plants owned and operated by Entergy's Utility business are currently in Column 1, except Waterford 3, which is in Column 2.

In September 2022 the NRC placed Waterford 3 in Column 2 based on an error associated with a radiation monitor calibration. Entergy corrected the issue with the radiation monitor in February 2022; however, Waterford 3 is expected to remain in Column 2 until the NRC conducts a supplemental inspection of Waterford 3 in accordance with its inspection procedures for nuclear plants in Column 2.

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, impairment of long-lived assets, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. Following is an update to that discussion.

Qualified Pension and Other Postretirement Benefits

As discussed in the Form 10-K, Entergy sponsors qualified, defined benefit pension plans, including cash balance plans and final average pay plans. Entergy's reported costs of providing these benefits, as described in Note 11 to the financial statements in the Form 10-K, are affected by numerous factors. Key actuarial assumptions utilized in determining qualified pension and other postretirement health care and life insurance costs include the expected long-term rate of return on plan assets. For 2022, Entergy assumed a long-term rate of return on its qualified pension plan assets of 6.75%. Through September 30, 2022, due to the decline in the equity markets, Entergy experienced a 24% loss on its qualified pension plan assets, which have declined in fair value from \$7 billion at December 31, 2021 to \$5 billion at September 30, 2022.

As described more fully in the Form 10-K, in accordance with pension accounting standards, Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into expense when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. The excess is amortized over the average remaining service period of active employees or the average remaining life expectancy of plan participants if almost all are inactive, as in the case of certain qualified pension plans in which the companies within the Entergy Wholesale Commodities segment participate. Also, with regard to pension and other postretirement costs, Entergy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. In general, Entergy determines the MRV of its pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns and for its other postretirement benefit plan assets Entergy generally uses fair value.

Minimum required funding calculations as determined under Pension Protection Act guidance, as amended by the American Rescue Plan Act of 2021, are performed annually as of January 1 of each year and are based on measurements of the assets and funding liabilities as measured at that date, and Entergy's expected contributions for 2022 are reported in Note 6 to the financial statements herein. Any excess of the funding liability over the calculated fair market value of assets results in a funding shortfall that, under the Pension Protection Act, must be funded over a fifteen-year rolling period. The Pension Protection Act also imposes certain plan limitations if the funded percentage, which is based on calculated fair market values of assets divided by funding liabilities, does not meet certain thresholds. For funding purposes, asset gains and losses are smoothed into the calculated fair market value of assets. The funding liability is based upon a weighted average 24-month corporate bond rate published by the U.S. Treasury which is generally subject to a corridor of the 25-year average of prior segment rates. Periodic changes in asset returns and interest rates can affect funding shortfalls and future cash contributions.

New Accounting Pronouncements

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

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands, Except Share Data)			
OPERATING REVENUES				
Electric	\$4,110,058	\$3,159,969	\$10,024,089	\$8,339,764
Natural gas	46,548	31,254	166,917	121,420
Competitive businesses	62,009	162,309	300,731	559,256
TOTAL	4,218,615	3,353,532	10,491,737	9,020,440
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	1,366,811	737,785	2,685,694	1,865,016
Purchased power	415,066	311,332	1,255,318	943,438
Nuclear refueling outage expenses	39,707	43,309	119,625	130,747
Other operation and maintenance	793,145	700,595	2,249,674	2,188,498
Asset write-offs, impairments, and related charges (credits)	(143)	(139)	(163,464)	345,226
Decommissioning	49,263	60,364	174,171	245,205
Taxes other than income taxes	190,056	182,347	542,448	494,960
Depreciation and amortization	453,288	421,745	1,337,019	1,257,809
Other regulatory charges (credits) - net	(43,283)	68,324	689,355	45,464
TOTAL	3,263,910	2,525,662	8,889,840	7,516,363
OPERATING INCOME	954,705	827,870	1,601,897	1,504,077
OTHER INCOME (DEDUCTIONS)				
Allowance for equity funds used during construction	20,245	17,180	49,685	48,629
Interest and investment income (loss)	2,966	75,112	(118,002)	289,757
Miscellaneous - net	(10,462)	(16,797)	32,720	(140,571)
TOTAL	12,749	75,495	(35,597)	197,815
INTEREST EXPENSE				
Interest expense	235,322	216,612	694,558	642,839
Allowance for borrowed funds used during construction	(7,862)	(7,112)	(18,710)	(20,088)
TOTAL	227,460	209,500	675,848	622,751
INCOME BEFORE INCOME TAXES	739,994	693,865	890,452	1,079,141
Income taxes	184,112	158,282	(109,034)	205,808
CONSOLIDATED NET INCOME	555,882	535,583	999,486	873,333
Preferred dividend requirements of subsidiaries and noncontrolling interest	(4,707)	4,580	2,794	13,739
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	\$560,589	\$531,003	\$996,692	\$859,594
Earnings per average common share:				
Basic	\$2.76	\$2.64	\$4.90	\$4.28
Diluted	\$2.74	\$2.63	\$4.88	\$4.26
Basic average number of common shares outstanding	203,445,773	200,963,049	203,259,373	200,756,267
Diluted average number of common shares outstanding	204,578,013	202,003,329	204,357,916	201,568,508
See Notes to Financial Statements.				

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
(In Thousands)				
Net Income	\$555,882	\$535,583	\$999,486	\$873,333
Other comprehensive income (loss)				
Cash flow hedges net unrealized gain (loss) (net of tax benefit of \$—, \$—, \$—, and (\$7,935))	24	24	72	(29,778)
Pension and other postretirement liabilities (net of tax expense of \$3,505, \$2,596, \$7,689, and \$15,141)	11,867	8,838	26,240	53,903
Net unrealized investment loss (net of tax expense (benefit) of \$1,223, (\$1,259), (\$2,230), and (\$26,867))	(1,223)	(2,162)	(7,154)	(46,957)
Other comprehensive income (loss)	10,668	6,700	19,158	(22,832)
Comprehensive Income	566,550	542,283	1,018,644	850,501
Preferred dividend requirements of subsidiaries and noncontrolling interest	(4,707)	4,580	2,794	13,739
Comprehensive Income Attributable to Entergy Corporation	<u>\$571,257</u>	<u>\$537,703</u>	<u>\$1,015,850</u>	<u>\$836,762</u>

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	\$999,486	\$873,333
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	1,667,756	1,696,323
Deferred income taxes, investment tax credits, and non-current taxes accrued	(76,672)	280,193
Asset write-offs, impairments, and related charges (credits)	(163,464)	345,200
Changes in working capital:		
Receivables	(368,772)	(245,082)
Fuel inventory	19,433	46,951
Accounts payable	(59,787)	362,529
Taxes accrued	89,554	19,611
Interest accrued	38,361	29,313
Deferred fuel costs	(821,386)	(356,833)
Other working capital accounts	(124,677)	(94,791)
Changes in provisions for estimated losses	297,842	(72,577)
Changes in other regulatory assets	587,128	(631,172)
Changes in other regulatory liabilities	(116,315)	117,301
Effect of securitization on regulatory asset	(1,036,955)	—
Changes in pension and other postretirement liabilities	(258,141)	(422,028)
Other	1,136,050	62,712
Net cash flow provided by operating activities	1,809,441	2,010,983
INVESTING ACTIVITIES		
Construction/capital expenditures	(3,853,121)	(3,925,632)
Allowance for equity funds used during construction	49,685	48,629
Nuclear fuel purchases	(125,619)	(127,606)
Payment for purchase of plant or assets	(106,193)	(36,534)
Net proceeds (payments) from sale of assets	(7,082)	17,421
Litigation proceeds from settlement agreement	9,829	—
Changes in securitization account	1,224	13,862
Payments to storm reserve escrow account	(1,291,593)	(23)
Receipts from storm reserve escrow account	1,000,278	83,105
Decrease (increase) in other investments	(33,238)	4,239
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	32,367	49,236
Proceeds from nuclear decommissioning trust fund sales	1,377,304	4,475,142
Investment in nuclear decommissioning trust funds	(1,422,808)	(4,463,814)
Net cash flow used in investing activities	(4,368,967)	(3,861,975)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	5,316,693	6,269,152
Treasury stock	31,802	5,613
Common stock	—	26,817
Retirement of long-term debt	(4,998,642)	(4,046,791)
Changes in credit borrowings and commercial paper - net	185,455	(621,168)
Capital contribution from noncontrolling interest	9,595	—
Proceeds from trust related to securitization	3,163,572	—
Other	41,659	44,176
Dividends paid:		
Common stock	(615,937)	(572,131)
Preferred stock	(13,739)	(13,739)
Net cash flow provided by financing activities	3,120,458	1,091,929
Net increase (decrease) in cash and cash equivalents	560,932	(759,063)
Cash and cash equivalents at beginning of period	442,559	1,759,099
Cash and cash equivalents at end of period	\$1,003,491	\$1,000,036
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$631,211	\$590,581
Income taxes	(\$7,412)	\$29,454
See Notes to Financial Statements.		

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$80,695	\$44,944
Temporary cash investments	922,796	397,615
Total cash and cash equivalents	1,003,491	442,559
Accounts receivable:		
Customer	955,138	786,866
Allowance for doubtful accounts	(30,723)	(68,608)
Other	244,114	231,843
Accrued unbilled revenues	538,232	420,255
Total accounts receivable	1,706,761	1,370,356
Deferred fuel costs	1,138,041	324,394
Fuel inventory - at average cost	135,142	154,575
Materials and supplies - at average cost	1,129,485	1,041,515
Deferred nuclear refueling outage costs	141,012	133,422
Prepayments and other	255,873	156,774
TOTAL	5,509,805	3,623,595
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	3,910,411	5,514,016
Non-utility property - at cost (less accumulated depreciation)	360,709	357,576
Other	446,664	159,455
TOTAL	4,717,784	6,031,047
PROPERTY, PLANT, AND EQUIPMENT		
Electric	63,947,067	64,263,250
Natural gas	682,645	658,989
Construction work in progress	1,878,427	1,511,966
Nuclear fuel	526,773	577,006
TOTAL PROPERTY, PLANT, AND EQUIPMENT	67,034,912	67,011,211
Less - accumulated depreciation and amortization	25,316,065	24,767,051
PROPERTY, PLANT, AND EQUIPMENT - NET	41,718,847	42,244,160
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$291,283 as of September 30, 2022 and \$49,579 as of December 31, 2021)	6,026,128	6,613,256
Deferred fuel costs	241,085	240,953
Goodwill	377,172	377,172
Accumulated deferred income taxes	89,848	54,186
Other	294,626	269,873
TOTAL	7,028,859	7,555,440
TOTAL ASSETS	\$58,975,295	\$59,454,242

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$1,584,037	\$1,039,329
Notes payable and commercial paper	1,386,632	1,201,177
Accounts payable	1,744,246	2,610,132
Customer deposits	417,132	395,184
Taxes accrued	509,382	419,828
Interest accrued	229,512	191,151
Deferred fuel costs	—	7,607
Pension and other postretirement liabilities	65,916	68,336
Current portion of unprotected excess accumulated deferred income taxes	2,660	53,385
Other	215,358	204,613
TOTAL	6,154,875	6,190,742
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	4,677,276	4,706,797
Accumulated deferred investment tax credits	208,239	211,975
Regulatory liability for income taxes - net	1,225,190	1,255,692
Other regulatory liabilities	2,608,757	2,643,845
Decommissioning and asset retirement cost liabilities	4,224,934	4,757,084
Accumulated provisions	454,964	157,122
Pension and other postretirement liabilities	1,693,604	1,949,325
Long-term debt (includes securitization bonds of \$311,156 as of September 30, 2022 and \$83,639 as of December 31, 2021)	24,635,942	24,841,572
Other	677,838	815,284
TOTAL	40,406,744	41,338,696
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	219,410	219,410
EQUITY		
Preferred stock, no par value, authorized 1,000,000 shares in 2022 and 2021; issued shares in 2022 and 2021 - none	—	—
Common stock, \$.01 par value, authorized 499,000,000 shares in 2022 and 2021; issued 271,965,510 shares in 2022 and 2021	2,720	2,720
Paid-in capital	6,765,113	6,766,239
Retained earnings	10,621,307	10,240,552
Accumulated other comprehensive loss	(313,370)	(332,528)
Less - treasury stock, at cost (68,483,278 shares in 2022 and 69,312,326 shares in 2021)	4,979,419	5,039,699
Total common shareholders' equity	12,096,351	11,637,284
Subsidiaries' preferred stock without sinking fund and noncontrolling interest	97,915	68,110
TOTAL	12,194,266	11,705,394
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$58,975,295	\$59,454,242

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2022
(Unaudited)

		Common Shareholders' Equity					
	Subsidiaries' Preferred Stock and Noncontrolling Interest	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(In Thousands)						
Balance at December 31, 2021	\$68,110	\$2,720	(\$5,039,699)	\$6,766,239	\$10,240,552	(\$332,528)	\$11,705,394
Consolidated net income (a)	3,193	—	—	—	276,400	—	279,593
Other comprehensive loss	—	—	—	—	—	(4,050)	(4,050)
Common stock issuances related to stock plans	—	—	36,612	(31,085)	—	—	5,527
Common stock dividends declared	—	—	—	—	(205,058)	—	(205,058)
Preferred dividend requirements of subsidiaries (a)	(4,580)	—	—	—	—	—	(4,580)
Balance at March 31, 2022	\$66,723	\$2,720	(\$5,003,087)	\$6,735,154	\$10,311,894	(\$336,578)	\$11,776,826
Consolidated net income (a)	4,308	—	—	—	159,703	—	164,011
Other comprehensive income	—	—	—	—	—	12,540	12,540
Common stock issuances related to stock plans	—	—	18,927	15,214	—	—	34,141
Common stock dividends declared	—	—	—	—	(205,408)	—	(205,408)
Beneficial interest in storm trust	31,636	—	—	—	—	—	31,636
Capital contributions from noncontrolling interest	9,595	—	—	—	—	—	9,595
Distributions to noncontrolling interest	(190)	—	—	—	—	—	(190)
Preferred dividend requirements of subsidiaries (a)	(4,580)	—	—	—	—	—	(4,580)
Balance at June 30, 2022	\$107,492	\$2,720	(\$4,984,160)	\$6,750,368	\$10,266,189	(\$324,038)	\$11,818,571
Consolidated net income (loss) (a)	(4,707)	—	—	—	560,589	—	555,882
Other comprehensive income	—	—	—	—	—	10,668	10,668
Common stock issuances related to stock plans	—	—	4,741	14,745	—	—	19,486
Common stock dividends declared	—	—	—	—	(205,471)	—	(205,471)
Distributions to noncontrolling interest	(290)	—	—	—	—	—	(290)
Preferred dividend requirements of subsidiaries (a)	(4,580)	—	—	—	—	—	(4,580)
Balance at September 30, 2022	\$ 97,915	\$ 2,720	\$ (4,979,419)	\$ 6,765,113	\$ 10,621,307	\$ (313,370)	\$ 12,194,266

See Notes to Financial Statements.

(a) Consolidated net income (loss) and preferred dividend requirements of subsidiaries for first quarter 2022, second quarter 2022, and third quarter 2022 each includes \$4 million of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2021
(Unaudited)

	Subsidiaries' Preferred Stock and Noncontrolling Interest	Common Shareholders' Equity					Total
		Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	
		(In Thousands)					
Balance at December 31, 2020	\$35,000	\$2,700	(\$5,074,456)	\$6,549,923	\$9,897,182	(\$449,207)	\$10,961,142
Consolidated net income (a)	4,580	—	—	—	334,565	—	339,145
Other comprehensive loss	—	—	—	—	—	(51,300)	(51,300)
Common stock issuances related to stock plans	—	—	28,235	(29,871)	—	—	(1,636)
Common stock dividends declared	—	—	—	—	(190,595)	—	(190,595)
Preferred dividend requirements of subsidiaries (a)	(4,580)	—	—	—	—	—	(4,580)
Balance at March 31, 2021	\$35,000	\$2,700	(\$5,046,221)	\$6,520,052	\$10,041,152	(\$500,507)	\$11,052,176
Consolidated net income (loss) (a)	4,580	—	—	—	(5,974)	—	(1,394)
Other comprehensive income	—	—	—	—	—	21,768	21,768
Common stock issuances and sales under the at the market equity distribution program	—	3	—	28,213	—	—	28,216
Common stock issuance costs	—	—	—	(1,399)	—	—	(1,399)
Common stock issuances related to stock plans	—	—	3,979	14,810	—	—	18,789
Common stock dividends declared	—	—	—	—	(190,629)	—	(190,629)
Preferred dividend requirements of subsidiaries (a)	(4,580)	—	—	—	—	—	(4,580)
Balance at June 30, 2021	\$35,000	\$2,703	(\$5,042,242)	\$6,561,676	\$9,844,549	(\$478,739)	\$10,922,947
Consolidated net income (a)	4,580	—	—	—	531,003	—	535,583
Other comprehensive income	—	—	—	—	—	6,700	6,700
Common stock issuances related to stock plans	—	—	1,605	16,176	—	—	17,781
Common stock dividends declared	—	—	—	—	(190,907)	—	(190,907)
Preferred dividend requirements of subsidiaries (a)	(4,580)	—	—	—	—	—	(4,580)
Balance at September 30, 2021	\$ 35,000	\$ 2,703	\$ (5,040,637)	\$ 6,577,852	\$ 10,184,645	\$ (472,039)	\$ 11,287,524

See Notes to Financial Statements.

(a) Consolidated net income (loss) and preferred dividend requirements of subsidiaries for first quarter 2021, second quarter 2021, and third quarter 2021 each includes \$4 million of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

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 authorities, 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.

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.

In October 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$83 million in favor of Entergy Nuclear Indian Point 2, LLC and Entergy Nuclear Indian Point 3, LLC against the DOE in the Indian Point Unit 2 third round and Unit 3 second round combined damages case. Entergy received payment from the U.S. Treasury in January 2022. The effect of recording the judgment in October 2021 was a reduction to asset write-offs, impairments, and related charges (credits). The damages awarded included \$32 million related to costs previously recorded as plant, \$47 million related to costs previously recorded as other operation and maintenance expenses, and \$4 million related to costs previously recorded as taxes other than income taxes.

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.

Grand Gulf - Related Agreements

See Note 8 to the financial statements in the Form 10-K for information regarding Grand Gulf-related agreements.

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.

Fuel and purchased power cost recovery

Entergy Arkansas

Energy Cost Recovery Rider

In March 2022, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase from \$0.00959 per kWh to \$0.01785 per kWh. The primary reason for the rate increase is a large under-recovered balance as a result of higher natural gas prices in 2021, particularly in the fourth quarter 2021. At the request of the APSC general staff, Entergy Arkansas deferred its request for recovery of \$32 million from the under-recovery related to the 2021 February winter storms until the 2023 energy cost rate redetermination, unless a request for an interim adjustment to the energy cost recovery rider is necessary. This resulted in a redetermined rate of \$0.016390 per kWh, which became effective with the first billing cycle in April 2022 through the normal operation of the tariff.

Entergy Louisiana

As discussed in the Form 10-K, in February 2021, Entergy Louisiana incurred extraordinary fuel costs associated with the February 2021 winter storms. To mitigate the effect of these costs on customer bills, in March 2021, Entergy Louisiana requested and the LPSC approved the deferral and recovery of \$166 million in incremental fuel costs over five months beginning in April 2021. In April 2022 the LPSC staff issued a draft audit report regarding Entergy Louisiana's fuel adjustment clause charges in February 2021 that did not recommend any financial disallowances, but included several prospective recommendations. Responsive testimony was filed by one intervenor and the parties agreed to suspend any procedural schedule and move toward settlement discussions to close the matter.

In May 2022 the LPSC staff issued an audit report regarding Entergy Louisiana's purchased gas adjustment charges in February 2021 that did not propose any financial disallowances. The LPSC staff and Entergy Louisiana

submitted a joint report on the audit report and draft order to the LPSC concluding that Entergy Louisiana's gas distribution operations and fuel costs were not significantly adversely affected by the February 2021 winter storms and the resulting increase in natural gas prices. The LPSC issued an order approving the joint report in October 2022.

To mitigate high electric bills, primarily driven by high summer usage and elevated gas prices, Entergy Louisiana has deferred approximately \$225 million of fuel expense incurred in April, May, June, July, August, and September 2022 (as reflected on June, July, August, September, October, and November 2022 bills). These deferrals were included in the over/under calculation of the fuel adjustment clause, which is intended to recover the full amount of the costs included on a rolling twelve-month basis.

Entergy Mississippi

See "**Complaints Against System Energy - System Energy Settlement with the MPSC**" below for discussion of the partial settlement agreement filed with the FERC in June 2022. The settlement, which is contingent upon FERC approval, provides for a refund of \$235 million from System Energy to Entergy Mississippi. In July 2022 the MPSC directed the disbursement of settlement proceeds, ordering Entergy Mississippi to provide a one-time \$80 bill credit to each of its approximately 460,000 retail customers to be effective during the September 2022 billing cycle, and to apply the remaining proceeds to Entergy Mississippi's under-recovered deferred fuel balance. System Energy requested an order from the FERC by November 2022.

Entergy Mississippi had a deferred fuel balance of approximately \$291.7 million under the energy cost recovery rider as of July 31, 2022, along with an over-recovery balance of \$51.1 million under the power management rider. Without further action, Entergy Mississippi anticipated a year-end deferred fuel balance of approximately \$200 million after application of a portion of the System Energy settlement proceeds, as discussed above. In September 2022, Entergy Mississippi filed for interim adjustments under both the energy cost recovery rider and the power management rider. Entergy Mississippi proposed five monthly incremental adjustments to the net energy cost factor designed to collect the under-recovered fuel balance as of July 31, 2022 and to reflect the recovery of a higher natural gas price. Entergy Mississippi also proposed five monthly incremental adjustments to the power management adjustment factor designed to flow through to customers the over-recovered power management rider balance as of July 31, 2022. In October 2022 the MPSC approved modified interim adjustments to Entergy Mississippi's energy cost recovery rider and power management rider. The MPSC approved dividing the energy cost recovery rider interim adjustment into two components that would allow Entergy Mississippi to 1) recover a natural gas fuel rate that is better aligned with current prices and 2) recover the estimated under-recovered deferred fuel balance as of September 30, 2022 over a period of 20 months. The MPSC approved six monthly incremental adjustments to the net energy cost factor designed to reflect the recovery of a higher natural gas price. The MPSC also approved six monthly incremental adjustments to the power management adjustment factor designed to flow through to customers the over-recovered power management rider balance. Entergy Mississippi will not file its annual redetermination of the energy cost recovery rider or the power management rider in November 2022. Entergy Mississippi's November 2023 annual redetermination will not reflect any part of the estimated under-recovered deferred fuel balance as of September 30, 2022; it will only reflect any over/under recovery that accumulates after September 2022. The November 2024 annual redetermination will include the total deferred fuel balance, including any over- or under-recovery of the deferred fuel balance as of September 30, 2022.

Entergy Texas

In May 2022, Entergy Texas filed an application with the PUCT to implement an interim fuel surcharge to collect the cumulative under-recovery of approximately \$51.7 million, including interest, of fuel and purchased power costs incurred from May 1, 2020 through December 31, 2021. The under-recovery balance is primarily attributable to the impacts of Winter Storm Uri, including historically high natural gas prices, partially offset by settlements received by Entergy Texas from MISO related to Hurricane Laura. Entergy Texas proposed that the interim fuel surcharge be assessed over a period of six months beginning with the first billing cycle after the PUCT

issues a final order, but no later than the first billing cycle of September 2022. Also in May 2022, the PUCT referred the proceeding to the State Office of Administrative Hearings. In July 2022, Entergy Texas filed on behalf of the parties an unopposed settlement resolving all issues in the proceeding. In addition, Entergy Texas filed on behalf of the parties a motion to admit evidence, to approve interim rates as requested in the initial application, and to remand the proceeding to the PUCT to consider the unopposed settlement. In August 2022 the ALJ with the State Office of Administrative Hearings issued an order granting Entergy Texas's motion, approving interim rates effective with the first billing cycle of September 2022, and remanding the case to the PUCT for final approval.

In September 2022, Entergy Texas filed an application with the PUCT to reconcile its fuel and purchased power costs for the period from April 2019 through March 2022. During the reconciliation period, Entergy Texas incurred approximately \$1.7 billion in eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. As of the end of the reconciliation period, Entergy Texas's cumulative under-recovery balance was approximately \$103.1 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2022, pending future surcharges or refunds as approved by the PUCT. A PUCT decision is expected in September 2023.

Retail Rate Proceedings

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

Filings with the APSC (Entergy Arkansas)

Retail Rates

2022 Formula Rate Plan Filing

In July 2022, Entergy Arkansas filed with the APSC its 2022 formula rate plan filing to set its formula rate for the 2023 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2023 and a netting adjustment for the historical year 2021. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2023 projected year is 7.40% resulting in a revenue deficiency of \$104.8 million. The earned rate of return on common equity for the 2021 historical year was 8.38% resulting in a \$15.2 million netting adjustment. The total proposed revenue change for the 2023 projected year and 2021 historical year netting adjustment is \$119.9 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase is limited to \$79.3 million. In October 2022 other parties filed their testimony recommending various adjustments to Entergy Arkansas's overall proposed revenue deficiency, and Entergy Arkansas filed a response including an update to actual revenues through August 2022, which raised the constraint to \$79.8 million. In November 2022, Entergy Arkansas filed with the APSC a settlement agreement reached with other parties resolving all issues in the proceeding. As a result of the settlement agreement, the total proposed revenue change is \$102.8 million, including a \$87.7 million increase for the 2023 projected year and a \$15.2 million netting adjustment. Because Entergy Arkansas's revenue requirement exceeded the constraint, the resulting increase is limited to \$79.8 million. The APSC will rule on the settlement at a later date. A hearing is currently scheduled for November 2022.

COVID-19 Orders

See the Form 10-K for discussion of APSC orders issued in light of the COVID-19 pandemic. As of September 30, 2022, Entergy Arkansas had a regulatory asset of \$39 million for costs associated with the COVID-19 pandemic.

Filings with the LPSC (Entergy Louisiana)

Retail Rates - Electric

2021 Formula Rate Plan Filing

In May 2022, Entergy Louisiana filed its formula rate plan evaluation report for its 2021 calendar year operations. The 2021 test year evaluation report produced an earned return on common equity of 8.33%, with a base formula rate plan revenue increase of \$65.3 million. Other increases in formula rate plan revenue driven by reductions in Tax Cut and Jobs Act credits and additions to transmission and distribution plant in service reflected through the transmission recovery mechanism and distribution recovery mechanism are partly offset by an increase in net MISO revenues, leading to a net increase in formula rate plan revenue of \$152.9 million. The effects of the changes to total formula rate plan revenue are different for each legacy company, primarily due to differences in the legacy companies' capacity cost changes, including the effect of true-ups. Legacy Entergy Louisiana formula rate plan revenues will increase by \$86 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by \$66.9 million. In August 2022 the LPSC staff filed a list of objections/reservations, including outstanding issues from the test years 2017-2020 formula rate plan filings, utilizing the extraordinary cost mechanism to address one-time changes such as state tax rate changes, and failing to include an adjustment for revenues not received as a result of Hurricane Ida. Subject to refund and LPSC review, the resulting changes to formula rate plan revenues became effective for bills rendered during the first billing cycle of September 2022.

COVID-19 Orders

As discussed in the Form 10-K, in April 2020 the LPSC issued an order authorizing utilities to record as a regulatory asset expenses incurred from the suspension of disconnections and collection of late fees imposed by LPSC orders associated with the COVID-19 pandemic. In addition, utilities may seek future recovery, subject to LPSC review and approval, of losses and expenses incurred due to compliance with the LPSC's COVID-19 orders. Utilities seeking to recover the regulatory asset must formally petition the LPSC to do so, identifying the direct and indirect costs for which recovery is sought. Any such request is subject to LPSC review and approval. As of September 30, 2022, Entergy Louisiana had a regulatory asset of \$47.8 million for costs associated with the COVID-19 pandemic.

Filings with the MPSC (Entergy Mississippi)

Retail Rates

2022 Formula Rate Plan Filing

In March 2022, Entergy Mississippi submitted its formula rate plan 2022 test year filing and 2021 look-back filing showing Entergy Mississippi's earned return for the historical 2021 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2022 calendar year to be below the formula rate plan bandwidth. The 2022 test year filing shows a \$69 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.70% return on rate base, within the formula rate plan bandwidth. The change in formula rate plan revenues, however, is capped at 4% of retail revenues, which equates to a revenue change of \$48.6 million. The 2021 look-back filing compares actual 2021 results to the approved benchmark return on rate base and reflects the need for a \$34.5 million interim increase in formula rate plan revenues. In fourth quarter 2021, Entergy Mississippi recorded a regulatory asset of \$19 million to reflect the then-current estimate in connection with the look-back feature of the formula rate plan. In accordance with the provisions of the formula rate plan, Entergy Mississippi implemented a \$24.3 million interim rate increase, reflecting a cap equal to 2% of 2021 retail revenues, effective in April 2022.

In June 2022, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed the 2022 test year filing that resulted in a total rate increase of \$48.6 million. Pursuant to the joint stipulation, Entergy Mississippi's 2021 look-back filing reflected an earned return on rate base of 5.99% in calendar year 2021, which is below the look-back bandwidth, resulting in a \$34.3 million increase in the formula rate plan revenues on an interim basis through June 2023. In July 2022 the MPSC approved the joint stipulation with rates effective in August 2022. In July 2022, Entergy Mississippi recorded regulatory credits of \$22.6 million to reflect the effects of the joint stipulation. In August 2022 an intervenor filed a statutorily-authorized direct appeal to the Mississippi Supreme Court seeking review of the MPSC's July 2022 order approving the joint stipulation confirming Entergy Mississippi's 2022 formula rate plan filing. The rates that went into effect in August 2022 are not stayed or otherwise impacted while the appeal is pending.

In July 2022 the MPSC directed Entergy Mississippi to flow \$14.1 million of the power management rider over-recovery balance to customers beginning in August 2022 through December 2022 to mitigate the bill impact of the increase in formula rate plan revenues.

Sunflower Solar

As discussed in the Form 10-K, in April 2020 the MPSC issued an order approving certification of the Sunflower Solar facility and its recovery through the interim capacity rate adjustment mechanism, subject to certain conditions. In July 2022, pursuant to the MPSC's April 2020 order, Entergy Mississippi submitted a compliance filing to the MPSC with updated calculations of the impact of the Sunflower Solar facility on rate base and revenue requirement for the Sunflower Solar facility and benefits of the tax equity partnership. In November 2022 the MPSC approved Entergy Mississippi's July 2022 compliance filing and authorized the recovery of the costs of the Sunflower Solar facility through the interim capacity rate adjustment mechanism in the formula rate plan with rates effective in December 2022. See Note 14 to the financial statements herein for discussion of Entergy Mississippi's purchase of the Sunflower Solar facility.

COVID-19 Orders

As discussed in the Form 10-K, in April 2020 the MPSC issued an order authorizing utilities to defer incremental costs and expenses associated with COVID-19 compliance and to seek future recovery through rates of the prudently incurred incremental costs and expenses. Entergy Mississippi began recovery of the bad debt expense deferral resulting from the COVID-19 pandemic over a three-year period with implementation of the interim formula rate plan rates in April 2022. As of September 30, 2022, Entergy Mississippi had a remaining regulatory asset of \$10.9 million for costs associated with the COVID-19 pandemic.

Filings with the City Council (Entergy New Orleans)

Retail Rates

2022 Formula Rate Plan Filing

In April 2022, Entergy New Orleans submitted to the City Council its formula rate plan 2021 test year filing. The 2021 test year evaluation report, subsequently updated in a July 2022 filing, produced an earned return on equity of 6.88% compared to the authorized return on equity of 9.35%. Entergy New Orleans sought approval of a \$42.1 million rate increase based on the formula set by the City Council in the 2018 rate case. The formula results in an increase in authorized electric revenues of \$34.1 million and an increase in authorized gas revenues of \$3.3 million. Entergy New Orleans also sought to commence collecting \$4.7 million in electric revenues that were previously approved by the City Council for collection through the formula rate plan. In July 2022 the City Council's advisors issued a report seeking a reduction to Entergy New Orleans's proposed increase of approximately \$17.1 million in total for electric and gas revenues. Effective with the first billing cycle of September 2022, Entergy New Orleans implemented rates reflecting an amount agreed upon by Entergy New

Orleans and the City Council including adjustments filed in the City Council's advisors' report, per the approved process for formula rate plan implementation. The total formula rate plan increase implemented was \$24.7 million, which includes an increase of \$18.2 million in electric revenues, \$4.7 million in previously approved electric revenues, and an increase of \$1.8 million in gas revenues. Additionally, credits of \$13.9 million funded by certain regulatory liabilities currently held by Entergy New Orleans for customers will be issued over an eight-month period beginning September 2022.

COVID-19 Orders

As discussed in the Form 10-K, in May 2020 the City Council issued an accounting order authorizing Entergy New Orleans to establish a regulatory asset for incremental COVID-19-related expenses. As of September 30, 2022, Entergy New Orleans had a regulatory asset of \$13.9 million for costs associated with the COVID-19 pandemic. As part of the agreed-upon terms of its 2022 formula rate plan filing, Entergy New Orleans will recover this regulatory asset over a five-year period beginning September 2023.

Filings with the PUCT and Texas Cities (Entergy Texas)

Retail Rates

2022 Base Rate Case

In July 2022, Entergy Texas filed a base rate case with the PUCT seeking a net increase in base rates of approximately \$131.4 million. The base rate case was based on a 12-month test year ending December 31, 2021. Key drivers of the requested increase are changes in depreciation rates as the result of a depreciation study and an increase in the return on equity. In addition, Entergy Texas included capital additions placed into service for the period of January 1, 2018 through December 31, 2021, including those additions currently reflected in the distribution and transmission cost recovery factor riders and the generation cost recovery rider, all of which would be reset to zero as a result of this proceeding. In July 2022 the PUCT referred the proceeding to the State Office of Administrative Hearings. In October 2022 intervenors filed direct testimony challenging and supporting various aspects of Entergy Texas's rate case application. The key issues addressed included the appropriate return on equity, generation plant deactivations, depreciation rates, and proposed tariffs related to electric vehicles. In November 2022 the PUCT staff filed direct testimony addressing a similar set of issues and recommending a reduction of \$50.7 million to Entergy Texas's overall cost of service associated with the requested net increase in base rates of approximately \$131.4 million. Entergy Texas will file rebuttal testimony in November 2022. A hearing on the merits is scheduled for December 2022. If a settlement is not reached, a final decision by the PUCT is expected in second quarter 2023.

Distribution Cost Recovery Factor (DCRF) Rider

As discussed in the Form 10-K, in August 2021, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$40.2 million annually, or \$13.9 million in incremental annual revenues beyond Entergy Texas's then-effective DCRF rider based on its capital invested in distribution between September 1, 2020 and June 30, 2021. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in December 2021. In December 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding, including a motion for interim rates to take effect for usage on and after January 24, 2022. Also, in December 2021, the ALJ with the State Office of Administrative Hearings issued an order granting the motion for interim rates, which went into effect in January 2022, admitting evidence, and remanding the proceeding to the PUCT to consider the settlement. In March 2022 the PUCT issued an order approving the settlement.

Transmission Cost Recovery Factor (TCRF) Rider

As discussed in the Form 10-K, in October 2021, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$66.1 million annually, or \$15.1 million in incremental annual revenues beyond Entergy Texas's then-effective TCRF rider based on its capital invested in transmission between September 1, 2020 and July 31, 2021 and changes in approved transmission charges. In January 2022 the PUCT referred the proceeding to the State Office of Administrative Hearings. In February 2022 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2022. In February 2022 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting. In June 2022 the PUCT issued an order approving the settlement.

Generation Cost Recovery Rider

As discussed in the Form 10-K, in October 2020, Entergy Texas filed an application to establish a generation cost recovery rider to begin recovering a return of and on its generation capital investment in the Montgomery County Power Station through August 31, 2020, which was approved by the PUCT on an interim basis in January 2021. In March 2021, Entergy Texas filed to update its generation cost recovery rider to include its generation capital investment in Montgomery County Power Station after August 31, 2020 and an unopposed settlement agreement filed on behalf of the parties by Entergy Texas in October 2021 was approved by the PUCT in January 2022. In February 2022, Entergy Texas filed a relate-back rider to collect over five months an additional approximately \$5 million, which is the difference between the interim revenue requirement approved in January 2021 and the revenue requirement approved in January 2022 that reflects Entergy Texas's full generation capital investment and ownership in Montgomery County Power Station on January 1, 2021, plus carrying costs from January 2021 through January 2022 when the updated revenue requirement took effect. In April 2022, Entergy Texas and the PUCT staff filed a joint proposed order that supports approval of Entergy Texas's as-filed request. The PUCT approved the relate-back rider consistent with Entergy Texas's as-filed request, and rates became effective over a five month period, in August 2022.

In December 2020, Entergy Texas also filed an application to amend its generation cost recovery rider to reflect its acquisition of the Hardin County Peaking Facility, which closed in June 2021. Because Hardin was to be acquired in the future, the initial generation cost recovery rider rates proposed in the application represented no change from the generation cost recovery rider rates established in Entergy Texas's previous generation cost recovery rider proceeding. In July 2021 the PUCT issued an order approving the application. In August 2021, Entergy Texas filed an update application to recover its actual investment in the acquisition of the Hardin County Peaking Facility. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in April 2022. In January 2022, Entergy Texas filed an update to its application to align the requested revenue requirement with the terms of the generation cost recovery rider settlement approved by the PUCT in January 2022. In March 2022, Entergy Texas filed on behalf of the parties an unopposed motion, which motion was granted by the ALJ with the State Office of Administrative Hearings, to abate the procedural schedule indicating that the parties had reached an agreement in principle. In April 2022, Entergy Texas filed on behalf of the parties a unanimous settlement agreement that would adjust its generation cost recovery rider to recover an annual revenue requirement of approximately \$92.8 million, which is \$4.5 million in incremental annual revenue above the \$88.3 million approved in January 2022, related to Entergy Texas's actual investment in the acquisition of the Hardin County Peaking Facility. Concurrently with filing of the unanimous settlement agreement, Entergy Texas submitted an agreed motion to admit evidence and remand the case to the PUCT for review and consideration of the settlement agreement, which motion was granted by the ALJ with the State Office of Administrative Hearings. The PUCT approved the settlement agreement and rates became effective in August 2022. In September 2022, Entergy Texas filed a relate-back rider designed to collect over three months an additional approximately \$5.7 million, which is the revenue requirement, plus carrying

costs, associated with Entergy Texas's acquisition of Hardin County Peaking Facility from June 2021 through August 2022 when the updated revenue requirement took effect.

COVID-19 Orders

As discussed in the Form 10-K, in March 2020 the PUCT authorized electric utilities to record as a regulatory asset expenses resulting from the effects of the COVID-19 pandemic. In future proceedings, the PUCT will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary, the appropriate period of recovery, and any amount of carrying costs thereon. As of September 30, 2022, Entergy Texas had a regulatory asset of \$10.4 million for costs associated with the COVID-19 pandemic. As part of its 2022 base rate case filing, Entergy Texas requested recovery of its regulatory asset over a three-year period beginning December 2022.

Entergy Arkansas Opportunity Sales Proceeding

See Note 2 to the financial statements in the Form 10-K for discussion of the Entergy Arkansas opportunity sales proceeding. As discussed in the Form 10-K, in September 2020, Entergy Arkansas filed a complaint in the U.S. District Court for the Eastern District of Arkansas challenging the APSC's order denying Entergy Arkansas's request to recover the costs of the opportunity sales payments made to the other Utility operating companies. In October 2020 the APSC filed a motion to dismiss Entergy Arkansas's complaint. In March 2022 the court denied the APSC's motion to dismiss and, in April 2022, issued a scheduling order including a trial date in February 2023. In June 2022, Entergy Arkansas filed a motion asserting that it is entitled to summary judgment because Entergy Arkansas's position that the APSC's order is pre-empted by the filed rate doctrine and violates the Dormant Commerce Clause is premised on facts that are not subject to genuine dispute. In July 2022, Arkansas Electric Energy Consumers, Inc., an industrial customer association, filed a motion to intervene and to hold Entergy Arkansas's motion for summary judgment in abeyance pending a ruling on the motion to intervene. Entergy Arkansas filed a consolidated opposition to both motions. In August 2022 the APSC filed a motion for summary judgment arguing that there is no genuine issue as to any material fact and the APSC is entitled to judgment as a matter of law. In September 2022, Entergy Arkansas filed an opposition to the motion. In October 2022 the APSC filed a motion asking the court to hold further proceedings in abeyance pending a decision on the motions for summary judgment filed by Entergy Arkansas and the APSC. Also in October 2022, Entergy Arkansas filed an opposition to the motion, and the APSC filed a reply in support of its motion for summary judgment.

Complaints Against System Energy

See Note 2 to the financial statements in the Form 10-K for information regarding pending complaints against System Energy. The following are updates to that discussion. See "**System Energy Settlement with the MPSC**" below for discussion of a partial settlement agreement and offer of settlement related to the pending proceedings before the FERC.

Return on Equity and Capital Structure Complaints

As discussed in the Form 10-K, in March 2021 the FERC ALJ issued an initial decision in the proceeding against System Energy regarding the return on equity component of the Unit Power Sales Agreement. With regard to System Energy's authorized return on equity, the ALJ determined that the existing return on equity of 10.94% is no longer just and reasonable, and that the replacement authorized return on equity, based on application of the Opinion No. 569-A methodology, should be 9.32%. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (January 2017-April 2018) based on the difference between the current return on equity and the replacement authorized return on equity. The ALJ determined that the April 2018 complaint concerning the authorized return on equity should be dismissed, and that no refunds for a second fifteen-month refund period should be due. With regard to System Energy's capital structure, the ALJ determined that System Energy's actual equity ratio is excessive and that the just and reasonable equity ratio is 48.15% equity,

based on the average equity ratio of the proxy group used to evaluate the return on equity for the second complaint. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (September 2018-December 2019) based on the difference between the actual equity ratio and the 48.15% equity ratio. If the ALJ's initial decision is upheld, the estimated refund for this proceeding is approximately \$62 million, which includes interest through September 30, 2022, and the estimated resulting annual rate reduction would be approximately \$34 million. The estimated refund will continue to accrue interest until a final FERC decision is issued.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. In April 2021, System Energy filed its brief on exceptions, in which it challenged the initial decision's findings on both the return on equity and capital structure issues. Also in April 2021 the LPSC, APSC, MPSC, City Council, and the FERC trial staff filed briefs on exceptions. Reply briefs opposing exceptions were filed in May 2021 by System Energy, the FERC trial staff, the LPSC, APSC, MPSC, and the City Council. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

In August 2022 the D.C. Circuit Court of Appeals issued an order addressing appeals of FERC's Opinion No. 569 and 569-A, which established the methodology applied in the ALJ's initial decision in the proceeding against System Energy discussed above. The appellate order addressed the methodology for determining the return on equity applicable to transmission owners in MISO. The D.C. Circuit found FERC's use of the Risk Premium model as part of the methodology to be arbitrary and capricious, and remanded the case back to FERC. The remanded case is pending FERC action.

Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue

As discussed in the Form 10-K, in May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. A hearing was held before a FERC ALJ in November 2019. In April 2020 the ALJ issued the initial decision. Among other things, the ALJ determined that refunds were due on three main issues. First, with regard to the lease renewal payments, the ALJ determined that System Energy is recovering an unjust acquisition premium through the lease renewal payments, and that System Energy's recovery from customers through rates should be limited to the cost of service based on the remaining net book value of the leased assets, which is approximately \$70 million. The ALJ found that the remedy for this issue should be the refund of lease payments (approximately \$17.2 million per year since July 2015) with interest determined at the FERC quarterly interest rate, which would be offset by the addition of the net book value of the leased assets in the cost of service. The ALJ did not calculate a value for the refund expected as a result of this remedy. In addition, System Energy would no longer recover the lease payments in rates prospectively. Second, with regard to the liabilities associated with uncertain tax positions, the ALJ determined that the liabilities are accumulated deferred income taxes and that System Energy's rate base should have been reduced for those liabilities. If the ALJ's initial decision is upheld, the estimated refund for this issue through September 30, 2022 is approximately \$422 million, plus interest, which is approximately \$144 million through September 30, 2022. The ALJ also found that System Energy should include liabilities associated with uncertain tax positions as a rate base reduction going forward. Third, with regard to the depreciation expense adjustments, the ALJ found that System Energy should correct for the error in re-billings retroactively and prospectively, but that System Energy should not be permitted to recover interest on any retroactive return on enhanced rate base resulting from such corrections. If the initial decision is affirmed on this issue, System Energy estimates refunds of approximately \$20 million, which includes interest through September 30, 2022.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. The ALJ in the initial decision acknowledges that these are issues of first impression before the FERC. The case is pending before the FERC, which will review the case and issue an order on the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in

whole or in part. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

LPSC Additional Complaints

As discussed in the Form 10-K, in May 2020 the LPSC authorized its staff to file additional complaints at the FERC related to the rates charged by System Energy for Grand Gulf energy and capacity supplied to Entergy Louisiana under the Unit Power Sales Agreement.

Unit Power Sales Agreement Complaint

The first of the additional complaints was filed by the LPSC, the APSC, the MPSC, and the City Council in September 2020. The first complaint raises two sets of rate allegations: violations of the filed rate and a corresponding request for refunds for prior periods; and elements of the Unit Power Sales Agreement are unjust and unreasonable and a corresponding request for refunds for the 15-month refund period and changes to the Unit Power Sales Agreement prospectively. In May 2021 the FERC issued an order addressing the complaint, establishing a refund effective date of September 21, 2020, establishing hearing procedures, and holding those procedures in abeyance pending the FERC's review of the initial decision in the Grand Gulf sale-leaseback renewal complaint discussed above. System Energy agreed that the hearing should be held in abeyance but sought rehearing of the FERC's decision as related to matters set for hearing that were beyond the scope of the FERC's jurisdiction or authority. The complainants sought rehearing of the FERC's decision to hold the hearing in abeyance and filed a motion to proceed, which motion System Energy subsequently opposed. In June 2021, System Energy's request for rehearing was denied by operation of law, and System Energy filed an appeal of the FERC's orders in the Court of Appeals for the Fifth Circuit. The appeal was initially stayed for a period of 90 days, but the stay expired. In November 2021 the Fifth Circuit dismissed the appeal as premature.

In November 2021 the LPSC, the APSC, and the City Council filed direct testimony and requested the FERC to order refunds for prior periods and prospective amendments to the Unit Power Sales Agreement. The LPSC's refund claims include, among other things, allegations that: (1) System Energy should not have included certain sale-leaseback transaction costs in prepayments; (2) System Energy should have credited rate base to reflect the time value of money associated with the advance collection of lease payments; (3) System Energy incorrectly included refueling outage costs that were recorded in account 174 in rate base; and (4) System Energy should have excluded several accumulated deferred income tax balances in account 190 from rate base. The LPSC is also seeking a retroactive adjustment to retained earnings and capital structure in conjunction with the implementation of its proposed refunds. In addition, the LPSC seeks amendments to the Unit Power Sales Agreement going forward to address below-the-line costs, incentive compensation, the working capital allowance, litigation expenses, and the 2019 termination of the capital funds agreement. The APSC argues that: (1) System Energy should have included borrowings from the Entergy System money pool in its determination of short-term debt in its cost of capital; and (2) System Energy should credit customers with System Energy's allocation of earnings on money pool investments. The City Council alleges that System Energy has maintained excess cash on hand in the money pool and that retention of excess cash was imprudent. Based on this allegation, the City Council's witness recommends a refund of approximately \$98.8 million for the period 2004-September 2021 or other alternative relief. The City Council further recommends that the FERC impose a hypothetical equity ratio such as 48.15% equity to capital on a prospective basis.

In January 2022, System Energy filed answering testimony arguing that the FERC should not order refunds for prior periods or any prospective amendments to the Unit Power Sales Agreement. In response to the LPSC's refund claims, System Energy argues, among other things, that: (1) the inclusion of sale-leaseback transaction costs in prepayments was correct; (2) the filed rate doctrine bars the request for a retroactive credit to rate base for the time value of money associated with the advance collection of lease payments; (3) an accounting misclassification for deferred refueling outage costs has been corrected, caused no harm to customers, and requires no refunds; and (4) its accounting and ratemaking treatment of specified accumulated deferred income tax balances in account 190

has been correct. System Energy further responds that no retroactive adjustment to retained earnings or capital structure should be ordered because there is no general policy requiring such a remedy and there was no showing that the retained earnings element of the capital structure was incorrectly implemented. Further, System Energy presented evidence that all of the costs that are being challenged were long known to the retail regulators and were approved by them for inclusion in retail rates, and the attempt to retroactively challenge these costs, some of which have been included in rates for decades, is unjust and unreasonable. In response to the LPSC's proposed going-forward adjustments, System Energy presents evidence to show that none of the proposed adjustments are needed. On the issue of below-the-line expenses, during discovery procedures, System Energy identified a historical allocation error in certain months and agreed to provide a bill credit to customers to correct the error. In response to the APSC's claims, System Energy argues that the Unit Power Sales Agreement does not include System Energy's borrowings from the Entergy System money pool or earnings on deposits to the Entergy System money pool in the determination of the cost of capital; and accordingly, no refunds are appropriate on those issues. In response to the City Council's claims, System Energy argues that it has reasonably managed its cash and that the City Council's theory of cash management is defective because it fails to adequately consider the relevant cash needs of System Energy and it makes faulty presumptions about the operation of the Entergy System money pool. System Energy further points out that the issue of its capital structure is already subject to pending FERC litigation.

In March 2022 the FERC trial staff filed direct and answering testimony in response to the LPSC, the APSC, and the City Council's direct testimony. In its testimony, the FERC trial staff recommends refunds for two primary reasons: (1) it concluded that System Energy should have excluded specified accumulated deferred income tax balances in account 190 associated with rate refunds; and (2) it concluded that System Energy should have excluded specified accumulated deferred income tax balances in account 190 associated with a deemed contract satisfaction and reissuance that occurred in 2005. The FERC trial staff recommends refunds of \$84.1 million, exclusive of any tax gross-up or FERC interest. In addition, the FERC trial staff recommends the following prospective modifications to the Unit Power Sales Agreement: (1) inclusion of a rate base credit to recognize the time value of money associated with the advance collection of lease payments; (2) exclusion of executive incentive compensation costs for members of the Office of the Chief Executive and long-term performance unit costs where awards are based solely or primarily on financial metrics; and (3) exclusion of unvested, accrued amounts for stock options, performance units, and restricted stock awards. With respect to issues that ultimately concern the reasonableness of System Energy's rate of return, the FERC trial staff states that it is unnecessary to consider such issues in this proceeding, in light of the pending case concerning System Energy's return on equity and capital structure. On all other material issues raised by the LPSC, the APSC, and the City Council, the FERC trial staff recommends either no refunds or no modification to the Unit Power Sales Agreement.

In April 2022, System Energy filed cross-answering testimony in response to the FERC trial staff's recommendations of refunds for the accumulated deferred income taxes issues and proposed modifications to the Unit Power Sales Agreement for the executive incentive compensation issues. In June 2022 the FERC trial staff submitted revised answering testimony, in which it recommended additional refunds associated with the accumulated deferred income tax balances in account 190 associated with a deemed contract satisfaction and reissuance that occurred in 2005. Based on the testimony revisions, the FERC trial staff's recommended refunds total \$106.6 million, exclusive of any tax gross-up or FERC awarded interest. Also in June 2022, System Energy filed revised and supplemental cross-answering testimony to respond to the changes in the FERC trial staff's testimony and oppose its revised recommendation.

In May 2022 the LPSC, the APSC, and the City Council filed rebuttal testimony. The LPSC's testimony asserts new claims, including that: (1) certain of the sale-leaseback transaction costs may have been imprudently incurred; (2) accumulated deferred income taxes associated with sale-leaseback transaction costs should have been included in rate base; (3) accumulated deferred income taxes associated with federal investment tax credits should have been excluded from rate base; (4) monthly net operating loss accumulated deferred income taxes should have been excluded from rate base; and (5) several categories of proposed rate changes, including executive incentive compensation, air travel, industry dues, and legal costs, also warrant historical refunds. The LPSC's rebuttal testimony argues that refunds for the alleged tariff violations and other claims must be calculated by rerunning the

Unit Power Sales Agreement formula rate; however, it includes estimates of refunds associated with some, but not all, of its claims, totaling \$286 million without interest. The City Council's rebuttal testimony also proposes a new, alternate theory and claim for relief regarding System Energy's participation in the Entergy System money pool, under which it calculates estimated refunds of approximately \$51.7 million. The APSC's rebuttal testimony agrees with the LPSC's direct testimony that retained earnings should be adjusted in a comprehensive refund calculation. The testimony quantifies the estimated impacts of three issues: (1) a \$1.5 million reduction in the revenue requirement under the Unit Power Sales Agreement if System Energy's borrowings from the money pool are included in short-term debt; (2) a \$1.9 million reduction in the revenue requirement if System Energy's allocated share of money pool earnings are credited through the Unit Power Sales Agreement; and (3) a \$1.9 million reduction in the revenue requirement for every \$50 million of refunds ordered in a given year, without interest.

In June 2022 a new procedural schedule was adopted, providing for additional rounds of testimony, for the hearing to begin in September 2022, and for the initial decision to be issued in March 2023. In July 2022, System Energy filed responsive rebuttal testimony responding to the new claims in the LPSC's and the City Council's rebuttal testimony. Also in July 2022 the LPSC filed supplemental rebuttal testimony responding to System Energy's revised cross-answering testimony, and System Energy filed responsive rebuttal testimony responding to that testimony. In August 2022 the LPSC filed responsive rebuttal testimony to System Energy's responsive rebuttal testimony. The hearing commenced in September 2022.

LPSC Petition for Writ of Mandamus

In August 2022 the LPSC filed a petition for a writ of mandamus asking the Fifth Circuit Court of Appeals to order the FERC to act within ninety days on certain pending proceedings, including the Grand Gulf prudence complaint, the return on equity and capital structure complaints, and the Grand Gulf sale-leaseback renewal complaint. In September 2022 the FERC and System Energy filed oppositions to the LPSC's petition, and the APSC and the City Council filed interventions in support of the petition. See Note 2 to the financial statements in the Form 10-K for further discussion of the complaints.

System Energy Formula Rate Annual Protocols Formal Challenge Concerning 2020 Calendar Year Bills

System Energy's Unit Power Sales Agreement includes formula rate protocols that provide for the disclosure of cost inputs, an opportunity for informal discovery procedures, and a challenge process. In February 2022, pursuant to the protocols procedures, the LPSC, the APSC, the MPSC, the City Council, and the Mississippi Public Utilities Staff filed with the FERC a formal challenge to System Energy's implementation of the formula rate during calendar year 2020. The formal challenge alleges: (1) that it was imprudent for System Energy to accept the IRS's partial acceptance of a previously uncertain tax position; (2) that System Energy should have delayed recording the result of the IRS's partial acceptance of the previously uncertain tax position until after internal tax allocation payments were made; (3) that the equity ratio charged in rates was excessive; (4) that sale-leaseback rental payments should have been excluded from rates; and (5) that all issues in the ongoing Unit Power Sales Agreement complaint proceeding should also be reflected in calendar year 2020 bills. While System Energy disagrees that any refunds are owed for the 2020 calendar year bills, the formal challenge estimates that the financial impact of the first through fourth allegations is approximately \$53 million in refunds, excluding interest which will be calculated after a FERC order is issued; it does not provide an estimate of the financial impact of the fifth allegation.

In March 2022, System Energy filed an answer to the formal challenge in which it requested that the FERC deny the formal challenge as a matter of law, or else hold the proceeding in abeyance pending the resolution of related dockets.

System Energy Settlement with the MPSC

In June 2022, System Energy, Entergy Mississippi, and additional named Entergy parties involved in thirteen docketed proceedings before the FERC filed with the FERC a partial settlement agreement and offer of settlement. The settlement memorializes the Entergy parties' agreement with the MPSC to globally resolve all actual and potential claims between the Entergy parties and the MPSC associated with those FERC proceedings and with System Energy's past implementation of the Unit Power Sales Agreement. The Unit Power Sales Agreement is a FERC-jurisdictional formula rate tariff for sales of energy and capacity from System Energy's owned and leased share of Grand Gulf to Entergy Mississippi, Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans. Entergy Mississippi purchases the greatest single amount, nearly 40% of System Energy's share of Grand Gulf, after its additional purchases from affiliates are considered. The settlement therefore limits System Energy's overall refund exposure associated with the identified proceedings because they will be resolved completely as between the Entergy parties and the MPSC.

The FERC proceedings that are resolved as between the Entergy parties and the MPSC include the return on equity and capital structure complaints, the Grand Gulf sale-leaseback renewal complaint and uncertain tax position rate base issue, the Unit Power Sales Agreement complaint, and the Grand Gulf prudence complaint, all of which are discussed in Note 2 to the financial statements in the Form 10-K, and updated above. They also include the proceedings concerning System Energy's return of excess accumulated deferred income taxes after the Tax Cuts and Jobs Act and the proceedings established to address System Energy's October 2020 and December 2020 Federal Power Act section 205 filings to provide credits to customers related to the IRS's decision as to the uncertain decommissioning tax position, also as all discussed in Note 2 to the financial statements in the Form 10-K. The settlement also resolves the MPSC's involvement in the formal challenge filed by the retail regulators of System Energy's customers in connection with the implementation of the Unit Power Sales Agreement annual formula rate protocols for the 2020 test year, which is discussed above.

The settlement provides for a black-box refund of \$235 million from System Energy to Entergy Mississippi, which will be paid within 120 days of the settlement's effective date (either the date of the FERC approval of the settlement without material modification, or the date that all settling parties agree to accept modifications or otherwise modify the settlement in response to a proposed material modification by the FERC). In addition, beginning with the July 2022 service month, the settlement provides for Entergy Mississippi's bills from System Energy to be adjusted to reflect: an authorized rate of return on equity of 9.65%, a capital structure not to exceed 52% equity, a rate base reduction for the advance collection of sale-leaseback rental costs, and the exclusion of certain long-term incentive plan performance unit costs from rates.

The settlement is expressly contingent upon the approval of the FERC and the MPSC. It was approved by the MPSC in June 2022. The remaining retail regulators of Entergy's utility operating company purchasers under the Unit Power Sales Agreement (the APSC, the LPSC, and the City Council) may elect to join the settlement. If all of them elect to do so under the terms of the settlement, then the total black-box refund payment by System Energy would be \$588.25 million, and the prospective rate adjustments would apply to all purchasers under the Unit Power Sales Agreement.

If the FERC approves the settlement in accordance with its terms, then it will become binding upon the Entergy parties and the MPSC even if no additional retail regulators elect to join the settlement. The settlement will have no effect on the rights of non-settling parties to the identified FERC proceedings.

System Energy previously recorded a provision and associated liability of \$37 million for elements of the applicable litigation. In June 2022, System Energy recorded a regulatory charge of \$551 million (\$413 million net-of-tax), increasing the regulatory liability to \$588 million, which consists of \$235 million for the settlement with the MPSC and \$353 million for potential future refunds to Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans. In August 2022 comments on the settlement were filed by the APSC, the LPSC, the City Council, and the FERC trial staff. The APSC, the LPSC, and the City Council do not intend to join the settlement, but they do not

oppose its approval as between the MPSC and the Entergy parties. The FERC trial staff concludes that the settlement is fair, reasonable, and in the public interest. Reply comments were filed in August 2022. System Energy requested an order from the FERC by November 2022.

Storm Cost Recovery Filings with Retail Regulators

See Note 2 to the financial statements in the Form 10-K for discussion regarding storm cost recovery filings. The following are updates to that discussion.

Entergy Louisiana

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida

As discussed in the Form 10-K, in August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild. In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs, and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms were estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana sought an LPSC determination that \$2.11 billion was prudently incurred and, therefore, was eligible for recovery from customers. Additionally, Entergy Louisiana requested that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million was appropriate. In July 2021, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021.

In August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately \$1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, Entergy Louisiana sought approval for the creation and funding of a \$1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review.

After filing of testimony by the LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests in regard to Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contained the following key terms: \$2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and were eligible for recovery; carrying costs of \$51 million were recoverable; a \$290 million cash storm reserve should be re-established; a \$1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana was authorized to finance \$3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC issued an order approving the settlement in March 2022. As a result of the financing order, Entergy Louisiana reclassified \$1.942 billion from utility plant to other regulatory assets.

In May 2022 the securitization financing closed, resulting in the issuance of \$3.194 billion principal amount of bonds by Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA), a political subdivision of the State of Louisiana. The securitization was authorized pursuant to the Louisiana Utilities Restoration Corporation Act, Part VIII of Chapter 9 of Title 45 of the Louisiana Revised Statutes, as supplemented by Act 293 of the Louisiana legislature approved in 2021. The LCDA loaned the proceeds to the LURC. Pursuant to Act 293, the LURC contributed the net bond proceeds to a State legislatively authorized and LURC-sponsored trust, Restoration Law Trust I (the storm trust).

Pursuant to Act 293, the net proceeds of the bonds were used by the storm trust to purchase 31,635,718.7221 Class A preferred, non-voting membership interest units (the preferred interests) issued by Entergy Finance Company, LLC, a majority-owned indirect subsidiary of Entergy. Entergy Finance Company is required to make annual distributions (dividends) commencing on December 15, 2022 on the preferred interests issued to the storm trust. These annual dividends received by the storm trust will be distributed to Entergy Louisiana and the LURC, as beneficiaries of the storm trust. Specifically, 1% of the annual dividends received by the storm trust will be distributed to the LURC, for the benefit of customers, and 99% will be distributed to Entergy Louisiana, net of storm trust expenses. The preferred interests have a stated annual cumulative cash dividend rate of 7% and a liquidation price of \$100 per unit. The terms of the preferred interests include certain financial covenants to which Entergy Finance Company is subject.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA. The bonds are secured by system restoration property, which is the right granted by law to the LURC to collect a system restoration charge from customers. The system restoration charge is adjusted at least semi-annually to ensure that it is sufficient to service the bonds. Entergy Louisiana collects the system restoration charge on behalf of the LURC and remits the collections to the bond indenture trustee. Entergy Louisiana began collecting the system restoration charge effective with the first billing cycle of June 2022 and the system restoration charge is expected to remain in place up to 15 years. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as a billing and collection agent for the LCDA and the LURC. In the remote possibility that the system restoration charge, as well as any funds in the excess subaccount and funds in the debt service reserve account, are insufficient to service the bonds resulting in a payment default, the storm trust is required to liquidate Entergy Finance Company preferred interests in an amount equal to what would be required to cure the default. The estimated value of this indirect guarantee is immaterial.

From the proceeds from the issuance of the preferred membership interests, Entergy Finance Company distributed \$1.4 billion to its parent, Entergy Holdings Company, LLC. Subsequently, Entergy Holdings Company liquidated, distributing the \$1.4 billion it received from Entergy Finance Company to Entergy Louisiana as holder of 6,843,780.24 units of Class A, 4,126,940.15 units of Class B, and 2,935,152.69 units of Class C preferred membership interests. Entergy Louisiana had acquired these preferred membership interests with proceeds from previous securitizations of storm restoration costs. Entergy Finance Company loaned the remaining \$1.7 billion from the preferred membership interests proceeds to Entergy which used the cash to redeem \$650 million of 4.00% Series senior notes due July 2022 and indirectly contributed \$1 billion to Entergy Louisiana as a capital contribution.

Entergy Louisiana used the \$1 billion capital contribution to fund its Hurricane Ida escrow account and subsequently withdrew the \$1 billion from the escrow account. With a portion of the \$1 billion withdrawn from the escrow account and the \$1.4 billion from the Entergy Holdings Company liquidation, Entergy Louisiana deposited \$290 million in a restricted escrow account as a storm damage reserve for future storms, used \$1.2 billion to repay its unsecured term loan due June 2023, and used \$435 million to redeem a portion of its 0.62% Series mortgage bonds due November 2023.

As discussed in Note 10 to the financial statements herein, the securitization resulted in recognition of a reduction of income tax expense of approximately \$290 million by Entergy Louisiana. Entergy's recognition of reduced income tax expense was partially offset by other tax charges resulting in a net reduction of income tax expense of \$283 million. In recognition of obligations related to an LPSC ancillary order issued as part of the securitization regulatory proceeding, Entergy Louisiana recorded a \$224 million (\$165 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to share the benefits of the securitization with customers.

As discussed in Note 12 to the financial statements herein, Entergy Louisiana consolidates the storm trust as a variable interest entity and the LURC's 1% beneficial interest is shown as noncontrolling interest in the financial statements. In second quarter 2022, Entergy Louisiana recorded a charge of \$31.6 million in other income to reflect the LURC's beneficial interest in the trust.

In April 2022, Entergy Louisiana filed an application with the LPSC relating to Hurricane Ida restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by Hurricane Ida currently are estimated to be approximately \$2.54 billion, including approximately \$1.96 billion in capital costs and approximately \$586 million in non-capital costs. Including carrying costs of \$57 million through December 2022, Entergy Louisiana is seeking an LPSC determination that \$2.60 billion was prudently incurred and, therefore, is eligible for recovery from customers. As part of this filing, Entergy Louisiana also is seeking an LPSC determination that an additional \$32 million in costs associated with the restoration of Entergy Louisiana's electric facilities damaged by Hurricane Laura, Hurricane Delta, and Hurricane Zeta as well as Winter Storm Uri was prudently incurred. This amount is exclusive of the requested \$3 million in carrying costs through December 2022. In total, Entergy Louisiana is requesting an LPSC determination that \$2.64 billion was prudently incurred and, therefore, is eligible for recovery from customers. As discussed above, in March 2022 the LPSC approved financing of a \$1 billion storm escrow account from which funds were withdrawn to finance costs associated with Hurricane Ida restoration. In June 2022, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. In October 2022 the LPSC staff recommended a finding that the requested storm restoration costs of \$2.64 billion, including associated carrying costs of \$59.1 million, were prudently incurred and are eligible for recovery from customers. The LPSC staff further recommended approval of Entergy Louisiana's plans to securitize these costs, net of the \$1 billion in funds withdrawn from the storm escrow account described above. A procedural schedule has been established with a hearing in December 2022.

Entergy New Orleans

Hurricane Zeta

As discussed in the Form 10-K, in October 2020, Hurricane Zeta caused significant damage to Entergy New Orleans's service area. The storm resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the power outages. In March 2021, Entergy New Orleans withdrew \$44 million from its funded storm reserves. In May 2021, Entergy New Orleans filed an application with the City Council requesting approval and certification that its system restoration costs associated with Hurricane Zeta of approximately \$36 million, which included \$7 million in estimated costs, were reasonable and necessary to

enable Entergy New Orleans to restore electric service to its customers and Entergy New Orleans's electric utility infrastructure. In May 2022 the City Council advisors issued a report recommending that the City Council find that Entergy New Orleans acted prudently in restoring service following Hurricane Zeta and approximately \$33 million in storm restoration costs were prudently incurred and recoverable. Additionally, the advisors concluded that approximately \$7 million of the \$44 million withdrawn from its funded storm reserve was in excess of Entergy New Orleans's costs and should be considered in Entergy New Orleans's application for certification of costs related to Hurricane Ida. In September 2022 the City Council issued a resolution finding that Entergy New Orleans's system restoration costs were reasonable and necessary, and that Entergy New Orleans acted prudently in restoring electricity following Hurricane Zeta. The City Council also found that approximately \$33 million in storm costs were recoverable.

Hurricane Ida

As discussed in the Form 10-K, in August 2021, Hurricane Ida caused significant damage to Entergy New Orleans's service area, including Entergy's electrical grid. The storm resulted in widespread power outages, including the loss of 100% of Entergy New Orleans's load and damage to distribution and transmission infrastructure, including the loss of connectivity to the eastern interconnection. In September 2021, Entergy New Orleans withdrew \$39 million from its funded storm reserves. In June 2022, Entergy New Orleans filed an application with the City Council requesting approval and certification that storm restoration costs associated with Hurricane Ida of approximately \$170 million, which included \$11 million in estimated costs, were reasonable, necessary, and prudently incurred to enable Entergy New Orleans to restore electric service to its customers and to repair Entergy New Orleans's electric utility infrastructure. In addition, estimated carrying costs through December 2022 related to Hurricane Ida restoration costs were \$9 million. Also, Entergy New Orleans is requesting approval that the \$39 million withdrawal from its funded storm reserve in September 2021 and \$7 million in excess storm reserve escrow withdrawals related to Hurricane Zeta and prior miscellaneous storms are properly applied to Hurricane Ida storm restoration costs, the application of which reduces the amount to be recovered from Entergy New Orleans customers by \$46 million.

Additionally, as discussed in the Form 10-K, in February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans's storm reserve and increase the storm reserve funding level to \$150 million, to be funded through securitization. In August 2022 the City Council's advisors recommended that the City Council authorize a single securitization bond issuance to fund Entergy New Orleans's storm recovery reserves to an amount sufficient to: (1) allow recovery of all of Entergy New Orleans's unrecovered storm recovery costs following Hurricane Ida, subject to City Council review and certification; (2) provide initial funding of storm recovery reserves for future storms to a level of \$75 million; and (3) fund the storm recovery bonds' upfront financing costs. In September 2022, Entergy New Orleans and the City Council's advisors entered into an agreement in principle, which was approved by the City Council along with a financing order in October 2022, authorizing Entergy New Orleans to proceed with a single securitization bond issuance of \$206 million, with \$125 million interim recovery, subject to City Council review and certification, to be allocated to unrecovered Hurricane Ida storm recovery costs; \$75 million to provide for a storm recovery reserve for future storms; and the remainder to fund the recovery of storm recovery bonds' upfront financing costs. In November 2022 the City Council adopted a procedural schedule regarding the certification of the Hurricane Ida storm restoration costs in which the hearing officer shall certify the record for City Council consideration no later than August 2023.

Entergy Texas

Hurricane Laura, Hurricane Delta, and Winter Storm Uri

As discussed in the Form 10-K, in August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to

distribution and transmission infrastructure, and the loss of sales during the power outages. In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of certain system restoration costs, which were approved by the PUCT as eligible for securitization in December 2021. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement. As a result of the financing order, in first quarter 2022, Entergy Texas reclassified \$153 million from utility plant to other regulatory assets.

In April 2022, Entergy Texas Restoration Funding II, LLC, a company wholly-owned and consolidated by Entergy Texas, issued \$290.85 million of senior secured system restoration bonds (securitization bonds). With the proceeds, Entergy Texas Restoration Funding II purchased from Entergy Texas the transition property, which is the right to recover from customers through a system restoration charge amounts sufficient to service the securitization bonds. Entergy Texas began cost recovery through the system restoration charge effective with the first billing cycle of May 2022 and the system restoration charge is expected to remain in place up to 15 years. See Note 4 to the financial statements herein for a discussion of the April 2022 issuance of the securitization bonds.

NOTE 3. EQUITY (Entergy Corporation, Entergy Louisiana, and Entergy Mississippi)

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 September 30,					
	2022			2021		
	(In Millions, Except Per Share Data)					
	Income	Shares	\$/share	Income	Shares	\$/share
Basic earnings per share						
Net income attributable to Entergy Corporation	\$560.6	203.4	\$2.76	\$531.0	201.0	\$2.64
Average dilutive effect of:						
Stock options		0.5	(0.01)		0.4	—
Other equity plans		0.6	(0.01)		0.6	(0.01)
Equity Forwards		0.1	—		—	—
Diluted earnings per share	\$560.6	204.6	\$2.74	\$531.0	202.0	\$2.63

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 0.9 million for the three months ended September 30, 2022 and approximately 1 million for the three months ended September 30, 2021.

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

	For the Nine Months Ended September 30,					
	2022			2021		
	(In Millions, Except Per Share Data)					
	Income	Shares	\$/share	Income	Shares	\$/share
Basic earnings per share						
Net income attributable to Entergy Corporation	\$996.7	203.3	\$4.90	\$859.6	200.8	\$4.28
Average dilutive effect of:						
Stock options		0.5	(0.01)		0.4	(0.01)
Other equity plans		0.5	(0.01)		0.4	(0.01)
Equity forwards		0.1	—		—	—
Diluted earnings per share	\$996.7	204.4	\$4.88	\$859.6	201.6	\$4.26

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 0.9 million for the nine months ended September 30, 2022 and approximately 1 million for the nine months ended September 30, 2021.

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.

Dividends declared per common share were \$1.01 for the three months ended September 30, 2022 and \$0.95 for the three months ended September 30, 2021. Dividends declared per common share were \$3.03 for the nine months ended September 30, 2022 and \$2.85 for the nine months ended September 30, 2021.

Equity Distribution Program

In January 2021, Entergy entered into an equity distribution sales agreement with several counterparties establishing an at the market equity distribution program, pursuant to which Entergy may offer and sell from time to time shares of its common stock. The sales agreement provides that, in addition to the issuance and sale of shares of Entergy common stock, Entergy may enter into forward sale agreements for the sale of its common stock. Initially, the aggregate number of shares of common stock sold under this sales agreement and under any forward sale agreement could not exceed an aggregate gross sales price of \$1 billion. In May 2022, Entergy increased the aggregate gross sales price authorized under the at the market equity distribution program by \$1 billion. As of September 30, 2022, an aggregate gross sales price of approximately \$1,077.8 million has been sold under the at the market equity distribution program. See Note 7 to the financial statements in the Form 10-K for discussion of the common stock issued and unsettled forward sale agreements entered into during 2021.

During the nine months ended September 30, 2022, there were no shares of common stock issued under the at the market equity distribution program. During the nine months ended September 30, 2021, Entergy Corporation issued 265,468 shares of common stock under the at the market equity distribution program. The net sales proceeds from these shares totaled \$26.8 million, which includes the gross sales price of \$28.2 million received by Entergy Corporation less \$1.1 million of general issuance costs and \$0.3 million of aggregate compensation to the agents with respect to such sales.

In June 2021, Entergy entered into a forward sale agreement for 416,853 shares of common stock. The forward sale agreement was amended in August 2022 to extend the duration of the forward sale agreement by one year. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreement occur. The forward sale agreement requires Entergy to, at its election prior to September 30, 2023, either (i) physically settle the transactions by issuing the total of 416,853

shares of its common stock to the investment bank in exchange for net proceeds at the then-applicable forward sale price specified by the agreement (initially \$106.87 per share) or (ii) net settle the transaction in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreement. In connection with the forward sale agreement, the forward seller, or its affiliates, borrowed from third parties and sold 416,853 shares of Entergy Corporation's common stock. The gross sales price of these shares totaled \$45 million. In connection with the sale of these shares, Entergy paid the forward sellers fees of approximately \$0.5 million, which have not been deducted from the gross sales price. Entergy Corporation did not receive any proceeds from such sales of borrowed shares.

In August and October 2021, Entergy entered into forward sale agreements for 1,692,555 and 250,743 shares of common stock, respectively. The forward sale agreements were amended in August 2022 to extend the duration of the forward sale agreements by one year. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreements occur. In each case, the forward sale agreement requires Entergy to, at its election prior to September 30, 2023, either (i) physically settle the transactions by issuing the total of 1,692,555 and 250,743 shares, respectively, of its common stock to the forward counterparty in exchange for net proceeds at the then-applicable forward sale price specified by the respective forward sale agreement (initially approximately \$111.16 and \$100.35 per share, respectively) or (ii) net settle the transaction in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the respective forward sale agreement. In connection with the forward sale agreements, the forward seller, or its affiliates, borrowed from third parties and sold 1,692,555 and 250,743 shares, respectively, of Entergy Corporation's common stock. The gross sales price of these shares totaled \$190.1 million and \$25.4 million, respectively. In connection with the sales of these shares, Entergy paid the forward sellers fees of \$1.9 million and \$0.3 million, respectively, which have not been deducted from the gross sales prices. Entergy did not receive any proceeds from such sales of borrowed shares.

In March 2022, Entergy entered into a forward sale agreement for 1,538,010 shares of common stock. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreement occur. The forward sale agreement requires Entergy to, at its election prior to September 29, 2023, either (i) physically settle the transactions by issuing the total of 1,538,010 shares of its common stock to the forward counterparty in exchange for net proceeds at the then-applicable forward sale price specified by the agreement (initially approximately \$108.14 per share) or (ii) net settle the transaction in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreement. In connection with the forward sale agreement, the forward seller, or its affiliates, borrowed from third parties and sold 1,538,010 shares of Entergy Corporation's common stock. The gross sales price of these shares totaled approximately \$168 million. In connection with the sale of these shares, Entergy paid the forward sellers fees of approximately \$1.7 million, which have not been deducted from the gross sales price. Entergy did not receive any proceeds from such sales of borrowed shares.

In June 2022, Entergy entered into a forward sale agreement for 2,124,086 shares of common stock. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreement occur. The forward sale agreement requires Entergy to, at its election prior to December 29, 2023, either (i) physically settle the transactions by issuing the total of 2,124,086 shares of its common stock to the forward counterparty in exchange for net proceeds at the then-applicable forward sale price specified by the agreement (initially approximately \$116.94 per share) or (ii) net settle the transaction in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreement. In connection with the forward sale agreement, the forward seller, or its affiliates, borrowed from third parties and sold 2,124,086 shares of Entergy Corporation's common stock. The gross sales price of these shares totaled approximately \$250.9 million. In connection with the sale of these shares, Entergy paid the forward sellers fees of

approximately \$2.5 million, which have not been deducted from the gross sales price. Entergy did not receive any proceeds from such sales of borrowed shares.

In September 2022, Entergy entered into a forward sale agreement for 1,666,172 shares of common stock. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreement occur. The forward sale agreement requires Entergy to, at its election prior to December 29, 2023, either (i) physically settle the transactions by issuing the total of 1,666,172 shares of its common stock to the forward counterparty in exchange for net proceeds at the then-applicable forward sale price specified by the agreement (initially approximately \$115.46 per share) or (ii) net settle the transaction in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreement. In connection with the forward sale agreement, the forward seller, or its affiliates, borrowed from third parties and sold 1,666,172 shares of Entergy Corporation's common stock. The gross sales price of these shares totaled approximately \$194.2 million. In connection with the sale of these shares, Entergy paid the forward sellers fees of approximately \$1.9 million, which have not been deducted from the gross sales price. Entergy did not receive any proceeds from such sales of borrowed shares.

Until settlement of the forward sale agreements, earnings per share dilution resulting from the agreement, if any, will be determined under the treasury stock method. Share dilution occurs when the average market price of Entergy's common stock is higher than the average forward sales price. For the nine months ended September 30, 2022, approximately 4.8 million shares under the forward sale agreements were not included in the calculation of diluted earnings per share because their effect would have been antidilutive.

Treasury Stock

During the nine months ended September 30, 2022, Entergy Corporation issued 829,048 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 nine months ended September 30, 2022.

Retained Earnings

On October 28, 2022, Entergy Corporation's Board of Directors declared a common stock dividend of \$1.07 per share, payable on December 1, 2022 to holders of record as of November 14, 2022.

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 September 30, 2022 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
(In Thousands)				
Beginning balance, July 1, 2022	(\$987)	(\$324,274)	\$1,223	(\$324,038)
Other comprehensive income (loss) before reclassifications	(14)	—	(1,223)	(1,237)
Amounts reclassified from accumulated other comprehensive income (loss)	38	11,867	—	11,905
Net other comprehensive income (loss) for the period	24	11,867	(1,223)	10,668
Ending balance, September 30, 2022	(\$963)	(\$312,407)	\$—	(\$313,370)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended September 30, 2021 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
(In Thousands)				
Beginning balance, July 1, 2021	(\$1,083)	(\$489,511)	\$11,855	(\$478,739)
Other comprehensive income (loss) before reclassifications	(14)	—	(2,173)	(2,187)
Amounts reclassified from accumulated other comprehensive income (loss)	38	8,838	11	8,887
Net other comprehensive income (loss) for the period	24	8,838	(2,162)	6,700
Ending balance, September 30, 2021	(\$1,059)	(\$480,673)	\$9,693	(\$472,039)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the nine months ended September 30, 2022 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
(In Thousands)				
Beginning balance, January 1, 2022	(\$1,035)	(\$338,647)	\$7,154	(\$332,528)
Other comprehensive income (loss) before reclassifications	(42)	—	(12,997)	(13,039)
Amounts reclassified from accumulated other comprehensive income (loss)	114	26,240	5,843	32,197
Net other comprehensive income (loss) for the period	72	26,240	(7,154)	19,158
Ending balance, September 30, 2022	(\$963)	(\$312,407)	\$—	(\$313,370)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the nine months ended September 30, 2021 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
(In Thousands)				
Beginning balance, January 1, 2021	\$28,719	(\$534,576)	\$56,650	(\$449,207)
Other comprehensive income (loss) before reclassifications	1,454	—	(46,826)	(45,372)
Amounts reclassified from accumulated other comprehensive income (loss)	(31,232)	53,903	(131)	22,540
Net other comprehensive income (loss) for the period	(29,778)	53,903	(46,957)	(22,832)
Ending balance, September 30, 2021	(\$1,059)	(\$480,673)	\$9,693	(\$472,039)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the three months ended September 30, 2022 and 2021:

	Pension and Other Postretirement Liabilities	
	2022	2021
	(In Thousands)	
Beginning balance, July 1,	\$7,174	\$4,508
Amounts reclassified from accumulated other comprehensive income (loss)	295	(131)
Net other comprehensive income (loss) for the period	295	(131)
Ending balance, September 30,	<u>\$7,469</u>	<u>\$4,377</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the nine months ended September 30, 2022 and 2021:

	Pension and Other Postretirement Liabilities	
	2022	2021
	(In Thousands)	
Beginning balance, January 1,	\$8,278	\$4,327
Amounts reclassified from accumulated other comprehensive income (loss)	(809)	50
Net other comprehensive income (loss) for the period	(809)	50
Ending balance, September 30,	<u>\$7,469</u>	<u>\$4,377</u>

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy for the three months ended September 30, 2022 and 2021 were as follows:

	Amounts reclassified from AOCI		Income Statement Locat
	2022	2021	
	(In Thousands)		
Cash flow hedges net unrealized gain (loss)			
Power contracts	\$—	\$—	Competitive business operati revenues
Interest rate swaps	(48)	(48)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	(48)	(48)	
Income taxes	10	10	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	(\$38)	(\$38)	
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$3,837	\$5,248	(a)
Amortization of loss	(4,870)	(13,490)	(a)
Settlement loss	(14,339)	(3,192)	(a)
Total amortization	(15,372)	(11,434)	
Income taxes	3,505	2,596	Income taxes
Total amortization (net of tax)	(\$11,867)	(\$8,838)	
Net unrealized investment gain (loss)			
Realized gain (loss)	\$—	(\$17)	Interest and investment incor
Income taxes	—	6	Income taxes
Total realized investment gain (loss) (net of tax)	\$—	(\$11)	
Total reclassifications for the period (net of tax)	(\$11,905)	(\$8,887)	

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

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy for the nine months ended September 30, 2022 and 2021 were as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2022	2021	
(In Thousands)			
Cash flow hedges net unrealized gain (loss)			
Power contracts	\$—	\$39,679	Competitive business operating revenues
Interest rate swaps	(145)	(145)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	(145)	39,534	
Income taxes	31	(8,302)	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	(\$114)	\$31,232	
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$11,511	\$15,744	(a)
Amortization of loss	(29,774)	(75,553)	(a)
Settlement loss	(15,666)	(9,235)	(a)
Total amortization	(33,929)	(69,044)	
Income taxes	7,689	15,141	Income taxes
Total amortization (net of tax)	(\$26,240)	(\$53,903)	
Net unrealized investment gain (loss)			
Realized gain (loss)	(\$9,245)	\$207	Interest and investment income
Income taxes	3,402	(76)	Income taxes
Total realized investment gain (loss) (net of tax)	(\$5,843)	\$131	
Total reclassifications for the period (net of tax)	(\$32,197)	(\$22,540)	

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

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy Louisiana for the three months ended September 30, 2022 and 2021 were as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2022	2021	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$1,158	\$1,230	(a)
Amortization of loss	(222)	(519)	(a)
Settlement loss	(1,340)	(534)	(a)
Total amortization	(404)	177	
Income taxes	109	(46)	Income taxes
Total amortization (net of tax)	(295)	131	
Total reclassifications for the period (net of tax)	(\$295)	\$131	

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

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy Louisiana for the nine months ended September 30, 2022 and 2021 were as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2022	2021	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$3,474	\$3,690	(a)
Amortization of loss	(849)	(1,824)	(a)
Settlement loss	(1,518)	(1,934)	(a)
Total amortization	1,107	(68)	
Income taxes	(298)	18	Income taxes
Total amortization (net of tax)	809	(50)	
Total reclassifications for the period (net of tax)	\$809	(\$50)	

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

Noncontrolling Interest

The dollar value of noncontrolling interest for Entergy Louisiana as of September 30, 2022 and December 31, 2021 is presented below:

	2022	2021
	(In Thousands)	
Entergy Louisiana Noncontrolling Interest		
Restoration Law Trust I (a)	\$32,448	\$—
Total Noncontrolling Interest	\$32,448	\$—

- (a) Restoration Law Trust I was established as part of the Act 293 securitization of Entergy Louisiana's Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs, as well as to establish a storm reserve to fund a portion of Hurricane Ida storm restoration costs. Restoration Law Trust I holds preferred membership interests issued by Entergy Finance Company, and Entergy Finance Company is required to make annual distributions (dividends) on the preferred membership interests. These annual dividends paid on the Entergy Finance Company preferred membership interests will be distributed 1% to the LURC and 99% to Entergy Louisiana. Entergy Louisiana, as the primary beneficiary, consolidates Restoration Law Trust I and the LURC's 1% beneficial interest is shown as noncontrolling interest in the consolidated financial statements for Entergy Louisiana and Entergy. See Note 2 to the financial statements herein for a discussion of the Entergy Louisiana securitization.

The dollar value of noncontrolling interest for Entergy Mississippi as of September 30, 2022 and December 31, 2021 is presented below:

	2022	2021
	(In Thousands)	
Entergy Mississippi Noncontrolling Interest		
MS Sunflower Partnership, LLC (a)	\$478	\$—
Total Noncontrolling Interest	\$478	\$—

- (a) In May 2022, MS Sunflower Partnership, LLC, a tax equity partnership between Entergy Mississippi and a tax equity investor, made the initial payment for the purchase of the Sunflower Solar facility. Substantial completion of the Sunflower Solar facility was accepted by Entergy Mississippi in September 2022. A final payment of the purchase price is currently expected in fourth quarter 2022. Entergy Mississippi, as the managing member, consolidates MS Sunflower Partnership, LLC and the tax equity investor's interest is shown as noncontrolling interest in the consolidated financial statements for Entergy Mississippi and Entergy. Entergy Mississippi uses the HLBV method of accounting for income or loss allocation to the tax equity investor's noncontrolling interest. See Note 1 to the financial statements in the Form 10-K for discussion of the HLBV method of accounting used to account for Entergy Arkansas's investment in AR Searcy Partnership, LLC which is the basis for treatment of Entergy Mississippi's investment in MS Sunflower Partnership, LLC.

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 June 2027. 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 nine months ended September 30, 2022 was 2.39% on the drawn portion of the facility. As of September 30, 2022, amounts outstanding and capacity available under the \$3.5 billion credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$150	\$3	\$3,347

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 Entergy Corporation credit facility's maturity date may occur.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of September 30, 2022, Entergy Corporation had \$1.387 billion of commercial paper outstanding. The weighted-average interest rate for the nine months ended September 30, 2022 was 1.52%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of September 30, 2022 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of September 30, 2022	Letters of Credit Outstanding as of September 30, 2022
Entergy Arkansas	April 2023	\$25 million (b)	4.37%	\$—	\$—
Entergy Arkansas	June 2027	\$150 million (c)	4.26%	\$—	\$—
Entergy Louisiana	June 2027	\$350 million (c)	4.38%	\$—	\$—
Entergy Mississippi	April 2023	\$45 million (d)	4.63%	\$—	\$—
Entergy Mississippi	April 2023	\$40 million (d)	4.63%	\$—	\$—
Entergy Mississippi	April 2023	\$10 million (d)	4.63%	\$—	\$—
Entergy Mississippi	July 2024	\$150 million	3.97%	\$100 million	\$—
Entergy New Orleans	June 2024	\$25 million (c)	4.74%	\$—	\$—
Entergy Texas	June 2027	\$150 million (c)	4.38%	\$—	\$1.1 million

- (a) The interest rate is the estimated interest rate as of September 30, 2022 that would have been applied to outstanding borrowings under the facility.
- (b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
- (c) 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.
- (d) Borrowings under the short-term Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

The commitment fees on the credit facilities range from 0.075% to 0.375% of the undrawn commitment amount for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas, and of the entire facility amount for Entergy New Orleans. 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 an uncommitted standby letter of credit facility 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 September 30, 2022:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of September 30, 2022 (a) (b)
Entergy Arkansas	\$25 million	0.78%	\$5.6 million
Entergy Louisiana	\$125 million	0.78%	\$21.0 million
Entergy Mississippi	\$65 million	0.78%	\$9.7 million
Entergy New Orleans	\$15 million	1.625%	\$1.0 million
Entergy Texas	\$80 million	0.875%	\$9.7 million

- (a) As of September 30, 2022, letters of credit posted with MISO covered financial transmission right exposure of \$0.9 million for Entergy Louisiana, \$0.8 million for Entergy Mississippi, \$0.1 million for Entergy New Orleans, and \$0.8 million for Entergy Texas. See Note 8 to the financial statements herein for discussion of financial transmission rights.
- (b) As of September 30, 2022, in addition to the \$9.7 million MISO letters of credit, Entergy Mississippi had \$1.0 million in non-MISO letters of credit outstanding under this facility.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized short-term borrowing limits for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are effective through October 2023. 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 were the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of September 30, 2022 (aggregating both internal and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	\$250	\$—
Entergy Louisiana	\$450	\$—
Entergy Mississippi	\$200	\$19
Entergy New Orleans	\$150	\$—
Entergy Texas	\$200	\$—
System Energy	\$200	\$—

Vermont Yankee Credit Facility (Entergy Corporation)

In January 2019, Entergy Nuclear Vermont Yankee was transferred to NorthStar and its credit facility was assumed by Entergy Assets Management Operations, LLC (formerly Vermont Yankee Asset Retirement, LLC), Entergy Nuclear Vermont Yankee's parent company that remains an Entergy subsidiary after the transfer. The credit facility has a borrowing capacity of \$139 million and expires in December 2023. The commitment fee is

currently 0.20% of the undrawn commitment amount. As of September 30, 2022, \$139 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the nine months ended September 30, 2022 was 2.54% on the drawn portion of the facility. See Note 14 to the financial statements in the Form 10-K for discussion of the transfer of Entergy Nuclear Vermont Yankee to NorthStar.

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 issue commercial paper, details of which follow as of September 30, 2022:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of September 30, 2022
(Dollars in Millions)				
Entergy Arkansas VIE	June 2025	\$80	2.21%	\$—
Entergy Louisiana River Bend VIE	June 2025	\$105	1.75%	\$15.1
Entergy Louisiana Waterford VIE	June 2025	\$105	2.12%	\$72.2
System Energy VIE	June 2025	\$120	2.15%	\$83.9

- (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.

The commitment fees on the credit facilities are 0.100% 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. Each lessee is in compliance with this covenant.

The nuclear fuel company variable interest entities had notes payable that were included in debt on the respective balance sheets as of September 30, 2022 as follows:

Company	Description	Amount
Entergy Arkansas VIE	3.17% Series M due December 2023	\$40 million
Entergy Arkansas VIE	1.84% Series N due July 2026	\$90 million
Entergy Louisiana River Bend VIE	2.51% Series V due June 2027	\$70 million
Entergy Louisiana Waterford VIE	3.22% Series I due December 2023	\$20 million
System Energy VIE	2.05% Series K due September 2027	\$90 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.

Entergy Arkansas, Entergy Louisiana, and System Energy each has obtained financing authorization from the FERC that extends through October 2023 for issuances by its nuclear fuel company variable interest entities.

Debt Issuances and Retirements

(Entergy Corporation)

In June 2022, Entergy Corporation redeemed \$650 million of 4.00% Series senior notes due July 2022.

(Entergy Arkansas)

In March 2022, Entergy Arkansas issued \$200 million of 4.20% Series mortgage bonds due April 2049. Entergy Arkansas used the proceeds for general corporate purposes, including the repayment of borrowings from the Entergy System money pool.

(Entergy Louisiana)

In December 2021, Entergy Louisiana entered into a term loan credit agreement providing a \$1.2 billion unsecured term loan due June 2023. The term loan bears interest at a variable interest rate based on an adjusted term Secured Overnight Financing Rate plus the applicable margin. The weighted average interest rate over the life of the loan was 1.18%. Entergy Louisiana received the funds in January 2022 and used the proceeds for general corporate purposes, including storm restoration costs related to Hurricane Ida. Entergy Louisiana repaid the full amount of the loan in June 2022.

In May 2022, Entergy Louisiana redeemed, prior to maturity, a portion of its 0.62% Series mortgage bonds due November 2023. Entergy Louisiana redeemed \$435 million in aggregate principal amount of the bonds, leaving \$665 million in aggregate principal amount outstanding.

In August 2022, Entergy Louisiana issued \$500 million of 4.75% Series mortgage bonds due September 2052. Entergy Louisiana expects to use the proceeds, together with other funds, to repay on or prior to maturity its \$200 million of 3.30% Series mortgage bonds due December 2022, to repay on or prior to maturity a portion of its \$665 million of 0.62% Series mortgage bonds due November 2023, to repay a portion of the debt outstanding under its \$350 million long-term revolving credit facility, and for general corporate purposes. Entergy Louisiana intends to allocate an amount equal to the net proceeds from the issuance to finance and/or refinance, in whole or in part, existing or new eligible green projects.

(Entergy Mississippi)

In June 2022, Entergy Mississippi entered into a term loan credit agreement providing a \$150 million unsecured term loan due December 2023. The term loan bears interest at a variable interest rate based on an adjusted term Secured Overnight Financing Rate plus the applicable margin. The weighted average interest rate for the nine months ended September 30, 2022 was 3.30%. Entergy Mississippi used the funds for general corporate purposes.

(Entergy Texas)

In August 2022, Entergy Texas issued \$325 million of 5.00% Series mortgage bonds due September 2052. Entergy Texas expects to use the proceeds for general corporate purposes.

(System Energy)

In May 2022, System Energy entered into a term loan credit agreement providing a \$50 million term loan due November 2023. The term loan is secured by a series of first mortgage bonds and bears interest at a variable interest rate based on an adjusted term Secured Overnight Financing Rate plus the applicable margin. The weighted

average interest rate for the nine months ended September 30, 2022 was 2.97%. System Energy used the funds for general corporate purposes.

Entergy Texas Securitization Bonds

In January 2022 the PUCT authorized the issuance of securitization bonds to recover \$242.9 million of Entergy Texas's Hurricane Laura, Hurricane Delta, and Winter Storm Uri restoration costs, plus carrying costs, plus approximately \$13.3 million relating to a system restoration regulatory asset related to Hurricane Harvey, plus up-front qualified costs. In April 2022, Entergy Texas Restoration Funding II, LLC, a company wholly-owned and consolidated by Entergy Texas, issued \$290.85 million of senior secured restoration bonds (securitization bonds), as follows:

	Amount
	(In Thousands)
Senior Secured Restoration Bonds:	
Tranche A-1 (3.051%) due December 2028	\$100,000
Tranche A-2 (3.697%) due December 2036	190,850
Total senior secured restoration bonds	<u>\$290,850</u>

Although the principal amount of each tranche is not due until the dates given above, Entergy Texas Restoration Funding II expects to make principal payments on the securitization bonds over the next five years in the amounts of \$12.3 million for 2022, \$17.8 million for 2023, \$18.3 million for 2024, \$18.8 million for 2025, and \$19.4 million for 2026. All of the expected principal payments for 2022-2026 are for Tranche A-1.

With the proceeds, Entergy Texas Restoration Funding II purchased from Entergy Texas the transition property, which is the right to recover from customers through a system restoration charge amounts sufficient to service the securitization bonds. Entergy Texas expects to use the proceeds to reduce its outstanding debt. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Texas Restoration Funding II, including the transition property, and the creditors of Entergy Texas Restoration Funding II do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Texas Restoration Funding II except to remit system restoration charge collections.

Fair Value

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of September 30, 2022 were as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a)
	(In Thousands)	
Entergy	\$26,219,979	\$22,567,380
Entergy Arkansas	\$4,164,866	\$3,570,817
Entergy Louisiana	\$10,860,595	\$9,509,010
Entergy Mississippi	\$2,430,783	\$1,998,266
Entergy New Orleans	\$783,034	\$709,965
Entergy Texas	\$2,907,947	\$2,445,550
System Energy	\$788,961	\$710,771

(a) Fair values were 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, 2021 were as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a)
	(In Thousands)	
Entergy	\$25,880,901	\$27,061,171
Entergy Arkansas	\$3,958,862	\$4,176,577
Entergy Louisiana	\$10,914,346	\$11,492,650
Entergy Mississippi	\$2,179,989	\$2,346,230
Entergy New Orleans	\$788,165	\$765,538
Entergy Texas	\$2,354,148	\$2,483,995
System Energy	\$741,296	\$743,040

(a) Fair values were 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.

Stock Options

Entergy granted options on 444,028 shares of its common stock under the 2019 Omnibus Incentive Plan during the first quarter 2022 with a fair value of \$16.25 per option. As of September 30, 2022, there were options on 2,789,088 shares of common stock outstanding with a weighted-average exercise price of \$96.37. 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 September 30, 2022. The aggregate intrinsic value of the stock options outstanding as of September 30, 2022 was \$30.9 million.

The following table includes financial information for outstanding stock options for the three months ended September 30, 2022 and 2021:

	2022	2021
	(In Millions)	
Compensation expense included in Entergy's consolidated net income	\$0.9	\$1.2
Tax benefit recognized in Entergy's consolidated net income	\$0.2	\$0.3
Compensation cost capitalized as part of fixed assets and materials and supplies	\$0.4	\$0.4

The following table includes financial information for outstanding stock options for the nine months ended September 30, 2022 and 2021:

	2022	2021
	(In Millions)	
Compensation expense included in Entergy's consolidated net income	\$3.2	\$3.2
Tax benefit recognized in Entergy's consolidated net income	\$0.8	\$0.8
Compensation cost capitalized as part of fixed assets and materials and supplies	\$1.2	\$1.2

Other Equity Awards

In January 2022 the Board approved and Entergy granted 328,849 restricted stock awards and 170,966 long-term incentive awards under the 2019 Omnibus Incentive Plan. The restricted stock awards were made effective on January 27, 2022 and were valued at \$109.59 per share, which was the closing price of Entergy's common stock on that date. 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 three-year vesting period. One-third of the restricted stock awards and accrued dividends will vest upon each anniversary of the grant date.

In addition, long-term incentive awards were also 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. To emphasize the importance of strong cash generation for the long-term health of its business, a credit measure – adjusted funds from operations/debt ratio – was selected for the 2022-2024 performance period. Performance will be measured based eighty percent on relative total shareholder return and twenty percent on the credit measure. The performance units were granted on January 27, 2022 and eighty percent were valued at \$138.99 per share based on various factors, primarily market conditions; and twenty percent were valued at \$109.59 per share, the closing price of Entergy's common stock on that date. Performance units have the same dividend rights as shares of Entergy common stock and are considered issued and outstanding shares of Entergy upon vesting. Performance units are expensed ratably over the three-year vesting period and compensation cost for the portion of the award based on cumulative adjusted earnings per share will be adjusted based on the number of units that ultimately vest. See Note 12 to the financial statements in the Form 10-K for a description of the Long-Term Performance Unit Program.

The following table includes financial information for other outstanding equity awards for the three months ended September 30, 2022 and 2021:

	2022	2021
	(In Millions)	
Compensation expense included in Entergy's consolidated net income	\$9.1	\$10.6
Tax benefit recognized in Entergy's consolidated net income	\$2.3	\$2.7
Compensation cost capitalized as part of fixed assets and materials and supplies	\$3.9	\$4.1

The following table includes financial information for other outstanding equity awards for the nine months ended September 30, 2022 and 2021:

	2022	2021
	(In Millions)	
Compensation expense included in Entergy's consolidated net income	\$31.1	\$31.1
Tax benefit recognized in Entergy's consolidated net income	\$7.9	\$7.9
Compensation cost capitalized as part of fixed assets and materials and supplies	\$12.6	\$12.1

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

Components of Qualified Net Pension Cost

Entergy's qualified pension costs, including amounts capitalized, for the third quarters of 2022 and 2021, included the following components:

	2022	2021
	(In Thousands)	
Service cost - benefits earned during the period	\$33,845	\$38,531
Interest cost on projected benefit obligation	60,734	49,222
Expected return on assets	(100,203)	(106,684)
Amortization of net loss	42,367	69,386
Settlement charges	125,548	44,718
Net pension costs	<u>\$162,291</u>	<u>\$95,173</u>

Entergy's qualified pension costs, including amounts capitalized, for the nine months ended September 30, 2022 and 2021, included the following components:

	2022	2021
	(In Thousands)	
Service cost - benefits earned during the period	\$108,482	\$126,722
Interest cost on projected benefit obligation	164,529	142,702
Expected return on assets	(306,895)	(318,437)
Amortization of net loss	159,359	266,576
Settlement charges	148,201	156,266
Net pension costs	<u>\$273,676</u>	<u>\$373,829</u>

The Registrant Subsidiaries' qualified pension costs, including amounts capitalized, for their employees for the third quarters of 2022 and 2021, included the following components:

2022	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$6,138	\$8,261	\$1,953	\$690	\$1,441	\$1,891
Interest cost on projected benefit obligation	11,866	12,523	3,383	1,368	2,795	2,882
Expected return on assets	(18,731)	(20,586)	(5,006)	(2,487)	(4,551)	(4,509)
Amortization of net loss	10,283	10,156	2,941	1,208	2,130	2,641
Settlement charges	11,477	33,507	6,853	4,402	13,082	4,593
Net pension cost	<u>\$21,033</u>	<u>\$43,861</u>	<u>\$10,124</u>	<u>\$5,181</u>	<u>\$14,897</u>	<u>\$7,498</u>

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$6,966	\$9,230	\$2,197	\$735	\$1,680	\$2,141
Interest cost on projected benefit obligation	9,396	10,270	2,735	1,156	2,213	2,379
Expected return on assets	(19,585)	(22,466)	(5,629)	(2,678)	(5,341)	(4,853)
Amortization of net loss	16,100	15,201	4,580	1,656	2,815	4,135
Settlement charges	7,238	13,209	3,685	1,107	1,634	4,086
Net pension cost	<u>\$20,115</u>	<u>\$25,444</u>	<u>\$7,568</u>	<u>\$1,976</u>	<u>\$3,001</u>	<u>\$7,888</u>

The Registrant Subsidiaries' qualified pension costs, including amounts capitalized, for their employees for the nine months ended September 30, 2022 and 2021, included the following components:

2022	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$19,695	\$26,405	\$6,158	\$2,194	\$4,652	\$5,937
Interest cost on projected benefit obligation	30,944	33,706	8,857	3,646	7,242	7,614
Expected return on assets	(57,009)	(62,779)	(15,373)	(7,517)	(14,393)	(13,718)
Amortization of net loss	36,557	35,055	10,371	3,944	7,124	9,078
Settlement charges	22,973	37,968	9,061	4,402	15,547	6,616
Net pension cost	<u>\$53,160</u>	<u>\$70,355</u>	<u>\$19,074</u>	<u>\$6,669</u>	<u>\$20,172</u>	<u>\$15,527</u>

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$21,640	\$29,033	\$6,865	\$2,304	\$5,237	\$6,707
Interest cost on projected benefit obligation	26,488	29,695	7,769	3,264	6,215	6,757
Expected return on assets	(58,896)	(67,521)	(16,815)	(7,941)	(15,851)	(14,436)
Amortization of net loss	53,652	52,294	15,556	5,996	9,941	14,393
Settlement charges	31,624	48,201	11,447	4,691	8,261	8,725
Net pension cost	<u>\$74,508</u>	<u>\$91,702</u>	<u>\$24,822</u>	<u>\$8,314</u>	<u>\$13,803</u>	<u>\$22,146</u>

Non-Qualified Net Pension Cost

Entergy recognized \$5.9 million and \$6.9 million in pension cost for its non-qualified pension plans in the third quarters of 2022 and 2021, respectively. Reflected in the pension cost for non-qualified pension plans in the third quarters of 2022 and 2021 were settlement charges of \$1.4 million and \$2.5 million, respectively, related to the payment of lump sum benefits out of the plan. Entergy recognized \$23.3 million and \$16 million in pension cost for its non-qualified pension plans for the nine months ended September 30, 2022 and 2021, respectively. Reflected in the pension cost for non-qualified pension plans for the nine months ended September 30, 2022 and 2021 were settlement charges of \$9.2 million and \$2.5 million, respectively, 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 third quarters of 2022 and 2021:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2022	\$69	\$24	\$80	\$28	\$961
2021	\$86	\$192	\$91	\$7	\$115

Reflected in Entergy Texas' non-qualified pension costs in the third quarter of 2022 were settlement charges of \$886 thousand related to the payment of lump sum benefits out of the plan. Reflected in Entergy Louisiana's non-qualified pension costs in the third quarter of 2021 were settlement charges of \$155 thousand related to the payment of lump sum benefits out of the plan. Reflected in Entergy Texas's non-qualified pension costs in the third quarter of 2021 were settlement charges of \$3 thousand 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 nine months ended September 30, 2022 and 2021:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2022	\$212	\$77	\$241	\$84	\$1,264
2021	\$266	\$280	\$283	\$23	\$345

Reflected in Entergy Mississippi's non-qualified pension costs for the nine months ended September 30, 2022 were settlement charges of \$2 thousand related to the payment of lump sum benefits out of the plan. Reflected in Entergy Texas' non-qualified pension costs for the nine months ended September 30, 2022 were settlement charges of \$1 million related to the payment of lump sum benefits out of the plan. Reflected in Entergy Louisiana's non-qualified pension costs for the nine months ended September 30, 2021 were settlement charges of \$155 thousand related to the payment of lump sum benefits out of the plan. Reflected in Entergy Texas's non-qualified pension costs for the nine months ended September 30, 2021 were settlement charges of \$3 thousand related to the payment of lump sum benefits out of the plan.

Components of Net Other Postretirement Benefit Cost (Income)

Entergy's other postretirement benefit income, including amounts capitalized, for the third quarters of 2022 and 2021, included the following components:

	2022	2021
	(In Thousands)	
Service cost - benefits earned during the period	\$6,184	\$6,645
Interest cost on accumulated postretirement benefit obligation (APBO)	6,827	5,320
Expected return on assets	(10,855)	(10,805)
Amortization of prior service credit	(6,388)	(8,267)
Amortization of net loss	1,083	713
Net other postretirement benefit income	<u>(\$3,149)</u>	<u>(\$6,394)</u>

Entergy's other postretirement benefit income, including amounts capitalized, for the nine months ended September 30, 2022 and 2021, included the following components:

	2022	2021
	(In Thousands)	
Service cost - benefits earned during the period	\$18,552	\$19,935
Interest cost on accumulated postretirement benefit obligation (APBO)	20,481	15,960
Expected return on assets	(32,565)	(32,415)
Amortization of prior service credit	(19,164)	(24,801)
Amortization of net loss	3,249	2,139
Net other postretirement benefit income	<u>(\$9,447)</u>	<u>(\$19,182)</u>

The Registrant Subsidiaries' other postretirement benefit cost (income), including amounts capitalized, for their employees for the third quarters of 2022 and 2021, included the following components:

2022	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$1,114	\$1,408	\$339	\$99	\$331	\$310
Interest cost on APBO	1,263	1,443	350	174	399	279
Expected return on assets	(4,483)	—	(1,394)	(1,499)	(2,568)	(791)
Amortization of prior service cost/(credit)	471	(1,158)	(443)	(229)	(1,093)	(80)
Amortization of net (gain) loss	218	(186)	56	(225)	162	30
Net other postretirement benefit cost (income)	<u>(\$1,417)</u>	<u>\$1,507</u>	<u>(\$1,092)</u>	<u>(\$1,680)</u>	<u>(\$2,769)</u>	<u>(\$252)</u>
2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$1,034	\$1,544	\$362	\$109	\$346	\$335
Interest cost on APBO	932	1,130	278	130	317	220
Expected return on assets	(4,505)	—	(1,384)	(1,438)	(2,548)	(789)
Amortization of prior service credit	(280)	(1,230)	(444)	(229)	(936)	(109)
Amortization of net (gain) loss	49	(91)	19	(178)	100	15
Net other postretirement benefit cost (income)	<u>(\$2,770)</u>	<u>\$1,353</u>	<u>(\$1,169)</u>	<u>(\$1,606)</u>	<u>(\$2,721)</u>	<u>(\$328)</u>

The Registrant Subsidiaries' other postretirement benefit cost (income), including amounts capitalized, for their employees for the nine months ended September 30, 2022 and 2021, included the following components:

2022	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$3,342	\$4,224	\$1,017	\$297	\$993	\$930
Interest cost on APBO	3,789	4,329	1,050	522	1,197	837
Expected return on assets	(13,449)	—	(4,182)	(4,497)	(7,704)	(2,373)
Amortization of prior service cost/(credit)	1,413	(3,474)	(1,329)	(687)	(3,279)	(240)
Amortization of net (gain) loss	654	(558)	168	(675)	486	90
Net other postretirement benefit cost (income)	<u>(\$4,251)</u>	<u>\$4,521</u>	<u>(\$3,276)</u>	<u>(\$5,040)</u>	<u>(\$8,307)</u>	<u>(\$756)</u>

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Service cost - benefits earned during the period	\$3,102	\$4,632	\$1,086	\$327	\$1,038	\$1,005
Interest cost on APBO	2,796	3,390	834	390	951	660
Expected return on assets	(13,515)	—	(4,152)	(4,314)	(7,644)	(2,367)
Amortization of prior service credit	(840)	(3,690)	(1,332)	(687)	(2,808)	(327)
Amortization of net (gain) loss	147	(273)	57	(534)	300	45
Net other postretirement benefit cost (income)	<u>(\$8,310)</u>	<u>\$4,059</u>	<u>(\$3,507)</u>	<u>(\$4,818)</u>	<u>(\$8,163)</u>	<u>(\$984)</u>

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 third quarters of 2022 and 2021:

2022	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
Entergy				
Amortization of prior service (cost) credit	\$—	\$4,014	(\$177)	\$3,837
Amortization of net loss	(3,976)	(596)	(298)	(4,870)
Settlement loss	(14,263)	—	(76)	(14,339)
	<u>(\$18,239)</u>	<u>\$3,418</u>	<u>(\$551)</u>	<u>(\$15,372)</u>
Entergy Louisiana				
Amortization of prior service credit	\$—	\$1,158	\$—	\$1,158
Amortization of net gain (loss)	(407)	186	(1)	(222)
Settlement loss	(1,340)	—	—	(1,340)
	<u>(\$1,747)</u>	<u>\$1,344</u>	<u>(\$1)</u>	<u>(\$404)</u>

2021	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
Entergy				
Amortization of prior service (cost) credit	\$—	\$5,288	(\$40)	\$5,248
Amortization of net loss	(12,439)	(496)	(555)	(13,490)
Settlement loss	(2,731)	—	(461)	(3,192)
	\$(15,170)	\$4,792	(\$1,056)	\$(11,434)
Entergy Louisiana				
Amortization of prior service credit	\$—	\$1,230	\$—	\$1,230
Amortization of net gain (loss)	(609)	91	(1)	(519)
Settlement loss	(528)	—	(6)	(534)
	\$(1,137)	\$1,321	(\$7)	\$177

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) for the nine months ended September 30, 2022 and 2021:

2022	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
Entergy				
Amortization of prior service (cost) credit	\$—	\$12,042	(\$531)	\$11,511
Amortization of net loss	(26,921)	(1,788)	(1,065)	(29,774)
Settlement loss	(14,441)	—	(1,225)	(15,666)
	\$(41,362)	\$10,254	(\$2,821)	\$(33,929)
Entergy Louisiana				
Amortization of prior service credit	\$—	\$3,474	\$—	\$3,474
Amortization of net gain (loss)	(1,404)	558	(3)	(849)
Settlement loss	(1,518)	—	—	(1,518)
	\$(2,922)	\$4,032	(\$3)	\$1,107

2021	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
Entergy				
Amortization of prior service (cost) credit	\$—	\$15,864	(\$120)	\$15,744
Amortization of net loss	(72,322)	(1,486)	(1,745)	(75,553)
Settlement loss	(8,774)	—	(461)	(9,235)
	<u>(\$81,096)</u>	<u>\$14,378</u>	<u>(\$2,326)</u>	<u>(\$69,044)</u>
Entergy Louisiana				
Amortization of prior service credit	\$—	\$3,690	\$—	\$3,690
Amortization of net gain (loss)	(2,093)	273	(4)	(1,824)
Settlement loss	(1,928)	—	(6)	(1,934)
	<u>(\$4,021)</u>	<u>\$3,963</u>	<u>(\$10)</u>	<u>(\$68)</u>

Accounting for Pension and Other Postretirement Benefits

In accordance with ASU No. 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” 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 by Entergy in miscellaneous - net in other income.

Qualified Pension Settlement Cost

Year-to-date lump sum benefit payments from the Entergy Corporation Retirement Plan for Bargaining Employees, the Entergy Corporation Retirement Plan for Non-Bargaining Employees, the Entergy Corporation Retirement Plan II for Bargaining Employees, and the Entergy Corporation Retirement Plan II for Non-Bargaining Employees exceeded the sum of the Plan’s 2022 service and interest cost, resulting in settlement costs. In accordance with accounting standards, settlement accounting requires immediate recognition of the portion of previously unrecognized losses associated with the settled portion of the plan’s pension liability. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy each participate in one or both of the Entergy Corporation Retirement Plan for Bargaining Employees and the Entergy Corporation Retirement Plan for Non-Bargaining Employees and incurred settlement costs. Similar to other pension costs, the settlement costs were included with employee labor costs and charged to expense and capital in the same manner that labor costs were charged. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans each received regulatory approval to defer the expense portion of the settlement costs, with future amortization of the deferred settlement expense over the period in which the expense otherwise would be recorded had the immediate recognition not occurred.

Entergy Texas Reserve

In September 2020, Entergy Texas elected to establish a reserve, in accordance with PUCT regulations, for the difference between the amount recorded for pension and other postretirement benefits expense under generally accepted accounting principles during 2019, the first year that rates from Entergy Texas’s last general rate proceeding were in effect, and the annual amount of actuarially determined pension and other postretirement benefits chargeable to Entergy Texas’s expense. The reserve amount will be evaluated in the base rate case that was filed with the PUCT in July 2022 and a reasonable amortization period will be determined by the PUCT. At September 30, 2022, the balance in this reserve was approximately \$25.4 million.

Employer Contributions

Based on current assumptions, Entergy expects to contribute \$400 million to its qualified pension plans in 2022. As of September 30, 2022, Entergy had contributed \$170 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 2022:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Expected 2022 pension contributions	\$78,605	\$41,641	\$27,716	\$922	\$1,924	\$26,376
Pension contributions made through September 2022	\$44,300	\$24,319	\$15,685	\$922	\$1,632	\$12,754
Remaining estimated pension contributions to be made in 2022	\$34,305	\$17,322	\$12,031	\$—	\$292	\$13,622

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

Entergy's reportable segments as of September 30, 2022 were Utility and Entergy Wholesale Commodities. Utility includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and natural gas utility service in portions of Louisiana. 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 includes the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. See Note 13 to the financial statements in the Form 10-K and Note 14 to the financial statements herein for discussion of the shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants. With the sale of Palisades in June 2022, Entergy completed its multi-year strategy to exit the merchant nuclear power business. "All Other" includes the parent company, Entergy Corporation, and other business activity.

Entergy's segment financial information for the third quarters of 2022 and 2021 were as follows:

	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
	(In Thousands)				
2022					
Operating revenues	\$4,156,616	\$62,009	\$—	(\$10)	\$4,218,615
Income taxes	\$178,088	\$18,252	(\$12,228)	\$—	\$184,112
Consolidated net income (loss)	\$667,162	(\$18,745)	(\$37,125)	(\$55,410)	\$555,882
2021					
Operating revenues	\$3,191,240	\$162,275	\$24	(\$7)	\$3,353,532
Income taxes	\$159,472	\$8,836	(\$10,026)	\$—	\$158,282
Consolidated net income (loss)	\$574,399	\$26,064	(\$32,982)	(\$31,898)	\$535,583

Entergy's segment financial information for the nine months ended September 30, 2022 and 2021 were as follows:

	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
	(In Thousands)				
2022					
Operating revenues	\$10,191,041	\$300,720	\$—	(\$24)	\$10,491,737
Income taxes	(\$118,257)	\$46,340	(\$37,117)	\$—	(\$109,034)
Consolidated net income (loss)	\$1,166,866	\$76,501	(\$113,273)	(\$130,608)	\$999,486
Total assets as of September 30, 2022	\$61,784,169	\$465,865	\$603,672	(\$3,878,411)	\$58,975,295
2021					
Operating revenues	\$8,461,241	\$559,150	\$77	(\$28)	\$9,020,440
Income taxes	\$290,566	(\$47,299)	(\$37,459)	\$—	\$205,808
Consolidated net income (loss)	\$1,264,933	(\$210,460)	(\$85,445)	(\$95,695)	\$873,333
Total assets as of December 31, 2021	\$59,733,625	\$1,242,675	\$561,168	(\$2,083,226)	\$59,454,242

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 implemented a strategy to manage and reduce the risk of the Entergy Wholesale Commodities business, which included the shutdown and sale of all plants in its merchant nuclear fleet. With the sale of Palisades in June 2022, Entergy has exited the merchant nuclear power business. The decisions to shut down these plants and the related 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 third quarters of 2022 and 2021 were comprised of the following:

	2022			2021		
	Employee retention and severance expenses and other benefits-related costs	Contracted economic development costs	Total	Employee retention and severance expenses and other benefits-related costs	Contracted economic development costs	Total
	(In Millions)					
Balance as of July 1,	\$40	\$—	\$40	\$33	\$—	\$33
Restructuring costs accrued	—	—	—	2	—	2
Cash paid out	40	—	40	—	—	—
Balance as of September 30,	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$35</u>	<u>\$—</u>	<u>\$35</u>

Total restructuring charges for the nine months ended September 30, 2022 and 2021 were comprised of the following:

	2022			2021		
	Employee retention and severance expenses and other benefits-related costs	Contracted economic development costs	Total	Employee retention and severance expenses and other benefits-related costs	Contracted economic development costs	Total
	(In Millions)					
Balance as of January 1,	\$37	\$—	\$37	\$145	\$14	\$159
Restructuring costs accrued	3	—	3	9	1	10
Cash paid out	40	—	40	119	15	134
Balance as of September 30,	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$35</u>	<u>\$—</u>	<u>\$35</u>

In addition, Entergy Wholesale Commodities recorded a gain of \$166 million in the nine months ended September 30, 2022 as a result of the sale of the Palisades plant, as well as \$1 million of impairment and other related charges, and \$345 million in the nine months ended September 30, 2021 of impairment and other related charges, including a \$340 million loss as a result of the sale of the Indian Point Energy Center, associated with these strategic decisions and transactions.

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 was selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities entered into forward contracts with its customers and also sold energy and capacity in the day ahead or spot markets. In addition to its forward physical power and gas

contracts, Entergy Wholesale Commodities used a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price fell, the combination of financial contracts was expected to settle in gains that offset lower revenue from generation, which resulted in a more predictable cash flow.

Consistent with management's strategy to shut down and sell all plants in the Entergy Wholesale Commodities merchant fleet, the Entergy Wholesale Commodities portfolio of derivative instruments expired in April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio.

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. 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 entered 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 settled against day-ahead power pool prices were used to manage price exposure for Entergy Wholesale Commodities generation.

Entergy used standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitated the netting of cash flows associated with a single counterparty and may have included collateral requirements. Cash, letters of credit, and parental/affiliate guarantees were obtained as security from counterparties in order to mitigate credit risk. The collateral agreements required a counterparty to post cash or letters of credit in the event an exposure exceeded an established threshold. The threshold represented an unsecured credit limit, which may have been supported by a parental/affiliate guarantee, as determined in accordance with Entergy's credit policy. In addition, collateral agreements allowed 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 contained provisions that required 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 was an Entergy Corporation guarantee. If the Entergy Corporation credit rating fell below investment grade, Entergy would have had to post collateral equal to the estimated outstanding liability under the contract at the applicable date. There were no outstanding derivative contracts held by Entergy Wholesale Commodities as of

September 30, 2022 and December 31, 2021. Cash collateral of \$8 million was required to be posted by the Entergy subsidiary to its counterparties as of September 30, 2022 and December 31, 2021.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Louisiana and Entergy New Orleans) and Entergy Mississippi through the purchase of natural gas swaps and options that financially settle against either the average Henry Hub Gas Daily prices or the NYMEX Henry Hub. These swaps and options 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 price volatility for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy New Orleans. The maximum length of time over which Entergy has executed natural gas swaps and options as of September 30, 2022 is 1.5 years for Entergy Louisiana and the maximum length of time over which Entergy has executed natural gas swaps as of September 30, 2022 is 6 months, each, for Entergy Mississippi and Entergy New Orleans. The total volume of natural gas swaps and options outstanding as of September 30, 2022 is 22,880,037 MMBtu for Entergy, including 10,960,000 MMBtu for Entergy Louisiana, 10,701,000 MMBtu for Entergy Mississippi, and 1,219,037 MMBtu for Entergy New Orleans. Credit support for these natural gas swaps and options is covered by master agreements that do not require Entergy to provide collateral based on mark-to-market value, but do carry adequate assurance language that may lead to requests for collateral.

During the second quarter 2022, Entergy participated in the annual financial transmission rights auction process for the MISO planning year of June 1, 2022 through May 31, 2023. Financial transmission rights are derivative instruments that 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 September 30, 2022 is 96,835 GWh for Entergy, including 22,176 GWh for Entergy Arkansas, 43,396 GWh for Entergy Louisiana, 10,515 GWh for Entergy Mississippi, 4,153 GWh for Entergy New Orleans, and 16,473 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 September 30, 2022 and December 31, 2021. Letters of credit posted with MISO covered the financial transmission rights exposure for Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas as of September 30, 2022 and for Entergy Mississippi and Entergy Texas as of December 31, 2021.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of September 30, 2022 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 not designated as hedging instruments					
Assets:					
Natural gas swaps and options	Prepayments and other	\$22	\$—	\$22	Utility
Natural gas swaps and options	Other deferred debits and other assets	\$8	\$—	\$8	Utility
Financial transmission rights	Prepayments and other	\$23	(\$2)	\$21	Utility and Entergy Wholesale Commodities

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2021 are shown in the table below.

Instrument	Balance Sheet Location	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Business
(In Millions)					
Derivatives not designated as hedging instruments					
Assets:					
Natural gas swaps and options	Prepayments and other	\$6	\$—	\$6	Utility
Natural gas swaps and options	Other deferred debits and other assets	\$5	\$—	\$5	Utility
Financial transmission rights	Prepayments and other	\$4	\$—	\$4	Utility and Entergy Wholesale Commodities
Liabilities:					
Natural gas swaps and options	Other current liabilities	\$7	\$—	\$7	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 \$8 million posted as of September 30, 2022 and December 31, 2021. Also excludes letters of credit in the amount of \$3 million posted as of September 30, 2022.

As discussed above, the Entergy Wholesale Commodities portfolio of derivative instruments expired in April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio. For the three months ended September 30, 2021, there were no effects resulting from Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements.

The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the nine months ended September 30, 2021 were as follows:

Instrument	Amount of gain (loss) 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)
Electricity swaps and options	\$2	Competitive businesses operating revenues	\$40

(a) Before taxes of \$8 million for the nine months ended September 30, 2021

Prior to the expiration of the Entergy Wholesale Commodities portfolio of derivative instruments, Entergy may have effectively liquidated 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 would have continued to be deferred in other comprehensive income until they were included in income as the original hedged transaction occurred. From the point of de-designation, the gains or losses on the original hedge and the offsetting contract were recorded as assets or liabilities on the balance sheet and offset as they flowed through to earnings.

The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the three months ended September 30, 2022 and 2021 were as follows:

Instrument	Income Statement location	Amount of gain (loss) recorded in the income statement (In Millions)
2022		
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$42
Financial transmission rights	Purchased power expense (b)	\$30
2021		
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$37
Financial transmission rights	Purchased power expense (b)	\$18
Electricity swaps and options (c)	Competitive business operating revenues	\$—

The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the nine months ended September 30, 2022 and 2021 were as follows:

Instrument	Income Statement location	Amount of gain (loss) recorded in the income statement (In Millions)
2022		
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$120
Financial transmission rights	Purchased power expense (b)	\$90
2021		
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$62
Financial transmission rights	Purchased power expense (b)	\$162
Electricity swaps and options (c)	Competitive business operating revenues	(\$2)

- (a) Due to regulatory treatment, the natural gas swaps and options 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 and options 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) There were no gains (losses) recognized in accumulated other comprehensive income from electricity swaps and options prior to the expiration of the Entergy Wholesale Commodities portfolio of derivative instruments in April 2021.

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of September 30, 2022 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)	Registrant
(In Millions)					
Assets:					
Natural gas swaps and options	Prepayments and other	\$20.1	\$—	\$20.1	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$8.0	\$—	\$8.0	Entergy Louisiana
Natural gas swaps	Prepayments and other	\$2.0	\$—	\$2.0	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$9.6	\$—	\$9.6	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$10.0	(\$0.6)	\$9.4	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$1.5	\$—	\$1.5	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$1.1	\$—	\$1.1	Entergy New Orleans
Liabilities:					
Natural gas swaps	Other current liabilities	\$0.4	\$—	\$0.4	Entergy New Orleans
Financial transmission rights	Other current liabilities	\$0.9	(\$1.3)	(\$0.4)	Entergy Texas

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2021 were as follows:

Instrument	Balance Sheet Location	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Registrant
(In Millions)					
Assets:					
Natural gas swaps and options	Prepayments and other	\$5.7	\$—	\$5.7	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$5.3	\$—	\$5.3	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$2.3	\$—	\$2.3	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$0.6	\$—	\$0.6	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$0.3	\$—	\$0.3	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$0.1	\$—	\$0.1	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$0.8	\$—	\$0.8	Entergy Texas
Liabilities:					
Natural gas swaps	Other current liabilities	\$6.7	\$—	\$6.7	Entergy Mississippi
Natural gas swaps	Other current liabilities	\$0.5	\$—	\$0.5	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

(d) As of September 30, 2022, letters of credit posted with MISO covered financial transmission rights exposure of \$0.9 million for Entergy Louisiana, \$0.8 million for Entergy Mississippi, \$0.1 million for Entergy New Orleans, and \$0.8 million for Entergy Texas. As of December 31, 2021, letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Mississippi and \$0.1 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 September 30, 2022 and 2021 were as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement		Registrant
		(In Millions)		
2022				
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$17.9	(a)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$24.4	(a)	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.2)	(a)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$12.4	(b)	Entergy Arkansas
Financial transmission rights	Purchased power expense	\$10.2	(b)	Entergy Louisiana
Financial transmission rights	Purchased power expense	\$4.8	(b)	Entergy Mississippi
Financial transmission rights	Purchased power expense	\$0.6	(b)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$2.3	(b)	Entergy Texas
2021				
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$9.4	(a)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$25.6	(a)	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$2.2	(a)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$4.5	(b)	Entergy Arkansas
Financial transmission rights	Purchased power expense	\$8.7	(b)	Entergy Louisiana
Financial transmission rights	Purchased power expense	\$1.5	(b)	Entergy Mississippi
Financial transmission rights	Purchased power expense	\$0.6	(b)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$2.6	(b)	Entergy Texas

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the nine months ended September 30, 2022 and 2021 were as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement		Registrant
		(In Millions)		
2022				
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$37.7	(a)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$81.9	(a)	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$0.7	(a)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$35.8	(b)	Entergy Arkansas
Financial transmission rights	Purchased power expense	\$35.7	(b)	Entergy Louisiana
Financial transmission rights	Purchased power expense	\$8.0	(b)	Entergy Mississippi
Financial transmission rights	Purchased power expense	\$3.0	(b)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$7.2	(b)	Entergy Texas
2021				
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$16.1	(a)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$44	(a)	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$2.2	(a)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$34	(b)	Entergy Arkansas
Financial transmission rights	Purchased power expense	\$26.8	(b)	Entergy Louisiana
Financial transmission rights	Purchased power expense	\$9.4	(b)	Entergy Mississippi
Financial transmission rights	Purchased power expense	\$2.6	(b)	Entergy New Orleans
Financial transmission rights	Purchased power expense	\$85.3	(b)	Entergy Texas

- (a) Due to regulatory treatment, the natural gas swaps and options 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 and options 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.

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 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 swaps traded on exchanges with active markets. 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 and gas swaps and options valued using observable inputs.

- 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.

Consistent with management's strategy to shut down and sell all plants in the Entergy Wholesale Commodities merchant fleet, the Entergy Wholesale Commodities portfolio of derivative instruments expired in

April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio.

The values for power contract assets or liabilities prior to expiration in April 2021 were 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 were classified as Level 3 assets and liabilities. The valuations of these assets and liabilities were performed by the Office of Corporate Risk Oversight and the Entergy Wholesale Commodities Accounting group. The primary related functions of the Office of Corporate Risk Oversight included: 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 Office of Corporate Risk Oversight was also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Entergy Wholesale Commodities Accounting group performed functions related to market and counterparty settlements, revenue reporting and analysis, and financial accounting. The Office of Corporate Risk Oversight reports to the Vice President and Treasurer while the Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The amounts reflected as the fair value of electricity swaps were based on the estimated amount that the contracts were 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 equaled the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts included cash flow hedges that swapped fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values were 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 were recorded as derivative contract assets or liabilities. For contracts that had unit contingent terms, a further discount was 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 were valued based on a Black Scholes model, and were calculated at the end of each month for accounting purposes. Inputs to the valuation included end of day forward market prices for the period when the transactions settled, 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 were reviewed and could be adjusted if it was determined that there was a better representation of fair value.

On a daily basis, the Office of Corporate Risk Oversight calculated the mark-to-market for electricity swaps and options. The Office of Corporate Risk Oversight also validated forward market prices by comparing them to other sources of forward market prices or to settlement prices of actual market transactions. Significant differences were 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 were also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available and compared with other sources of market implied volatilities. Moreover, on a quarterly basis, the Office of Corporate Risk Oversight confirmed the mark-to-market calculations and prepared price scenarios and credit downgrade scenario analysis. The scenario analysis was communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis was completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities' portfolio. In particular, the credit and liquidity effects were calculated for this analysis. This analysis was 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 Office of Corporate Risk Oversight. The values are calculated internally and verified against the data published by MISO. Entergy's 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 assumptions used in the valuation. The Office of Corporate Risk Oversight reports to the Vice President and Treasurer. The 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 September 30, 2022 and December 31, 2021. 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.

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$923	\$—	\$—	\$923
Decommissioning trust funds (a):				
Equity securities	15	—	—	15
Debt securities (b)	553	1,073	—	1,626
Common trusts (c)				2,269
Securitization recovery trust account	27	—	—	27
Escrow accounts	332	—	—	332
Gas hedge contracts	22	8	—	30
Financial transmission rights	—	—	21	21
	<u>\$1,872</u>	<u>\$1,081</u>	<u>\$21</u>	<u>\$5,243</u>
2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$398	\$—	\$—	\$398
Decommissioning trust funds (a):				
Equity securities	132	—	—	132
Debt securities (b)	770	1,407	—	2,177
Common trusts (c)				3,205
Securitization recovery trust account	29	—	—	29
Escrow accounts	49	—	—	49
Gas hedge contracts	6	5	—	11
Financial transmission rights	—	—	4	4
	<u>\$1,384</u>	<u>\$1,412</u>	<u>\$4</u>	<u>\$6,005</u>
Liabilities:				
Gas hedge contracts	<u>\$7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$7</u>

- (a) 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.
- (b) The decommissioning trust funds fair value presented herein does not include the recognition pursuant to ASU 2016-13 of a credit loss valuation allowance of \$0.4 million as of December 31, 2021 on debt

- securities. See Note 9 to the financial statements herein for additional information on the allowance for expected credit losses.
- (c) 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 September 30, 2022 and 2021:

	2022	2021
	Financial transmission rights	Financial transmission rights
	(In Millions)	
Balance as of July 1,	\$12	\$15
Total gains (losses) for the period		
Included as a regulatory liability/asset	39	11
Settlements	(30)	(18)
Balance as of September 30,	<u>\$21</u>	<u>\$8</u>

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 nine months ended September 30, 2022 and 2021:

	2022	2021	
	Financial transmission rights	Power Contracts	Financial transmission rights
	(In Millions)		
Balance as of January 1,	\$4	\$38	\$9
Total gains (losses) for the period			
Included in earnings	—	(2)	—
Included in other comprehensive income	—	2	—
Included as a regulatory liability/asset	91	—	149
Issuances of financial transmission rights	16	—	12
Settlements	(90)	(38)	(162)
Balance as of September 30,	<u>\$21</u>	<u>\$—</u>	<u>\$8</u>

The fair values of the Level 3 financial transmission rights are based on unobservable inputs calculated internally and verified against historical pricing data published by MISO.

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 September 30, 2022 and December 31, 2021. 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.

Entergy Arkansas

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$76.9	\$—	\$—	\$76.9
Decommissioning trust funds (a):				
Equity securities	6.7	—	—	6.7
Debt securities	134.4	326.7	—	461.1
Common trusts (b)				673.9
Financial transmission rights	—	—	9.6	9.6
	<u>\$218.0</u>	<u>\$326.7</u>	<u>\$9.6</u>	<u>\$1,228.2</u>

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$4.8	\$—	\$—	\$4.8
Decommissioning trust funds (a):				
Equity securities	16.7	—	—	16.7
Debt securities	119.5	406.8	—	526.3
Common trusts (b)				895.4
Financial transmission rights	—	—	2.3	2.3
	<u>\$141.0</u>	<u>\$406.8</u>	<u>\$2.3</u>	<u>\$1,445.5</u>

Entergy Louisiana

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$195.3	\$—	\$—	\$195.3
Decommissioning trust funds (a):				
Equity securities	5.4	—	—	5.4
Debt securities	210.5	504.2	—	714.7
Common trusts (b)				962.4
Escrow accounts	291.2	—	—	291.2
Gas hedge contracts	20.1	8.0	—	28.1
Financial transmission rights	—	—	9.4	9.4
	<u>\$722.5</u>	<u>\$512.2</u>	<u>\$9.4</u>	<u>\$2,206.5</u>

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$18.4	\$—	\$—	\$18.4
Decommissioning trust funds (a):				
Equity securities	20.2	—	—	20.2
Debt securities	262.6	531.6	—	794.2
Common trusts (b)				1,300.1
Gas hedge contracts	5.7	5.3	—	11.0
Financial transmission rights	—	—	0.6	0.6
	<u>\$306.9</u>	<u>\$536.9</u>	<u>\$0.6</u>	<u>\$2,144.5</u>

Entergy Mississippi

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Escrow accounts	\$41.1	\$—	\$—	\$41.1
Gas hedge contracts	2.0	—	—	2.0
Financial transmission rights	—	—	1.5	1.5
	<u>\$43.1</u>	<u>\$—</u>	<u>\$1.5</u>	<u>\$44.6</u>

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$47.6	\$—	\$—	\$47.6
Escrow accounts	48.9	—	—	48.9
Financial transmission rights	—	—	0.3	0.3
	<u>\$96.5</u>	<u>\$—</u>	<u>\$0.3</u>	<u>\$96.8</u>
Liabilities:				
Gas hedge contracts	<u>\$6.7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$6.7</u>

Entergy New Orleans

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$17.6	\$—	\$—	\$17.6
Securitization recovery trust account	5.5	—	—	5.5
Financial transmission rights	—	—	1.1	1.1
	<u>\$23.1</u>	<u>\$—</u>	<u>\$1.1</u>	<u>\$24.2</u>
Liabilities:				
Gas hedge contracts	<u>\$0.4</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.4</u>

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$42.8	\$—	\$—	\$42.8
Securitization recovery trust account	2.0	—	—	2.0
Financial transmission rights	—	—	0.1	0.1
	<u>\$44.8</u>	<u>\$—</u>	<u>\$0.1</u>	<u>\$44.9</u>
Liabilities:				
Gas hedge contracts	<u>\$0.5</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.5</u>

Entergy Texas

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$208.8	\$—	\$—	\$208.8
Securitization recovery trust account	21.9	—	—	21.9
	<u>\$230.7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$230.7</u>
Liabilities:				
Financial transmission rights	<u>\$—</u>	<u>\$—</u>	<u>\$0.4</u>	<u>\$0.4</u>

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Securitization recovery trust account	\$26.6	\$—	\$—	\$26.6
Financial transmission rights	—	—	0.8	0.8
	<u>\$26.6</u>	<u>\$—</u>	<u>\$0.8</u>	<u>\$27.4</u>

System Energy

2022	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$194.9	\$—	\$—	\$194.9
Decommissioning trust funds (a):				
Equity securities	2.9	—	—	2.9
Debt Securities	208.5	242.2	—	450.7
Common trusts (b)				632.7
	<u>\$406.3</u>	<u>\$242.2</u>	<u>\$—</u>	<u>\$1,281.2</u>

2021	Level 1	Level 2	Level 3	Total
(In Millions)				
Assets:				
Temporary cash investments	\$89.1	\$—	\$—	\$89.1
Decommissioning trust funds (a):				
Equity securities	12.9	—	—	12.9
Debt securities	273.0	251.5	—	524.5
Common trusts (b)				847.9
	<u>\$375.0</u>	<u>\$251.5</u>	<u>\$—</u>	<u>\$1,474.4</u>

- (a) 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.
- (b) 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 for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended September 30, 2022.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)					
Balance as of July 1,	\$4.4	\$4.7	\$0.5	\$0.6	\$1.5
Gains (losses) included as a regulatory liability/asset	17.6	14.9	5.8	1.1	0.4
Settlements	(12.4)	(10.2)	(4.8)	(0.6)	(2.3)
Balance as of September 30,	<u>\$9.6</u>	<u>\$9.4</u>	<u>\$1.5</u>	<u>\$1.1</u>	<u>(\$0.4)</u>

The following table sets forth a reconciliation of changes in the net assets for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended September 30, 2021.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)					
Balance as of July 1,	\$3.8	\$4.8	\$2.1	\$0.6	\$3.8
Gains (losses) included as a regulatory liability/asset	3.1	6.5	—	0.3	0.5
Settlements	(4.5)	(8.7)	(1.5)	(0.6)	(2.6)
Balance as of September 30,	<u>\$2.4</u>	<u>\$2.6</u>	<u>\$0.6</u>	<u>\$0.3</u>	<u>\$1.7</u>

The following table sets forth a reconciliation of changes in the net assets for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the nine months ended September 30, 2022.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)					
Balance as of January 1,	\$2.3	\$0.6	\$0.3	\$0.1	\$0.8
Issuances of financial transmission rights	5.4	5.3	0.8	0.8	3.9
Gains (losses) included as a regulatory liability/asset	37.7	39.2	8.4	3.2	2.1
Settlements	(35.8)	(35.7)	(8.0)	(3.0)	(7.2)
Balance as of September 30,	<u>\$9.6</u>	<u>\$9.4</u>	<u>\$1.5</u>	<u>\$1.1</u>	<u>(\$0.4)</u>

The following table sets forth a reconciliation of changes in the net assets for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the nine months ended September 30, 2021.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)					
Balance as of January 1,	\$2.7	\$4.2	\$0.6	\$0.1	\$1.6
Issuances of financial transmission rights	2.8	4.1	1.7	0.4	2.7
Gains (losses) included as a regulatory liability/asset	30.9	21.1	7.7	2.4	82.7
Settlements	(34.0)	(26.8)	(9.4)	(2.6)	(85.3)
Balance as of September 30,	<u>\$2.4</u>	<u>\$2.6</u>	<u>\$0.6</u>	<u>\$0.3</u>	<u>\$1.7</u>

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

The NRC requires Entergy subsidiaries to maintain nuclear decommissioning trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, and Grand Gulf. Entergy's nuclear decommissioning trust funds invest in equity securities, fixed-rate debt securities, and cash and cash equivalents.

As discussed in Note 14 to the financial statements herein, in June 2022, Entergy completed the sale of Palisades to Holtec. As part of the transaction, Entergy transferred the Palisades decommissioning trust fund to Holtec. The disposition-date fair value of the decommissioning trust fund was approximately \$552 million.

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 unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants did not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains/(losses) recorded on the equity securities in the trust funds were 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 and nine months ended September 30, 2022 on equity securities still held as of September 30, 2022 were (\$120) million and (\$767) million, respectively. The equity securities are generally held in funds that are designed 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 debt securities are generally held in individual government and credit issuances.

The available-for-sale securities held as of September 30, 2022 and December 31, 2021 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2022			
Debt Securities	\$1,626	\$2	\$232
2021			
Debt Securities	\$2,177	\$65	\$12

The unrealized gains/(losses) above are reported before deferred taxes of \$2 million as of December 31, 2021 for debt securities. As of September 30, 2022, there were no deferred taxes on unrealized gains/(losses). The amortized cost of available-for-sale debt securities was \$1,856 million as of September 30, 2022 and \$2,125 million as of December 31, 2021. As of September 30, 2022, available-for-sale debt securities had an average coupon rate of approximately 2.98%, an average duration of approximately 6.31 years, and an average maturity of approximately 10.38 years.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$1,211	\$165	\$770	\$8
More than 12 months	339	67	99	4
Total	\$1,550	\$232	\$869	\$12

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of September 30, 2022 and December 31, 2021 were as follows:

	2022	2021
	(In Millions)	
Less than 1 year	\$77	\$—
1 year - 5 years	526	473
5 years - 10 years	456	655
10 years - 15 years	111	389
15 years - 20 years	139	130
20 years+	317	530
Total	\$1,626	\$2,177

During the three months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$119 million and \$354 million, respectively. During the three months ended September 30, 2022 and 2021, gross gains of \$0.2 million and \$8 million, respectively, and gross losses of \$8 million and \$2 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

During the nine months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$755 million and \$1,151 million, respectively. During the nine months ended September 30, 2022 and 2021, gross gains of \$2 million and \$24 million, respectively, and gross losses of \$36 million and \$15 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

The fair value of the Palisades decommissioning trust fund as of December 31, 2021 was \$576 million. 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 September 30, 2022 and December 31, 2021 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2022			
Debt Securities	\$461.1	\$—	\$73.7
2021			
Debt Securities	\$526.3	\$11.4	\$4.7

The amortized cost of available-for-sale debt securities was \$534.8 million as of September 30, 2022 and \$519.6 million as of December 31, 2021. As of September 30, 2022, the available-for-sale debt securities had an average coupon rate of approximately 2.22%, an average duration of approximately 5.81 years, and an average maturity of approximately 7.16 years.

The unrealized gains/(losses) recognized during the three and nine months ended September 30, 2022 on equity securities still held as of September 30, 2022 were (\$35.3) million and (\$229.2) million, respectively. 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 available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In Millions)				
Less than 12 months	\$288.3	\$40.5	\$183.8	\$2.9
More than 12 months	159.8	33.2	39.5	1.8
Total	\$448.1	\$73.7	\$223.3	\$4.7

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of September 30, 2022 and December 31, 2021 were as follows:

	2022	2021
(In Millions)		
Less than 1 year	\$40.5	\$—
1 year - 5 years	156.7	91.7
5 years - 10 years	180.1	217.4
10 years - 15 years	34.5	146.0
15 years - 20 years	30.8	35.7
20 years+	18.5	35.5
Total	\$461.1	\$526.3

During the three months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$17.2 million and \$20.6 million, respectively. During the three months ended September 30, 2022, there were no gross gains related to available-for-sale securities reclassified out of other regulatory liabilities/assets into earnings. During the three months ended September 30, 2021, gross gains of \$0.7 million related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings. During the three months ended September 30, 2022 and 2021, gross losses of \$2 million and \$0.2 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

During the nine months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$33.1 million and \$46.7 million, respectively. During the nine months ended September 30, 2022 and 2021, gross gains of \$0.1 million and \$2.3 million, respectively, and gross losses of \$2.5 million and \$0.3 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

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 September 30, 2022 and December 31, 2021 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2022			
Debt Securities	\$714.7	\$1.8	\$86.6
2021			
Debt Securities	\$794.2	\$31.3	\$3.3

The amortized cost of available-for-sale debt securities was \$799.5 million as of September 30, 2022 and \$766.3 million as of December 31, 2021. As of September 30, 2022, the available-for-sale debt securities had an average coupon rate of approximately 3.67%, an average duration of approximately 6.65 years, and an average maturity of approximately 12.57 years.

The unrealized gains/(losses) recognized during the three and nine months ended September 30, 2022 on equity securities still held as of September 30, 2022 were (\$51.6) million and (\$322.9) million, respectively. 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 available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$579.8	\$68.8	\$206.9	\$1.4
More than 12 months	76.5	17.8	42.9	1.9
Total	\$656.3	\$86.6	\$249.8	\$3.3

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of September 30, 2022 and December 31, 2021 were as follows:

	2022	2021
	(In Millions)	
Less than 1 year	\$29.3	\$—
1 year - 5 years	184.7	157.8
5 years - 10 years	152.6	173.0
10 years - 15 years	67.9	123.0
15 years - 20 years	80.5	80.2
20 years+	199.7	260.2
Total	\$714.7	\$794.2

During the three months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$47.6 million and \$20.5 million, respectively. During the three months ended September 30, 2022 and 2021, gross gains of \$0.2 million and \$0.9 million, respectively, and gross losses of \$2.8 million and \$23.5 thousand, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

During the nine months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$288.5 million and \$191.4 million, respectively. During the nine months ended September 30, 2022 and 2021, gross gains of \$1.3 million and \$5.6 million, respectively, and gross losses of \$15 million and \$3.4 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 September 30, 2022 and December 31, 2021 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2022			
Debt Securities	\$450.7	\$0.1	\$71.2
2021			
Debt Securities	\$524.5	\$11.8	\$2.9

The amortized cost of available-for-sale debt securities was \$521.8 million as of September 30, 2022 and \$515.6 million as of December 31, 2021. As of September 30, 2022, the available-for-sale debt securities had an average coupon rate of approximately 2.67%, an average duration of approximately 6.30 years, and an average maturity of approximately 10.22 years.

The unrealized gains/(losses) recognized during the three and nine months ended September 30, 2022 on equity securities still held as of September 30, 2022 were (\$33.2) million and (\$215) million, respectively. 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 available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$342.7	\$55.2	\$276.6	\$2.3
More than 12 months	102.2	16.0	11.3	0.6
Total	\$444.9	\$71.2	\$287.9	\$2.9

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of September 30, 2022 and December 31, 2021 were as follows:

	2022	2021
	(In Millions)	
Less than 1 year	\$7.7	\$—
1 year - 5 years	184.4	156.8
5 years - 10 years	123.6	161.8
10 years - 15 years	9.0	58.6
15 years - 20 years	27.6	1.9
20 years+	98.4	145.4
Total	\$450.7	\$524.5

During the three months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$54.6 million and \$292.8 million, respectively. During the three months ended September 30, 2022 and 2021, gross gains of \$0.02 million and \$5.9 million, respectively, and gross losses of \$3 million and \$2 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

During the nine months ended September 30, 2022 and 2021, proceeds from the dispositions of available-for-sale securities amounted to \$158.6 million and \$468.5 million, respectively. During the nine months ended September 30, 2022 and 2021, gross gains of \$0.2 million and \$9 million, respectively, and gross losses of \$8.3 million and \$3.8 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

Allowance for expected credit losses

Entergy estimates the expected credit losses for its available-for-sale securities based on the current credit rating and remaining life of the securities. To the extent an individual security is determined to be uncollectible, it is written off against this allowance. Entergy's available-for-sale securities are held in trusts managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Specifically, available-for-sale securities are subject to credit worthiness restrictions, with requirements for both the average credit rating of the portfolio and minimum credit ratings for individual debt securities. As of September 30, 2022, Entergy did not have an allowance for expected credit losses related to available-for-sale securities. As of December 31, 2021, Entergy's allowance for expected credit losses related to available-for-sale securities was \$0.4 million. Entergy did not record any impairments of available-for-sale debt securities for the three months ended September 30, 2022. Entergy recorded \$1.5 million in impairments

of available-for-sale debt securities for the nine months ended September 30, 2022. Entergy did not record any impairments of available-for-sale debt securities for the three and nine months ended September 30, 2021.

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.

Tax Cuts and Jobs Act

During the second quarter 2018, the Registrant Subsidiaries began returning unprotected excess accumulated deferred income taxes, associated with the effects of the Tax Cuts and Jobs Act, to their customers through rate riders and other means approved by their respective regulatory authorities. Return of the unprotected excess accumulated deferred income taxes results in a reduction in the regulatory liability for income taxes and a corresponding reduction in income tax expense. This manner of regulatory accounting affects the effective tax rate for the period as compared to the statutory tax rate. The return of unprotected excess accumulated deferred income taxes reduced Entergy’s and the Registrant Subsidiaries’ regulatory liability for income taxes as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In Millions)			
Entergy	\$16	\$17	\$50	\$72
Entergy Arkansas	\$—	\$—	\$—	\$8
Entergy Louisiana	\$6	\$8	\$25	\$24
Entergy New Orleans	\$—	\$—	\$1	\$—
Entergy Texas	\$10	\$9	\$24	\$22
System Energy	\$—	\$—	\$—	\$18

Income Tax Audits

As a result of income tax audit adjustments proposed by the Arkansas Department of Finance and Administration, an Entergy Wholesale Commodities subsidiary recorded a provision in third quarter 2022 for uncertain tax positions of approximately \$21 million, which includes interest expense.

Other Tax Matters

As described in Note 2 to the financial statements herein, Entergy Louisiana implemented a securitization authorized under Act 293 of the Louisiana legislature. Act 293 provides that the LURC contribute the net bond proceeds to a LURC-sponsored trust. Over the 15-year term of the Act 293 bonds, the storm trust will make distributions to Entergy Louisiana, a beneficiary of the storm trust, that will not be taxable to Entergy Louisiana. Additionally, Entergy Louisiana will not include the receipt of the system restoration charges in taxable income because the right to receive the system restoration charges has been granted directly to the LURC, and Entergy Louisiana only acts as an agent to collect those charges on behalf of the LURC.

Accordingly, the securitization provides for a tax accounting permanent difference resulting in a net reduction of income tax expense in second quarter 2022 of approximately \$290 million, after taking into account a

provision for uncertain tax positions, by Entergy Louisiana. Entergy's recognition of reduced income tax expense was offset by other tax charges resulting in a net reduction of income tax expense of \$283 million, after taking into account a provision for uncertain tax positions.

In recognition of its obligations related to an LPSC ancillary order issued as part of the securitization regulatory proceeding, Entergy Louisiana recorded in second quarter 2022 a \$224 million (\$165 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to share the benefits of the securitization with customers. See Note 2 to the financial statements herein for discussion of the Entergy Louisiana securitization.

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 September 30, 2022 were \$354 million for Entergy, \$62.2 million for Entergy Arkansas, \$155.6 million for Entergy Louisiana, \$22.6 million for Entergy Mississippi, \$6.7 million for Entergy New Orleans, \$37.8 million for Entergy Texas, and \$29.9 million for System Energy. Construction expenditures included in accounts payable at December 31, 2021 were \$723 million for Entergy, \$35.6 million for Entergy Arkansas, \$507.9 million for Entergy Louisiana, \$26.5 million for Entergy Mississippi, \$73.1 million for Entergy Texas, and \$23.4 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, commercial paper borrowings, and long-term debt.

Entergy Texas Restoration Funding II, LLC, a company wholly-owned and consolidated by Entergy Texas, is a variable interest entity and Entergy Texas is the primary beneficiary. In April 2022, Entergy Texas Restoration Funding II issued senior secured system restoration bonds (securitization bonds) to finance Entergy Texas's Hurricane Laura, Hurricane Delta, and Winter Storm Uri restoration costs. With the proceeds, Entergy Texas Restoration Funding II purchased from Entergy Texas the transition property, which is the right to recover from customers through a system restoration charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Texas Restoration Funding II, including the transition property, and the creditors of Entergy Texas Restoration Funding II do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Texas Restoration Funding II except to remit system restoration charges. See Note 4 to the financial statements herein for additional details regarding the securitization bonds.

Restoration Law Trust I (the storm trust), a trust consolidated by Entergy Louisiana, is a variable interest entity and Entergy Louisiana is the primary beneficiary. The storm trust was established as part of the Act 293 securitization of Entergy Louisiana's Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs, as well as to establish a storm reserve to fund a portion of Hurricane Ida storm restoration costs. Entergy Louisiana is the primary beneficiary of the storm trust because it was created to facilitate the financing of Entergy Louisiana's storm restoration costs and Entergy Louisiana is entitled to receive a majority of the proceeds received by the storm trust. As of September 30, 2022, the primary asset held by the storm trust is the \$3.2 billion of outstanding Entergy Finance Company preferred membership interests, which is reflected as an investment in

affiliate preferred membership interests on the consolidated balance sheet of Entergy Louisiana. The holders of the securitization bonds do not have recourse to the assets or revenues of the trust or to any Entergy affiliate and the bonds are not reflected in the consolidated balance sheets of Entergy or Entergy Louisiana. The LURC's 1% beneficial interest in the storm trust is presented as noncontrolling interest in the consolidated balance sheets of Entergy and Entergy Louisiana. See Note 2 to the financial statements herein for additional discussion of the securitization bonds and the preferred membership interests.

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 5 to the financial statements in the Form 10-K. System Energy made payments under this arrangement, including interest, of \$17.2 million in each of the nine months ended September 30, 2022 and the nine months ended September 30, 2021.

AR Searcy Partnership, LLC, is a tax equity partnership that qualifies as a variable interest entity, which Entergy Arkansas is required to consolidate as it is the primary beneficiary. See Note 14 to the financial statements in the Form 10-K for additional discussion on the establishment of AR Searcy Partnership, LLC and the acquisition of the Searcy Solar facility. The entity is a VIE because the membership interests do not give Entergy Arkansas or the third party tax equity investor substantive kick out rights typical of equity owners. Entergy Arkansas is the primary beneficiary of the partnership because it is the managing member and has the right to a majority of the operating income of the partnership. See Note 1 to the financial statements in the Form 10-K for discussion on the HLBV method of accounting used to account for Entergy Arkansas's investment in AR Searcy Partnership, LLC. As of September 30, 2022, AR Searcy Partnership, LLC recorded assets equal to \$136 million, primarily consisting of property, plant, and equipment, and the carrying value of Entergy Arkansas's ownership interest in the partnership was approximately \$108.8 million. The tax equity investor's ownership interest is recorded as noncontrolling interest.

MS Sunflower Partnership, LLC, is a tax equity partnership that qualifies as a variable interest entity, which Entergy Mississippi is required to consolidate as it is the primary beneficiary. See Note 14 to the financial statements herein for additional discussion on the establishment of MS Sunflower Partnership, LLC and the acquisition of the Sunflower Solar facility. The entity is a VIE because the membership interests do not give Entergy Mississippi or the third party tax equity investor substantive kick out rights typical of equity owners. Entergy Mississippi is the primary beneficiary of the partnership because it is the managing member and has the right to a majority of the operating income of the partnership. See Note 1 to the financial statements in the Form 10-K for discussion of the HLBV method of accounting used to account for Entergy Arkansas's investment in AR Searcy Partnership, LLC which is the basis for treatment of Entergy Mississippi's investment in MS Sunflower Partnership, LLC. As of September 30, 2022, MS Sunflower Partnership, LLC recorded assets equal to \$105.2 million, primarily consisting of property, plant, and equipment, and the carrying value of Entergy Mississippi's ownership interest in the partnership was approximately \$104.9 million. The tax equity investor's ownership interest is recorded as noncontrolling interest.

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

See Note 19 to the financial statements in the Form 10-K for a discussion of revenue recognition. Entergy's total revenues for the three months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Utility:		
Residential	\$1,570,940	\$1,291,645
Commercial	940,604	756,903
Industrial	1,109,245	814,685
Governmental	84,649	66,167
Total billed retail	3,705,438	2,929,400
Sales for resale (a)	311,479	135,220
Other electric revenues (b)	83,679	81,343
Revenues from contracts with customers	4,100,596	3,145,963
Other revenues (c)	9,462	14,006
Total electric revenues	4,110,058	3,159,969
Natural gas	46,548	31,254
Entergy Wholesale Commodities:		
Competitive businesses sales from contracts with customers (a)	61,898	158,608
Other revenues (c)	111	3,701
Total competitive businesses revenues	62,009	162,309
Total operating revenues	\$4,218,615	\$3,353,532

Entergy's total revenues for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Utility:		
Residential	\$3,592,025	\$3,114,084
Commercial	2,290,893	1,958,284
Industrial	2,731,075	2,169,295
Governmental	209,044	184,576
Total billed retail	8,823,037	7,426,239
Sales for resale (a)	689,473	459,425
Other electric revenues (b)	420,710	348,683
Revenues from contracts with customers	9,933,220	8,234,347
Other revenues (c)	90,869	105,417
Total electric revenues	10,024,089	8,339,764
Natural gas	166,917	121,420
Entergy Wholesale Commodities:		
Competitive businesses sales from contracts with customers (a)	294,432	537,402
Other revenues (c)	6,299	21,854
Total competitive businesses revenues	300,731	559,256
Total operating revenues	\$10,491,737	\$9,020,440

The Utility operating companies' total revenues for the three months ended September 30, 2022 and 2021 were as follows:

2022	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Residential	\$323,767	\$618,056	\$206,708	\$116,968	\$305,441
Commercial	165,609	402,027	150,137	75,083	147,748
Industrial	175,304	693,445	50,931	10,973	178,592
Governmental	6,104	28,022	14,837	27,406	8,280
Total billed retail	670,784	1,741,550	422,613	230,430	640,061
Sales for resale (a)	157,008	191,664	56,162	33,158	9,149
Other electric revenues (b)	35,478	61,549	(21,997)	(900)	10,895
Revenues from contracts with customers	863,270	1,994,763	456,778	262,688	660,105
Other revenues (c)	1,232	8,246	2,354	216	(549)
Total electric revenues	864,502	2,003,009	459,132	262,904	659,556
Natural gas	—	17,789	—	28,759	—
Total operating revenues	\$864,502	\$2,020,798	\$459,132	\$291,663	\$659,556

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$294,797	\$477,025	\$184,479	\$85,974	\$249,370
Commercial	149,952	300,255	131,472	57,563	117,661
Industrial	155,714	477,439	40,671	8,574	132,287
Governmental	5,747	21,448	13,110	20,016	5,846
Total billed retail	606,210	1,276,167	369,732	172,127	505,164
Sales for resale (a)	76,576	98,830	35,199	23,290	25,329
Other electric revenues (b)	33,120	27,790	13,689	(3,258)	11,355
Revenues from contracts with customers	715,906	1,402,787	418,620	192,159	541,848
Other revenues (c)	6,777	4,950	1,699	787	(216)
Total electric revenues	722,683	1,407,737	420,319	192,946	541,632
Natural gas	—	12,971	—	18,283	—
Total operating revenues	\$722,683	\$1,420,708	\$420,319	\$211,229	\$541,632

The Utility operating companies' total revenues for the nine months ended September 30, 2022 and 2021 were as follows:

2022	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$750,762	\$1,372,538	\$503,351	\$256,110	\$709,264
Commercial	406,078	949,680	379,075	179,456	376,604
Industrial	420,788	1,681,628	133,826	26,462	468,371
Governmental	15,702	68,880	39,449	62,617	22,396
Total billed retail	1,593,330	4,072,726	1,055,701	524,645	1,576,635
Sales for resale (a)	384,175	422,596	121,328	96,523	44,927
Other electric revenues (b)	136,870	185,405	29,665	17,936	54,874
Revenues from contracts with customers	2,114,375	4,680,727	1,206,694	639,104	1,676,436
Other revenues (c)	6,022	57,461	6,926	2,530	20,193
Total electric revenues	2,120,397	4,738,188	1,213,620	641,634	1,696,629
Natural gas	—	64,367	—	102,550	—
Total operating revenues	\$2,120,397	\$4,802,555	\$1,213,620	\$744,184	\$1,696,629

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$703,081	\$1,153,428	\$449,576	\$212,586	\$595,413
Commercial	367,556	787,255	331,052	156,454	315,967
Industrial	373,410	1,299,633	111,195	23,391	361,666
Governmental	14,538	61,611	34,526	54,708	19,193
Total billed retail	1,458,585	3,301,927	926,349	447,139	1,292,239
Sales for resale (a)	256,411	253,600	119,559	40,796	118,944
Other electric revenues (b)	125,912	127,444	54,029	2,894	42,461
Revenues from contracts with customers	1,840,908	3,682,971	1,099,937	490,829	1,453,644
Other revenues (c)	15,435	59,008	6,041	1,026	(1,358)
Total electric revenues	1,856,343	3,741,979	1,105,978	491,855	1,452,286
Natural gas	—	53,971	—	67,449	—
Total operating revenues	\$1,856,343	\$3,795,950	\$1,105,978	\$559,304	\$1,452,286

- (a) 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 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, unbilled revenue, and certain customer credits as directed by regulators.
- (c) Other revenues include the equity component of carrying costs related to securitization, settlement of financial hedges, occasional sales of inventory, alternative revenue programs, provisions for revenue subject to refund, and late fees.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects Entergy's best estimate of expected losses on its accounts receivable balances. Due to the essential nature of utility services, Entergy has historically experienced a low rate of default on its accounts receivables. Due to the effect of the COVID-19 pandemic on customer receivables, however, Entergy recorded an increase in 2020 in its allowance for doubtful accounts. The following tables set forth a reconciliation of changes in the allowance for doubtful accounts for the nine months ended September 30, 2022 and 2021.

	Entergy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)						
Balance as of December 31, 2021	\$68.6	\$13.1	\$29.2	\$7.2	\$13.3	\$5.8
Provisions (a)	28.8	12.1	8.3	1.5	4.0	2.9
Write-offs	(95.1)	(27.3)	(38.1)	(9.8)	(11.7)	(8.2)
Recoveries	28.4	8.4	10.5	3.2	3.8	2.5
Balance as of September 30, 2022	<u>\$30.7</u>	<u>\$6.3</u>	<u>\$9.9</u>	<u>\$2.1</u>	<u>\$9.4</u>	<u>\$3.0</u>

	Entergy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)					
Balance as of December 31, 2020	\$117.7	\$18.3	\$45.7	\$19.5	\$17.4	\$16.8
Provisions (b)	43.4	20.0	17.7	2.1	2.0	1.6
Write-offs	(72.5)	(21.4)	(28.3)	(11.8)	(1.3)	(9.7)
Recoveries	7.5	2.1	3.0	1.6	0.5	0.3
Balance as of September 30, 2021	<u>\$96.1</u>	<u>\$19.0</u>	<u>\$38.1</u>	<u>\$11.4</u>	<u>\$18.6</u>	<u>\$9.0</u>

- (a) Provisions include estimated incremental bad debt expenses, and revisions to those estimates, resulting from the COVID-19 pandemic of (\$6.4) million for Entergy, \$6.4 million for Entergy Arkansas, (\$8.5) million for Entergy Louisiana, (\$3.0) million for Entergy New Orleans, and (\$1.3) million for Entergy Texas that have been deferred as regulatory assets. See Note 2 to the financial statements herein and in the Form 10-K for discussion of the COVID-19 orders issued by retail regulators.
- (b) Provisions include estimated incremental bad debt expenses, and revisions to those estimates, resulting from the COVID-19 pandemic of \$23.8 million for Entergy, \$14.0 million for Entergy Arkansas, \$10.4 million for Entergy Louisiana, (\$0.1) million for Entergy Mississippi, and (\$0.5) million for Entergy New Orleans that have been deferred as regulatory assets. See Note 2 to the financial statements herein and in the Form 10-K for discussion of the COVID-19 orders issued by retail regulators.

The allowance for currently expected credit losses is calculated as the historical rate of customer write-offs multiplied by the current accounts receivable balance, taking into account the length of time the receivable balances have been outstanding. Although the rate of customer write-offs has historically experienced minimal variation, there were increases in customer write-offs beginning in second quarter 2021 primarily resulting from the effects of the COVID-19 pandemic. Management monitors the current condition of individual customer accounts to manage collections and ensure bad debt expense is recorded in a timely manner.

NOTE 14. ACQUISITIONS AND DISPOSITIONS (Entergy Corporation and Entergy Mississippi)

Acquisitions

Sunflower Solar

In November 2018, Entergy Mississippi entered into an agreement for the purchase of an approximately 100 MW solar photovoltaic facility to be sited on approximately 1,000 acres in Sunflower County, Mississippi. The project, Sunflower Solar facility, was being built by Sunflower County Solar Project, LLC, an indirect subsidiary of Recurrent Energy, LLC. In December 2018, Entergy Mississippi filed a joint petition with Sunflower County Solar Project with the MPSC for Sunflower County Solar Project to construct and for Entergy Mississippi to acquire and thereafter own, operate, improve, and maintain the solar facility. In March 2020, Entergy Mississippi filed supplemental testimony addressing questions and observations raised in August 2019 by consultants retained by the Mississippi Public Utilities Staff and proposing an alternative structure for the transaction that would reduce its cost. In April 2020 the MPSC issued an order approving certification of the Sunflower Solar facility, subject to certain conditions, including: (i) that Entergy Mississippi pursue a tax equity partnership structure through which the partnership would acquire and own the facility under the build-own-transfer agreement and (ii) that if Entergy Mississippi does not consummate the partnership structure under the terms of the order, there will be a cap of \$136 million on the level of recoverable costs. In April 2022, Entergy Mississippi confirmed mechanical completion of the Sunflower Solar facility. Pursuant to the MPSC's April 2020 order, MS Sunflower Partnership, LLC was formed for the tax equity partnership with Entergy Mississippi as its managing member. In May 2022 both Entergy Mississippi and the tax equity investor made capital contributions to the tax equity partnership that

were then used to make an initial payment of \$105 million for acquisition of the facility. Substantial completion of the Sunflower Solar facility was accepted by Entergy Mississippi in September 2022. A final payment is currently expected in fourth quarter 2022. Commercial operation at the Sunflower Solar facility commenced in September 2022.

Dispositions

Palisades

In July 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in the subsidiary that owns Palisades and the Big Rock Point Site. In December 2020, Entergy and Holtec submitted a license transfer application to the NRC requesting approval to transfer the Palisades and Big Rock Point licenses from Entergy to Holtec. The NRC issued an order approving the application in December 2021. Palisades was shut down in May 2022 and defueled in June 2022. The Palisades transaction closed in June 2022 for a purchase price of \$1,000 (subject to adjustment for net liabilities and other amounts). The sale included the transfer of the Palisades nuclear decommissioning trust and the asset retirement obligation for spent fuel management and plant decommissioning. The transaction resulted in a gain of \$166 million (\$130 million net-of-tax) in the second quarter 2022. The disposition-date fair value of the nuclear decommissioning trust fund was approximately \$552 million and the disposition-date fair value of the asset retirement obligation was approximately \$708 million. The transaction also included property, plant, and equipment with a net book value of zero and materials and supplies.

NOTE 15. 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. The following are updates to that discussion.

Nuclear Plant Decommissioning

In the third quarter 2022, System Energy recorded a revision to its estimated decommissioning cost liability for Grand Gulf as a result of a revised decommissioning cost study. The revised estimate resulted in a \$5.4 million reduction in its decommissioning cost liability, along with a corresponding reduction in the related asset retirement obligation cost asset that will be depreciated over the remaining life of the unit.

Coal Combustion Residuals

In the third quarter 2022, revisions to the Big Cajun 2 coal combustion residuals asset retirement obligations were made as a result of revised closure and post-closure cost estimates. The revised estimates resulted in increases of \$2.8 million at Entergy Louisiana and \$2.1 million at Entergy Texas in decommissioning cost liabilities, along with corresponding increases in related asset retirement obligations cost assets that will be depreciated over the remaining useful 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.

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 September 30, 2022, 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 September 30, 2022 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Third Quarter 2022 Compared to Third Quarter 2021

Net income decreased \$5.5 million primarily due to higher other operation and maintenance expenses and higher depreciation and amortization expenses, partially offset by higher retail electric price and higher volume/weather.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Net income decreased \$26.5 million primarily due to higher other operation and maintenance expenses, the reversal in 2021 of the remaining \$38.8 million regulatory liability for the formula rate plan 2019 historical year netting adjustment, and higher depreciation and amortization expenses, partially offset by higher retail electric price and higher volume/weather.

Operating Revenues

Third Quarter 2022 Compared to Third Quarter 2021

Following is an analysis of the change in operating revenues comparing the third quarter 2022 to the third quarter 2021:

	Amount
	(In Millions)
2021 operating revenues	\$722.7
Fuel, rider, and other revenues that do not significantly affect net income	110.2
Retail electric price	19.2
Volume/weather	12.4
2022 operating revenues	\$864.5

Entergy Arkansas’s results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. “Fuel, rider, and other revenues that do not significantly affect net income” includes the revenue variance associated with these items.

The retail electric price variance is primarily due to an increase in formula rate plan rates effective January 2022. See Note 2 to the financial statements in the Form 10-K for further discussion of the 2021 formula rate plan filing.

The volume/weather variance is primarily due to the effect of more favorable weather on residential and commercial sales, partially offset by a decrease in weather-adjusted residential usage.

Total electric energy sales for Entergy Arkansas for the three months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	2,395	2,298	4
Commercial	1,709	1,649	4
Industrial	2,361	2,391	(1)
Governmental	65	66	(2)
Total retail	6,530	6,404	2
Sales for resale:			
Associated companies	482	642	(25)
Non-associated companies	1,938	1,569	24
Total	8,950	8,615	4

See Note 13 to the financial statements herein for additional discussion of Entergy Arkansas's operating revenues.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Following is an analysis of the change in operating revenues comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021:

	Amount
	(In Millions)
2021 operating revenues	\$1,856.3
Fuel, rider, and other revenues that do not significantly affect net income	172.1
Retail electric price	56.5
Volume/weather	27.5
Return of unprotected excess accumulated deferred income taxes to customers	8.0
2022 operating revenues	\$2,120.4

Entergy Arkansas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to increases in formula rate plan rates effective May 2021 and January 2022. See Note 2 to the financial statements in the Form 10-K for further discussion of the 2020 formula rate plan filing and the 2021 formula rate plan filing.

The volume/weather variance is primarily due to the effect of more favorable weather on residential and commercial sales and an increase in demand charges as a result of a new contract with an industrial customer in the primary metals industry, partially offset by a decrease in weather-adjusted residential usage.

The return of unprotected excess accumulated deferred income taxes to customers resulted from the return of unprotected excess accumulated deferred income taxes through a tax adjustment rider beginning in April 2018. For the nine months ended September 30, 2021, \$8 million was returned to customers. There is no effect on net

income as the reduction in operating revenues was offset by a reduction in income tax expense. See Note 2 to the financial statements in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

Total electric energy sales for Entergy Arkansas for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	6,307	6,241	1
Commercial	4,398	4,284	3
Industrial	6,468	6,463	—
Governmental	175	176	(1)
Total retail	17,348	17,164	1
Sales for resale:			
Associated companies	1,418	1,763	(20)
Non-associated companies	5,339	5,300	1
Total	24,105	24,227	(1)

See Note 13 to the financial statements herein for additional discussion of Entergy Arkansas's operating revenues.

Other Income Statement Variances

Third Quarter 2022 Compared to Third Quarter 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$12.3 million in power delivery expenses primarily due to higher vegetation maintenance costs and higher reliability costs;
- an increase of \$6.2 million in nuclear generation expenses primarily due to higher nuclear labor costs and a higher scope of work performed in 2022 as compared to 2021;
- an increase of \$5.7 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year; and
- an increase of \$2.8 million in energy efficiency expenses primarily due to the timing of recovery from customers, partially offset by lower energy efficiency costs.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Searcy Solar facility, which was placed in service in December 2021.

Other regulatory charges (credits) - net includes a regulatory charge or credit for the difference between asset retirement obligation-related expenses and nuclear decommissioning trust earnings plus asset retirement obligation-related costs collected in revenue.

Other income decreased primarily due to changes in decommissioning trust fund activity, including portfolio rebalancing of the ANO 1 and ANO 2 decommissioning trust funds in 2021.

Net loss attributable to noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of the tax equity partnership for the Searcy Solar facility under HLBV accounting. Entergy Arkansas recorded a regulatory charge of \$0.8 million in third quarter 2022 to defer the difference between

the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements in the Form 10-K for discussion of the HLBV method of accounting.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$12.7 million in nuclear generation expenses primarily due to a higher scope of work performed in 2022 as compared to 2021 and higher nuclear labor costs;
- an increase of \$11.7 million in power delivery expenses primarily due to higher reliability costs, higher vegetation maintenance costs, and higher safety and training costs, partially offset by a decrease in meter reading expenses as a result of the deployment of advanced metering systems;
- an increase of \$7.1 million in non-nuclear generation expenses primarily due to a higher scope of work, including during plant outages, performed in 2022 as compared to 2021;
- an increase of \$5.9 million in energy efficiency expenses due to the timing of recovery from customers, partially offset by lower energy efficiency costs;
- an increase of \$5 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year; and
- an increase of \$4 million in customer service center support costs primarily due to higher contract costs.

Taxes other than income taxes increased primarily due to increases in franchise taxes, increases in employment taxes, and increases in ad valorem taxes resulting from higher assessments.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Searcy Solar facility, which was placed in service in December 2021.

Other regulatory charges (credits) - net includes the reversal in 2021 of the remaining \$38.8 million regulatory liability for the 2019 historical year netting adjustment as part of its 2020 formula rate plan proceeding. See Note 2 to the financial statements in the Form 10-K for discussion of the 2020 formula rate plan filing. In addition, Entergy Arkansas records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and nuclear decommissioning trust earnings plus asset retirement obligation-related costs collected in revenue.

Other income decreased primarily due to changes in decommissioning trust fund activity, including portfolio rebalancing of the ANO 1 and ANO 2 decommissioning trust funds in 2021.

Interest expense increased primarily due to the issuance of \$200 million of 4.20% Series mortgage bonds in March 2022 and the issuance of \$400 million of 3.35% Series mortgage bonds in March 2021, partially offset by the repayment of \$350 million of 3.75% Series mortgage bonds in February 2021.

Net loss attributable to noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of the tax equity partnership for the Searcy Solar facility under HLBV accounting. Entergy Arkansas recorded a regulatory charge of \$3 million for the nine months ended September 30, 2022 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements in the Form 10-K for discussion of the HLBV method of accounting.

Income Taxes

The effective income tax rates were 24.4% for the third quarter 2022 and 23.4% for the nine months ended September 30, 2022. The differences in the effective income tax rates for the third quarter 2022 and the nine months ended September 30, 2022 versus the federal statutory rate of 21% were primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items.

The effective income tax rate was 24.5% for the third quarter 2021. The difference in the effective income tax rate for the third quarter 2021 versus the federal statutory rate of 21% was primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items.

The effective income tax rate was 21.7% for the nine months ended September 30, 2021. The difference in the effective income tax rate for the nine months ended September 30, 2021 versus the federal statutory rate of 21% was primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items and the amortization of excess accumulated deferred income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

Income Tax Legislation

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Inflation Reduction Act of 2022.

Liquidity and Capital Resources

Cash Flow

Cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$12,915	\$192,128
Net cash provided by (used in):		
Operating activities	675,357	453,077
Investing activities	(579,122)	(546,953)
Financing activities	(30,019)	(915)
Net increase (decrease) in cash and cash equivalents	66,216	(94,791)
Cash and cash equivalents at end of period	\$79,131	\$97,337

Operating Activities

Net cash flow provided by operating activities increased \$222.3 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- higher collections from customers;
- the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements herein for a discussion of fuel and purchased power cost recovery;
- a decrease in spending of \$25.7 million on nuclear refueling outages in 2022; and

- a decrease of \$20.4 million in pension contributions in 2022. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**” herein and in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

The increase was partially offset by payments to vendors, including timing and increase in cost of operations.

Investing Activities

Net cash flow used in investing activities increased \$32.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- an increase of \$55.9 million in distribution construction expenditures primarily due to higher capital expenditures for storm restoration in 2022 and increased investment in the reliability and infrastructure of Entergy Arkansas’s distribution system, partially offset by lower spending in 2022 on advanced metering infrastructure; and
- an increase of \$13.4 million in decommissioning trust fund investment activity.

The increase was partially offset by a decrease of \$36.5 million as a result of fluctuations in nuclear fuel activity primarily due to variations from year to year in the timing and pricing of fuel reload requirements, materials and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

Financing Activities

Net cash flow used in financing activities increased \$29.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- the issuance of \$400 million of 3.35% Series mortgage bonds in March 2021;
- money pool activity;
- an increase of \$61 million in common equity distributions paid in 2022 as compared to 2021 in order to maintain Entergy Arkansas’s capital structure; and
- lower prepaid deposits of \$41.3 million related to contributions-in-aid-of-construction reimbursement agreements in 2022 as compared to 2021.

The increase was partially offset by:

- the repayment, at maturity, of \$350 million of 3.75% Series mortgage bonds in February 2021;
- the issuance of \$200 million of 4.20% Series mortgage bonds in March 2022; and
- the repayment, at maturity, of \$45 million of 2.375% Series governmental bonds in January 2021.

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 \$139.9 million for the nine months ended September 30, 2022. 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 debt to capital ratio is shown in the following table.

	September 30, 2022	December 31, 2021
Debt to capital	52.6 %	52.6 %
Effect of subtracting cash	(0.5 %)	— %
Net debt to net capital	52.1 %	52.6 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas 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 Arkansas's financial condition. Entergy Arkansas also 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 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 is developing its capital investment plan for 2023 through 2025 and currently anticipates making \$3.8 billion in capital investments during that period. The preliminary estimate includes investments in generation projects to modernize, decarbonize, and diversify Entergy Arkansas's portfolio, including Walnut Bend Solar, West Memphis Solar, and Driver Solar; investments in ANO 1 and 2; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

While Entergy Arkansas is still assessing the effect on its planned solar projects, the investigation by the U.S. Department of Commerce into potential circumvention of duties and tariffs may result in increased duties or tariffs on imported solar panels and has exacerbated previously existing supply chain disruptions, which have negatively affected the timing and cost of completion of these projects.

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

September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
(In Thousands)			
\$1,808	(\$139,904)	\$7,301	\$3,110

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 June 2027. Entergy Arkansas also has a \$25 million credit facility scheduled to expire in April 2023. 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 September 30, 2022, there were no cash borrowings and no letters of credit 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 September 30, 2022, \$5.6 million in letters of credit were outstanding under Entergy Arkansas's uncommitted letter of credit facility. See Note 4 to the financial statements herein for further 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 June 2025. As of September 30, 2022, there were no loans outstanding under the credit facility for the Entergy Arkansas nuclear fuel company variable interest entity. See Note 4 to the financial statements herein for further discussion of the nuclear fuel company variable interest entity credit facility.

Walnut Bend Solar

As discussed in the Form 10-K, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In January 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained or a tax equity partnership is no longer sought. Closing was expected to occur in 2022. The counter-party notified Entergy Arkansas that it was terminating the project, though it was willing to consider an alternative for the site. Entergy Arkansas disputed the right of termination. Negotiations are ongoing, including with respect to updates arising as a result of the Inflation Reduction Act of 2022, and the updates would require additional APSC approval. At this time the project is expected to achieve commercial operation in 2024.

West Memphis Solar

As discussed in the Form 10-K, in October 2021 the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In April 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained or a tax equity partnership is no longer sought. Closing had been expected to occur in 2023. The counter-party notified Entergy Arkansas that it was seeking changes to certain terms of the build-own-transfer agreement, including both cost and schedule. Negotiations are ongoing, including with respect to updates arising as a result of the Inflation Reduction Act of 2022, and the updates would require additional APSC approval. At this time the project is expected to achieve commercial operation in 2024.

Driver Solar

In April 2022, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 250 MW Driver Solar facility is in the public interest and requested cost recovery through the formula rate plan rider. The APSC established a procedural schedule with a hearing scheduled in June 2022, but the parties later agreed to waive the hearing and submit the matter to the APSC for a decision consistent with the filed record. In August 2022 the APSC granted Entergy Arkansas's petition and approved the acquisition of Driver Solar and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to inform the APSC as to the status of a tax equity partnership once construction is commenced. The parties are evaluating the effects of certain matters related to the Inflation Reduction Act of 2022, including with respect to the viability of a tax equity partnership. The facility is expected to be in service by the end of 2024.

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

2022 Formula Rate Plan Filing

In July 2022, Entergy Arkansas filed with the APSC its 2022 formula rate plan filing to set its formula rate for the 2023 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2023 and a netting adjustment for the historical year 2021. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2023 projected year is 7.40% resulting in a revenue deficiency of \$104.8 million. The earned rate of return on common equity for the 2021 historical year was 8.38% resulting in a \$15.2 million netting adjustment. The total proposed revenue change for the 2023 projected year and 2021 historical year netting adjustment is \$119.9 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase is limited to \$79.3 million. In October 2022 other parties filed their testimony recommending various adjustments to Entergy Arkansas's overall proposed revenue deficiency, and Entergy Arkansas filed a response including an update to actual revenues through August 2022, which raised the constraint to \$79.8 million. In November 2022, Entergy Arkansas filed with the APSC a settlement agreement reached with other parties resolving all issues in the proceeding. As a result of the settlement agreement, the total proposed revenue change is \$102.8 million, including a \$87.7 million increase for the 2023 projected year and a \$15.2 million netting adjustment. Because Entergy Arkansas's revenue requirement exceeded the constraint, the resulting increase is limited to \$79.8 million. The APSC will rule on the settlement at a later date. A hearing is currently scheduled for November 2022.

Energy Cost Recovery Rider

In March 2022, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase from \$0.00959 per kWh to \$0.01785 per kWh. The primary reason for the rate increase is a large under-recovered balance as a result of higher natural gas prices in 2021, particularly in the fourth quarter 2021. At the request of the APSC general staff, Entergy Arkansas deferred its request for recovery of \$32 million from the under-recovery related to the 2021 February winter storms until the 2023 energy cost rate redetermination, unless a request for an interim adjustment to the energy cost recovery rider is necessary. This resulted in a redetermined rate of \$0.016390 per kWh, which became effective with the first billing cycle in April 2022 through the normal operation of the tariff.

Opportunity Sales Proceeding

As discussed in the Form 10-K, in September 2020, Entergy Arkansas filed a complaint in the U.S. District Court for the Eastern District of Arkansas challenging the APSC's order denying Entergy Arkansas's request to recover the costs of the opportunity sales payments made to the other Utility operating companies. In October 2020 the APSC filed a motion to dismiss Entergy Arkansas's complaint. In March 2022 the court denied the APSC's motion to dismiss and, in April 2022, issued a scheduling order including a trial date in February 2023. In June 2022, Entergy Arkansas filed a motion asserting that it is entitled to summary judgment because Entergy Arkansas's position that the APSC's order is pre-empted by the filed rate doctrine and violates the Dormant Commerce Clause is premised on facts that are not subject to genuine dispute. In July 2022, Arkansas Electric Energy Consumers, Inc., an industrial customer association, filed a motion to intervene and to hold Entergy Arkansas's motion for summary judgment in abeyance pending a ruling on the motion to intervene. Entergy Arkansas filed a consolidated opposition to both motions. In August 2022 the APSC filed a motion for summary judgment arguing that there is no genuine issue as to any material fact and the APSC is entitled to judgement as a matter of law. In September 2022, Entergy Arkansas filed an opposition to the motion. In October 2022 the APSC filed a motion asking the court to hold further proceedings in abeyance pending a decision on the motions for summary judgment filed by Entergy Arkansas and the APSC. Also in October 2022, Entergy Arkansas filed an opposition to the motion, and the APSC filed a reply in support of its motion for summary judgment.

Net Metering Legislation

As discussed in the Form 10-K, an Arkansas law was enacted effective July 2019 that, among other things, expands the definition of a “net metering customer” to include two additional types of customers: (1) customers that lease net metering facilities, subject to certain leasing arrangements, and (2) government entities or other entities exempt from state and federal income taxes that enter into a service contract for a net metering facility. The latter provision allows eligible entities, many of whom are small and large general service customers, to purchase renewable energy directly from third party providers and receive bill credits for these purchases. The APSC was given authority under this law to address certain matters, such as cost shifting and the appropriate compensation for net metered energy and initiated proceedings for this purpose. Because of the size and number of customers eligible under this new law, there is a risk of loss of load and the shifting of costs to customers. A hearing was held in December 2019, with utilities, including Entergy Arkansas, cooperatives, the Arkansas Attorney General, and industrial customers advocating the need for establishment of a reasonable rate structure that takes into account impacts to non-net metering customers; an additional hearing was conducted in February 2020 for purposes of public comment only. The APSC issued an order in June 2020, and in July 2020 several parties, including Entergy Arkansas, filed for rehearing on multiple grounds, including for the reasons that it imposes an unreasonable rate structure and allows facilities to net meter that do not meet the statutory definition of net metering facilities. After granting the rehearing requests, the APSC issued an order in September 2020 largely upholding its June 2020 order. In October 2020, Entergy Arkansas and several other parties filed an appeal of the APSC’s September 2020 order. In January 2021, Entergy Arkansas, pursuant to an APSC order, filed an updated net metering tariff, which was approved in February 2021. In May 2021, Entergy Arkansas filed a motion to dismiss its pending judicial appeal of the APSC’s September 2020 order on rehearing in the proceeding addressing its net metering rules. In June 2021 the Arkansas Court of Appeals granted the motion and dismissed Entergy Arkansas’s appeal, although other appeals of the September 2020 APSC order remained before the court. In May 2022 the court issued an order affirming the APSC’s decision in part and reversing in part. In June 2022 the APSC sought rehearing from the court with respect to the court’s ruling on a grid charge, which the court of appeals denied in July 2022. One of the cooperative appellants filed a further appeal to the Arkansas Supreme Court in July 2022, which the court decided not to hear.

In September 2022 the APSC opened a rulemaking concerning proposed amendments to the net metering rules to address the expiration on December 31, 2022 of the automatic grandfathering of the existing net metering rate structure. Entergy Arkansas and other utility parties filed initial briefs and comments setting forth that the statute imposing the expiration of the automatic grandfathering is not ambiguous and that the APSC does not have the authority to extend the grandfathering period, and the hearing was held in October 2022. Also in September 2022 the APSC opened another proceeding to investigate the issue of potential cost shifting arising as a result of net metering. Investor owned utilities and some cooperatives were required to make and did make filings in October 2022 with supporting documentation as to the amount and extent of cost shifting and the manner in which they would design tariffs to recover those costs on behalf of non-net metering customers. Responses to the utility and cooperative filings are due in January 2023.

Green Promise Renewable Tariff

As discussed in the Form 10-K, in July 2021, Entergy Arkansas filed a proposed green tariff designed to help participating customers meet their renewable and sustainability goals and to enhance economic development efforts in Arkansas. The total proposed amount of solar capacity requested to be available under this tariff was up to 200 MW. In May 2022 the APSC found Entergy Arkansas’s proposal for the tariff to be just and reasonable for an initial offering of 100 MW of solar capacity, and in June 2022 the APSC approved Entergy Arkansas’s compliance tariff filing.

COVID-19 Orders

See the Form 10-K for discussion of APSC orders issued in light of the COVID-19 pandemic. As of September 30, 2022, Entergy Arkansas had a regulatory asset of \$39 million for costs associated with the COVID-19 pandemic.

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, impairment of long-lived assets, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the discussion of qualified pension and other postretirement benefits.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements in the Form 10-K for a discussion of new accounting pronouncements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$864,502	\$722,683	\$2,120,397	\$1,856,343
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	210,099	94,580	499,119	295,317
Purchased power	74,941	74,579	182,621	206,248
Nuclear refueling outage expenses	14,259	13,207	42,539	39,389
Other operation and maintenance	204,199	175,236	548,775	503,242
Decommissioning	20,731	19,567	61,288	57,847
Taxes other than income taxes	39,545	36,892	104,819	96,741
Depreciation and amortization	96,746	90,887	288,904	269,442
Other regulatory charges (credits) - net	(27,054)	31,988	(69,114)	(27,649)
TOTAL	633,466	536,936	1,658,951	1,440,577
OPERATING INCOME	231,036	185,747	461,446	415,766
OTHER INCOME				
Allowance for equity funds used during construction	4,811	4,113	11,786	10,714
Interest and investment income	4,284	53,661	13,444	78,809
Miscellaneous - net	(6,356)	(4,805)	(16,640)	(15,968)
TOTAL	2,739	52,969	8,590	73,555
INTEREST EXPENSE				
Interest expense	38,123	35,452	111,622	104,862
Allowance for borrowed funds used during construction	(1,912)	(1,793)	(4,684)	(4,655)
TOTAL	36,211	33,659	106,938	100,207
INCOME BEFORE INCOME TAXES	197,564	205,057	363,098	389,114
Income taxes	48,217	50,166	85,074	84,593
NET INCOME	149,347	154,891	278,024	304,521
Net loss attributable to noncontrolling interest	(724)	—	(2,640)	—
EARNINGS APPLICABLE TO MEMBER'S EQUITY	\$150,071	\$154,891	\$280,664	\$304,521

See Notes to Financial Statements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$278,024	\$304,521
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	403,929	380,481
Deferred income taxes, investment tax credits, and non-current taxes accrued	85,012	105,147
Changes in assets and liabilities:		
Receivables	(129,679)	(107,075)
Fuel inventory	7,430	26,521
Accounts payable	77,849	15,485
Taxes accrued	(4,838)	(19,899)
Interest accrued	32,360	25,616
Deferred fuel costs	(27,724)	(113,004)
Other working capital accounts	13,963	(26,618)
Provisions for estimated losses	(1,840)	(1,266)
Other regulatory assets	(54,449)	74,022
Other regulatory liabilities	(305,972)	(46,061)
Pension and other postretirement liabilities	(58,966)	(81,913)
Other assets and liabilities	360,258	(82,880)
Net cash flow provided by operating activities	675,357	453,077
INVESTING ACTIVITIES		
Construction expenditures	(552,919)	(495,203)
Allowance for equity funds used during construction	11,786	10,714
Payment for purchase of assets	(1,044)	—
Nuclear fuel purchases	(56,984)	(72,528)
Proceeds from sale of nuclear fuel	37,198	16,239
Proceeds from nuclear decommissioning trust fund sales	174,893	434,674
Investment in nuclear decommissioning trust funds	(190,244)	(436,658)
Changes in money pool receivable - net	(1,808)	(4,191)
Net cash flow used in investing activities	(579,122)	(546,953)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	225,625	708,126
Retirement of long-term debt	(21,316)	(717,214)
Distributions to noncontrolling interest	(480)	—
Change in money pool payable - net	(139,904)	—
Common equity distributions paid	(86,000)	(25,000)
Other	(7,944)	33,173
Net cash flow used in financing activities	(30,019)	(915)
Net increase (decrease) in cash and cash equivalents	66,216	(94,791)
Cash and cash equivalents at beginning of period	12,915	192,128
Cash and cash equivalents at end of period	\$79,131	\$97,337
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$77,625	\$77,434
See Notes to Financial Statements.		

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$2,237	\$8,155
Temporary cash investments	76,894	4,760
Total cash and cash equivalents	79,131	12,915
Accounts receivable:		
Customer	182,061	154,412
Allowance for doubtful accounts	(6,328)	(13,072)
Associated companies	49,565	29,587
Other	100,389	51,064
Accrued unbilled revenues	129,454	101,663
Total accounts receivable	455,141	323,654
Deferred fuel costs	136,454	108,862
Fuel inventory - at average cost	43,462	50,892
Materials and supplies - at average cost	275,879	247,980
Deferred nuclear refueling outage costs	30,985	65,318
Prepayments and other	28,604	14,863
TOTAL	1,049,656	824,484
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	1,141,672	1,438,416
Other	789	947
TOTAL	1,142,461	1,439,363
UTILITY PLANT		
Electric	13,834,015	13,578,297
Construction work in progress	458,037	241,127
Nuclear fuel	147,202	182,055
TOTAL UTILITY PLANT	14,439,254	14,001,479
Less - accumulated depreciation and amortization	5,682,785	5,472,296
UTILITY PLANT - NET	8,756,469	8,529,183
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	1,744,127	1,689,678
Deferred fuel costs	68,883	68,751
Other	15,581	13,660
TOTAL	1,828,591	1,772,089
TOTAL ASSETS	\$12,777,177	\$12,565,119
See Notes to Financial Statements.		

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$250,000	\$—
Accounts payable:		
Associated companies	101,051	217,310
Other	299,400	190,476
Customer deposits	100,085	92,511
Taxes accrued	84,752	89,590
Interest accrued	49,468	17,108
Other	53,134	38,901
TOTAL	937,890	645,896
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,506,970	1,416,201
Accumulated deferred investment tax credits	28,398	29,299
Regulatory liability for income taxes - net	436,733	431,655
Other regulatory liabilities	432,264	743,314
Decommissioning	1,451,698	1,390,410
Accumulated provisions	75,244	77,084
Pension and other postretirement liabilities	126,722	185,789
Long-term debt	3,914,866	3,958,862
Other	98,993	110,754
TOTAL	8,071,888	8,343,368
Commitments and Contingencies		
EQUITY		
Member's equity	3,737,409	3,542,745
Noncontrolling interest	29,990	33,110
TOTAL	3,767,399	3,575,855
TOTAL LIABILITIES AND EQUITY	\$12,777,177	\$12,565,119
See Notes to Financial Statements.		

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Noncontrolling Interest	Member's Equity	Total
	(In Thousands)		
Balance at December 31, 2020	\$—	\$3,276,169	\$3,276,169
Net income	—	93,037	93,037
Balance at March 31, 2021	—	3,369,206	3,369,206
Net income	—	56,593	56,593
Balance at June 30, 2021	—	3,425,799	3,425,799
Net income	—	154,891	154,891
Common equity distributions	—	(25,000)	(25,000)
Balance at September 30, 2021	<u>\$—</u>	<u>\$3,555,690</u>	<u>\$3,555,690</u>
Balance at December 31, 2021	\$33,110	\$3,542,745	\$3,575,855
Net income (loss)	(1,387)	66,954	65,567
Balance at March 31, 2022	31,723	3,609,699	3,641,422
Net income (loss)	(529)	63,639	63,110
Common equity distributions	—	(36,000)	(36,000)
Distributions to noncontrolling interest	(190)	—	(190)
Balance at June 30, 2022	31,004	3,637,338	3,668,342
Net income (loss)	(724)	150,071	149,347
Common equity distributions	—	(50,000)	(50,000)
Distributions to noncontrolling interest	(290)	—	(290)
Balance at September 30, 2022	<u>\$29,990</u>	<u>\$3,737,409</u>	<u>\$3,767,399</u>

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Third Quarter 2022 Compared to Third Quarter 2021

Net income increased \$49.9 million primarily due to higher volume/weather, higher retail electric price, and higher other income, partially offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, and higher interest expense.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Net income increased \$206.9 million primarily due to the net effects of Entergy Louisiana's storm cost securitization, including a \$290 million reduction in income tax expense, partially offset by a \$224.4 million (\$165.4 million net-of-tax) regulatory charge to reflect its obligation to share the benefits of the securitization with customers. Also contributing to the net income increase was higher volume/weather and higher retail electric price, partially offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, higher interest expense, and higher taxes other than income taxes. See Note 2 to the financial statements herein for further discussion of the securitization.

Operating Revenues

Third Quarter 2022 Compared to Third Quarter 2021

Following is an analysis of the change in operating revenues comparing the third quarter 2022 to the third quarter 2021:

	Amount
	(In Millions)
2021 operating revenues	\$1,420.7
Fuel, rider, and other revenues that do not significantly affect net income	509.3
Volume/weather	51.6
Retail electric price	39.2
2022 operating revenues	\$2,020.8

Entergy Louisiana's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The volume/weather variance is primarily due to an increase of 1,587 GWh, or 11%, in electricity usage across all customer classes, including the effects of Hurricane Ida in third quarter 2021. The increase in industrial usage was primarily due to an increase in demand from expansion projects, primarily in the chemicals, petroleum refining, and transportation industries, an increase in demand from small industrial customers, and an increase in demand from cogeneration customers. The increase was partially offset by a decrease in demand from existing customers, primarily in the chemicals industry as a result of supply issues and in the petroleum refining industry as a

result of a permanent plant shutdown due to Hurricane Ida. The increase in weather-adjusted commercial usage was primarily due to the effect of the COVID-19 pandemic on businesses in third quarter 2021. The increased usage from these industrial and commercial customers has a relatively smaller effect on operating revenues because a larger portion of the revenues from those customers comes from fixed charges.

The retail electric price variance is primarily due to increases in formula rate plan revenues, including increases in the distribution and transmission recovery mechanisms, effective September 2021 and September 2022. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan proceedings.

Total electric energy sales for Entergy Louisiana for the three months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	4,284	3,904	10
Commercial	3,186	2,802	14
Industrial	8,265	7,470	11
Governmental	220	192	15
Total retail	15,955	14,368	11
Sales for resale:			
Associated companies	1,449	1,397	4
Non-associated companies	1,310	803	63
Total	18,714	16,568	13

See Note 13 to the financial statements herein for additional discussion of Entergy Louisiana's operating revenues.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Following is an analysis of the change in operating revenues comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021:

	Amount
	(In Millions)
2021 operating revenues	\$3,795.9
Fuel, rider, and other revenues that do not significantly affect net income	798.2
Volume/weather	96.1
Retail electric price	74.9
Storm restoration carrying costs	37.5
2022 operating revenues	\$4,802.6

Entergy Louisiana's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The volume/weather variance is primarily due to an increase of 3,057 GWh, or 7.4%, in electricity usage across all customer classes, including the effect of more favorable weather on residential sales. The increase in

weather-adjusted commercial usage was primarily due to the effect of the COVID-19 pandemic on businesses in 2021. The increase in industrial usage was primarily due to an increase in demand from expansion projects, primarily in the chemicals, petroleum refining, and transportation industries, an increase in demand from cogeneration customers, an increase in demand from small industrial customers, and an increase in demand from existing customers, primarily in the chemicals and pulp and paper industries as a result of prior year temporary plant shutdowns, partially offset by a decrease in demand in the petroleum refining industry as a result of a permanent plant shutdown due to Hurricane Ida. The increased usage from these industrial customers has a relatively smaller effect on operating revenues because a larger portion of the revenues from those customers comes from fixed charges.

The retail electric price variance is primarily due to increases in formula rate plan revenues, including increases in the distribution and transmission recovery mechanisms, effective September 2021 and September 2022. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan proceedings.

Storm restoration carrying costs represent the equity component of storm restoration carrying costs, recorded in second quarter 2022, recognized as part of the securitization of the Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida restoration costs in May 2022. See Note 2 to the financial statements herein for a discussion of the securitization.

Total electric energy sales for Entergy Louisiana for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	11,177	10,500	6
Commercial	8,486	7,838	8
Industrial	24,018	22,314	8
Governmental	619	591	5
Total retail	44,300	41,243	7
Sales for resale:			
Associated companies	4,105	3,523	17
Non-associated companies	2,632	1,741	51
Total	51,037	46,507	10

See Note 13 to the financial statements herein for additional discussion of Entergy Louisiana's operating revenues.

Other Income Statement Variances

Third Quarter 2022 Compared to Third Quarter 2021

Other operation and maintenance expenses increased primarily due to:

- a gain of \$14.8 million, recorded in the third quarter 2021, on the sale of a pipeline;
- an increase of \$12.8 million in nuclear generation expenses primarily due to a higher scope of work performed in 2022 as compared to prior year and higher nuclear labor costs;
- an increase of \$9.1 million in power delivery expenses primarily due to higher reliability costs and higher vegetation maintenance costs, partially offset by a decrease in meter reading expenses as a result of the deployment of advanced metering systems;

- an increase of \$8.5 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year;
- an increase of \$6.1 million in bad debt expense, including the deferral in 2021 of bad debt expense resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic; and
- several individually insignificant items.

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

Other income increased primarily due to an increase of \$23.5 million in affiliated dividend income resulting from the storm trust's investment of securitization proceeds in affiliated preferred membership interests, partially offset by the liquidation of Entergy Louisiana's investment in affiliated preferred membership interests acquired in connection with previous securitizations of storm restoration costs. The increase was partially offset by changes in decommissioning trust fund activity. See Note 2 to the financial statements herein for discussion of the securitization.

Interest expense increased primarily due to the issuance of \$500 million of 4.75% Series mortgage bonds in August 2022 and the issuance of \$1 billion of 0.95% Series mortgage bonds in October 2021.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$25.6 million in power delivery expenses primarily due to higher vegetation maintenance costs, higher reliability costs, and higher safety and training costs, partially offset by a decrease in meter reading expenses as a result of the deployment of advanced metering systems;
- an increase of \$17.5 million in nuclear generation expenses primarily due to a higher scope of work performed and higher nuclear labor costs in 2022, partially offset by spending in 2021 on sanitation and social distancing protocols as a result of the COVID-19 pandemic;
- a gain of \$14.8 million, recorded in the third quarter 2021, on the sale of a pipeline;
- an increase of \$9.0 million in bad debt expense, including the deferral in 2021 of bad debt expense resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic;
- an increase of \$8.4 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year;
- an increase of \$6.6 million in customer service center support costs primarily due to higher contract costs;
- an increase of \$3.6 million in energy efficiency expenses due to the timing of recovery from customers, partially offset by lower energy efficiency costs;
- an increase of \$2.3 million in loss provisions; and
- several individually insignificant items.

The increase was partially offset by a decrease of \$2.7 million in non-nuclear generation expenses primarily due to a lower scope of work performed during plant outages in 2022 as compared to the same period in 2021.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments, increases in franchise taxes, and increases in employment taxes.

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

Other regulatory charges (credits) - net includes a regulatory charge of \$224 million, recorded in second quarter 2022, to reflect Entergy Louisiana's obligation to provide credits to its customers in recognition of obligations related to an LPSC ancillary order issued in the Hurricane Laura, Hurricane Delta, Hurricane Zeta,

Winter Storm Uri, and Hurricane Ida securitization regulatory proceeding. See Note 2 to the financial statements herein for discussion of the securitization.

Other income increased primarily due to:

- an increase of \$34.8 million in affiliated dividend income resulting from the storm trust's investment of securitization proceeds in affiliated preferred membership interests, partially offset by the liquidation of Entergy Louisiana's investment in affiliated preferred membership interests acquired in connection with previous securitizations of storm restoration costs; and
- an increase of \$12.1 million due to the recognition of storm restoration carrying costs, primarily related to Hurricane Ida.

The increase was partially offset by:

- a \$31.6 million charge for the LURC's 1% beneficial interest in the storm trust established as part of the Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida securitization; and
- changes in decommissioning trust fund activity, including portfolio rebalancing of the Waterford 3 decommissioning trust fund in the first quarter of 2021 partially offset by portfolio rebalancing of the River Bend decommissioning trust fund in the second quarter of 2022.

See Note 2 to the financial statements herein for discussion of the securitization.

Interest expense increased primarily due to:

- the issuance of \$1 billion of 0.95% Series mortgage bonds in October 2021;
- the \$1.2 billion unsecured term loan proceeds received in January 2022. The term loan was repaid in June 2022;
- the issuances of \$500 million of 2.35% Series mortgage bonds and \$500 million of 3.10% Series mortgage bonds, each in March 2021; and
- the issuance of \$500 million of 4.75% Series mortgage bonds in August 2022.

The increase was partially offset by the repayment of \$200 million of 4.8% Series mortgage bonds in May 2021.

Income Taxes

The effective income tax rate was 20.7% for the third quarter 2022. The difference in the effective income tax rate for the third quarter 2022 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 the amortization of excess accumulated deferred income taxes, partially offset by state income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

The effective income tax rate was (38.2%) for the nine months ended September 30, 2022. The difference in the effective income tax rate for the nine months ended September 30, 2022 versus the federal statutory rate of 21% was primarily due to the reduction in income tax expense as a result of the securitization of Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida storm costs pursuant to Louisiana Act 55, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021, book and tax differences related to the non-taxable income distributions earned on preferred membership interests, the amortization of excess accumulated deferred income taxes, and certain book and tax differences related to utility plant items, partially offset by state income taxes. See Notes 2 and 10 to the financial statements herein for a discussion of the securitization under Act 293. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial

statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

The effective income tax rates were 20.1% for the third quarter 2021 and 18.4% for the nine months ended September 30, 2021. The differences in the effective income tax rates for the third quarter 2021 and the nine months ended September 30, 2021 versus the federal statutory rate of 21% were primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests, the amortization of excess accumulated deferred income taxes, and certain book and tax differences related to utility plant items, partially offset by state income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

Income Tax Legislation

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Inflation Reduction Act of 2022.

Liquidity and Capital Resources

Cash Flow

Cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$18,573	\$728,020
Net cash provided by (used in):		
Operating activities	621,457	1,047,987
Investing activities	(4,197,993)	(2,224,730)
Financing activities	3,753,660	715,416
Net increase (decrease) in cash and cash equivalents	177,124	(461,327)
Cash and cash equivalents at end of period	<u>\$195,697</u>	<u>\$266,693</u>

Operating Activities

Net cash flow provided by operating activities decreased \$426.5 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- increased fuel costs. See Note 2 to the financial statements herein for a discussion of fuel and purchased power cost recovery;
- an increase of \$100.7 million in storm spending, primarily due to Hurricane Ida restoration efforts in 2022, partially offset by Hurricane Laura, Hurricane Delta, and Hurricane Zeta restoration efforts in 2021;
- an increase of \$18.6 million in interest paid in 2022 as compared to 2021;
- an increase of \$18.5 million in spending on nuclear refueling outages; and
- payments to vendors, including timing and increase in cost of operations.

The decrease was partially offset by higher collections from customers and a decrease of \$35.1 million in pension contributions in 2022. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical**”

Accounting Estimates” herein and in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

Investing Activities

Net cash flow used in investing activities increased \$1,973.3 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- an increase in investments in affiliates due to the \$3,164 million purchase by the storm trust of preferred membership interests issued by an Entergy affiliate, partially offset by the \$1,391 million redemption of preferred membership interests. See Note 2 to the financial statements herein for a discussion of the securitization;
- an increase of \$291.2 million in net payments to storm reserve escrow accounts;
- an increase of \$94.7 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2022 and higher capital expenditures for storm restoration in 2022;
- an increase of \$64.9 million in distribution construction expenditures primarily due to higher capital expenditures for storm restoration in 2022, higher capital expenditures as a result of increased development in Entergy Louisiana’s service area, and increased investment in the reliability and infrastructure of Entergy Louisiana’s distribution system, partially offset by lower spending in 2022 on advanced metering infrastructure;
- an increase of \$27.2 million in non-nuclear generation construction expenditures primarily due to a higher scope of work on projects performed in 2022 as compared to 2021, including during plant outages;
- an increase of \$21.5 million in information technology capital expenditures primarily due to increased spending on various technology projects in 2022; and
- the sale of a pipeline for \$15 million in 2021.

The increase was partially offset by:

- a decrease of \$239.7 million in transmission construction expenditures primarily due to lower capital expenditures for storm restoration in 2022. The decrease in storm restoration spending is primarily due to Hurricane Laura restoration efforts in 2021;
- a decrease of \$29.7 million in nuclear decommissioning trust fund activity as a result of a lump sum contribution in 2021 for amounts collected over a 17-month period. See Note 2 to the financial statements in the Form 10-K for a discussion of nuclear decommissioning expense recovery;
- money pool activity; and
- a decrease of \$15.2 million as a result of fluctuations in nuclear fuel activity, primarily due to variations from year to year in the timing and pricing of fuel reload requirements, materials and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

Decreases in Entergy Louisiana’s receivables from the money pool are a source of cash flow, and Entergy Louisiana’s receivable from the money pool decreased \$9.8 million for the nine months ended September 30, 2022 compared to increasing by \$6.6 million for the nine months ended September 30, 2021. 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 \$3,038.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- proceeds from securitization of \$3.2 billion received by the storm trust;

- a capital contribution of \$1 billion received indirectly from Entergy Corporation in May 2022 to finance the establishment of the storm escrow account for Hurricane Ida costs;
- the issuance of \$500 million of 4.75% Series mortgage bonds in August 2022;
- the repayment, at maturity, of \$200 million of 4.80% Series mortgage bonds in May 2021;
- the repayment, at maturity, of Entergy Louisiana Waterford VIE's \$40 million of 3.92% Series H secured notes in February 2021; and
- higher prepaid deposits of \$27.9 million related to contributions-in-aid-of-construction reimbursement agreements in 2022 as compared to 2021.

The increase was partially offset by:

- the issuance of \$500 million of 2.35% Series mortgage bonds and \$500 million of 3.10% Series mortgage bonds, each in March 2021;
- the repayment, prior to maturity, in May 2022 of \$435 million, a portion of the outstanding principal, of 0.62% Series mortgage bonds due November 2023;
- an increase of \$314.5 million in common equity distributions in 2022 primarily to return to Entergy Corporation the \$125 million capital contribution received in December 2021 to assist in paying for costs associated with Hurricane Ida and to maintain Entergy Louisiana's targeted capital structure;
- net repayments of \$125 million in 2022 on Entergy Louisiana's revolving credit facility; and
- a decrease in net long-term borrowings of \$39.3 million on the nuclear fuel company variable interest entities' credit facilities.

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. See Note 2 to the financial statements herein for a discussion of the securitization.

Capital Structure

Entergy Louisiana's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio for Entergy Louisiana is primarily due to the \$1.0 billion capital contribution received indirectly from Entergy Corporation in May 2022.

	September 30, 2022	December 31, 2021
Debt to capital	53.2 %	57.2 %
Effect of subtracting cash	(0.5 %)	0.0 %
Net debt to net capital	52.7 %	57.2 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana 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 Louisiana's financial condition. Entergy Louisiana also 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 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 is developing its capital investment plan for 2023 through 2025 and currently anticipates making \$5.6 billion in capital investments during that period. The preliminary estimate includes investments in generation projects to modernize, decarbonize, and diversify Entergy Louisiana's portfolio, including St. Jacques Louisiana Solar; investments in River Bend and Waterford 3; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

While Entergy Louisiana is still assessing the effect on its planned solar projects, the investigation by the U.S. Department of Commerce into potential circumvention of duties and tariffs may result in increased duties or tariffs on imported solar panels and has exacerbated previously existing supply chain disruptions, which have negatively affected the timing and cost of completion of these projects.

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

September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
(In Thousands)			
\$4,782	\$14,539	\$20,061	\$13,426

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 June 2027. 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 September 30, 2022, there were no cash borrowings and no 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 September 30, 2022, \$21 million in letters of credit were 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, each in the amount of \$105 million and scheduled to expire in June 2025. As of September 30, 2022, \$15.1 million in loans were outstanding under the credit facility for the Entergy Louisiana River Bend nuclear fuel company variable interest entity. As of September 30, 2022, \$72.2 million in loans were outstanding under the credit facility for the Entergy Louisiana Waterford nuclear fuel company variable interest entity. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facilities.

Entergy Louisiana had \$291.2 million in its storm reserve escrow account at September 30, 2022.

2021 Solar Certification and the Geaux Green Option

As discussed in the Form 10-K, in November 2021, Entergy Louisiana filed an application with the LPSC seeking certification of and approval for the addition of four new solar photovoltaic resources with a combined nameplate capacity of 475 megawatts (the 2021 Solar Portfolio) and the implementation of a new green tariff, the Geaux Green Option (Rider GGO). These resources, all of which would be constructed in Louisiana, include (i) Vacherie Solar Energy Center, a 150 megawatt resource in St. James Parish; (ii) Sunlight Road Solar, a 50 megawatt resource in Washington Parish; (iii) St. Jacques Louisiana Solar, a 150 megawatt resource in St. James Parish; and (iv) Elizabeth Solar facility, a 125 megawatt resource in Allen Parish. St. Jacques Louisiana Solar would be acquired through a build-own-transfer agreement; the remaining resources involve power purchase

agreements. Sunlight Road Solar and Elizabeth Solar facility have estimated in service dates in 2024, and Vacherie Solar Energy Center and St. Jacques Louisiana Solar have estimated in service dates in 2025. In March 2022 direct testimony from Walmart, the Louisiana Energy Users Group (LEUG), and the LPSC staff was filed. Each party recommended that the LPSC approve the resources proposed in Entergy Louisiana's application, and the LPSC staff witness indicated that the process through which Entergy Louisiana solicited or obtained the proposals for the resources complied with applicable LPSC orders. The LPSC staff and LEUG's witnesses made recommendations to modify the proposed Rider GGO and Entergy Louisiana's proposed rate relief. In April 2022 the LPSC staff and LEUG filed cross-answering testimony concerning the other party's proposed modifications to Rider GGO and the proposed rate recovery. Entergy Louisiana filed rebuttal testimony in June 2022. In August 2022 the parties reached a settlement certifying the 2021 Solar Portfolio and approving implementation of Rider GGO. In September 2022 the LPSC approved the settlement.

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida

As discussed in the Form 10-K, in August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild. In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs, and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms were estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana sought an LPSC determination that \$2.11 billion was prudently incurred and, therefore, was eligible for recovery from customers. Additionally, Entergy Louisiana requested that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million was appropriate. In July 2021, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021.

In August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately \$1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, Entergy Louisiana sought approval for the creation and funding of a \$1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review.

After filing of testimony by the LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests in regard to Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contained the following key terms: \$2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and were eligible for recovery; carrying costs of \$51 million were recoverable; a \$290 million cash storm reserve should

be re-established; a \$1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana was authorized to finance \$3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC issued an order approving the settlement in March 2022. As a result of the financing order, Entergy Louisiana reclassified \$1.942 billion from utility plant to other regulatory assets.

In May 2022 the securitization financing closed, resulting in the issuance of \$3.194 billion principal amount of bonds by Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA), a political subdivision of the State of Louisiana. The securitization was authorized pursuant to the Louisiana Utilities Restoration Corporation Act, Part VIII of Chapter 9 of Title 45 of the Louisiana Revised Statutes, as supplemented by Act 293 of the Louisiana legislature approved in 2021. The LCDA loaned the proceeds to the LURC. Pursuant to Act 293, the LURC contributed the net bond proceeds to a State legislatively authorized and LURC-sponsored trust, Restoration Law Trust I (the storm trust).

Pursuant to Act 293, the net proceeds of the bonds were used by the storm trust to purchase 31,635,718.7221 Class A preferred, non-voting membership interest units (the preferred interests) issued by Entergy Finance Company, LLC, a majority-owned indirect subsidiary of Entergy. Entergy Finance Company is required to make annual distributions (dividends) commencing on December 15, 2022 on the preferred interests issued to the storm trust. These annual dividends received by the storm trust will be distributed to Entergy Louisiana and the LURC, as beneficiaries of the storm trust. Specifically, 1% of the annual dividends received by the storm trust will be distributed to the LURC, for the benefit of customers, and 99% will be distributed to Entergy Louisiana, net of storm trust expenses. The preferred interests have a stated annual cumulative cash dividend rate of 7% and a liquidation price of \$100 per unit. The terms of the preferred interests include certain financial covenants to which Entergy Finance Company is subject.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA. The bonds are secured by system restoration property, which is the right granted by law to the LURC to collect a system restoration charge from customers. The system restoration charge is adjusted at least semi-annually to ensure that it is sufficient to service the bonds. Entergy Louisiana collects the system restoration charge on behalf of the LURC and remits the collections to the bond indenture trustee. Entergy Louisiana began collecting the system restoration charge effective with the first billing cycle of June 2022 and the system restoration charge is expected to remain in place up to 15 years. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as a billing and collection agent for the LCDA and the LURC. In the remote possibility that the system restoration charge, as well as any funds in the excess subaccount and funds in the debt service reserve account, are insufficient to service the bonds resulting in a payment default, the storm trust is required to liquidate Entergy Finance Company preferred interests in an amount equal to what would be required to cure the default. The estimated value of this indirect guarantee is immaterial.

From the proceeds from the issuance of the preferred membership interests, Entergy Finance Company distributed \$1.4 billion to its parent, Entergy Holdings Company, LLC. Subsequently, Entergy Holdings Company liquidated, distributing the \$1.4 billion it received from Entergy Finance Company to Entergy Louisiana as holder of 6,843,780.24 units of Class A, 4,126,940.15 units of Class B, and 2,935,152.69 units of Class C preferred membership interests. Entergy Louisiana had acquired these preferred membership interests with proceeds from previous securitizations of storm restoration costs. Entergy Finance Company loaned the remaining \$1.7 billion from the preferred membership interests proceeds to Entergy which used the cash to redeem \$650 million of 4.00% Series senior notes due July 2022 and indirectly contributed \$1 billion to Entergy Louisiana as a capital contribution.

Entergy Louisiana used the \$1 billion capital contribution to fund its Hurricane Ida escrow account and subsequently withdrew the \$1 billion from the escrow account. With a portion of the \$1 billion withdrawn from the escrow account and the \$1.4 billion from the Entergy Holdings Company liquidation, Entergy Louisiana deposited \$290 million in a restricted escrow account as a storm damage reserve for future storms, used \$1.2 billion to repay

its unsecured term loan due June 2023, and used \$435 million to redeem a portion of its 0.62% Series mortgage bonds due November 2023.

As discussed in Note 10 to the financial statements herein, the securitization resulted in recognition of a reduction of income tax expense of approximately \$290 million by Entergy Louisiana. Entergy's recognition of reduced income tax expense was partially offset by other tax charges resulting in a net reduction of income tax expense of \$283 million. In recognition of obligations related to an LPSC ancillary order issued as part of the securitization regulatory proceeding, Entergy Louisiana recorded a \$224 million (\$165 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to share the benefits of the securitization with customers.

As discussed in Note 12 to the financial statements herein, Entergy Louisiana consolidates the storm trust as a variable interest entity and the LURC's 1% beneficial interest is shown as noncontrolling interest in the financial statements. In second quarter 2022, Entergy Louisiana recorded a charge of \$31.6 million in other income to reflect the LURC's beneficial interest in the trust.

In April 2022, Entergy Louisiana filed an application with the LPSC relating to Hurricane Ida restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by Hurricane Ida currently are estimated to be approximately \$2.54 billion, including approximately \$1.96 billion in capital costs and approximately \$586 million in non-capital costs. Including carrying costs of \$57 million through December 2022, Entergy Louisiana is seeking an LPSC determination that \$2.60 billion was prudently incurred and, therefore, is eligible for recovery from customers. As part of this filing, Entergy Louisiana also is seeking an LPSC determination that an additional \$32 million in costs associated with the restoration of Entergy Louisiana's electric facilities damaged by Hurricane Laura, Hurricane Delta, and Hurricane Zeta as well as Winter Storm Uri was prudently incurred. This amount is exclusive of the requested \$3 million in carrying costs through December 2022. In total, Entergy Louisiana is requesting an LPSC determination that \$2.64 billion was prudently incurred and, therefore, is eligible for recovery from customers. As discussed above, in March 2022 the LPSC approved financing of a \$1 billion storm escrow account from which funds were withdrawn to finance costs associated with Hurricane Ida restoration. In June 2022, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. In October 2022 the LPSC staff recommended a finding that the requested storm restoration costs of \$2.64 billion, including associated carrying costs of \$59.1 million, were prudently incurred and are eligible for recovery from customers. The LPSC staff further recommended approval of Entergy Louisiana's plans to securitize these costs, net of the \$1 billion in funds withdrawn from the storm escrow account described above. A procedural schedule has been established with a hearing in December 2022.

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

2021 Formula Rate Plan Filing

In May 2022, Entergy Louisiana filed its formula rate plan evaluation report for its 2021 calendar year operations. The 2021 test year evaluation report produced an earned return on common equity of 8.33%, with a base formula rate plan revenue increase of \$65.3 million. Other increases in formula rate plan revenue driven by reductions in Tax Cut and Jobs Act credits and additions to transmission and distribution plant in service reflected through the transmission recovery mechanism and distribution recovery mechanism are partly offset by an increase

in net MISO revenues, leading to a net increase in formula rate plan revenue of \$152.9 million. The effects of the changes to total formula rate plan revenue are different for each legacy company, primarily due to differences in the legacy companies' capacity cost changes, including the effect of true-ups. Legacy Entergy Louisiana formula rate plan revenues will increase by \$86 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by \$66.9 million. In August 2022 the LPSC staff filed a list of objections/reservations, including outstanding issues from the test years 2017-2020 formula rate plan filings, utilizing the extraordinary cost mechanism to address one-time changes such as state tax rate changes, and failing to include an adjustment for revenues not received as a result of Hurricane Ida. Subject to refund and LPSC review, the resulting changes to formula rate plan revenues became effective for bills rendered during the first billing cycle of September 2022.

Fuel and purchased power recovery

As discussed in the Form 10-K, in February 2021, Entergy Louisiana incurred extraordinary fuel costs associated with the February 2021 winter storms. To mitigate the effect of these costs on customer bills, in March 2021, Entergy Louisiana requested and the LPSC approved the deferral and recovery of \$166 million in incremental fuel costs over five months beginning in April 2021. In April 2022 the LPSC staff issued a draft audit report regarding Entergy Louisiana's fuel adjustment clause charges in February 2021 that did not recommend any financial disallowances, but included several prospective recommendations. Responsive testimony was filed by one intervenor and the parties agreed to suspend any procedural schedule and move toward settlement discussions to close the matter.

In May 2022 the LPSC staff issued an audit report regarding Entergy Louisiana's purchased gas adjustment charges in February 2021 that did not propose any financial disallowances. The LPSC staff and Entergy Louisiana submitted a joint report on the audit report and draft order to the LPSC concluding that Entergy Louisiana's gas distribution operations and fuel costs were not significantly adversely affected by the February 2021 winter storms and the resulting increase in natural gas prices. The LPSC issued an order approving the joint report in October 2022.

To mitigate high electric bills, primarily driven by high summer usage and elevated gas prices, Entergy Louisiana has deferred approximately \$225 million of fuel expense incurred in April, May, June, July, August, and September 2022 (as reflected on June, July, August, September, October, and November 2022 bills). These deferrals were included in the over/under calculation of the fuel adjustment clause, which is intended to recover the full amount of the costs included on a rolling twelve-month basis.

COVID-19 Orders

As discussed in the Form 10-K, in April 2020 the LPSC issued an order authorizing utilities to record as a regulatory asset expenses incurred from the suspension of disconnections and collection of late fees imposed by LPSC orders associated with the COVID-19 pandemic. In addition, utilities may seek future recovery, subject to LPSC review and approval, of losses and expenses incurred due to compliance with the LPSC's COVID-19 orders. Utilities seeking to recover the regulatory asset must formally petition the LPSC to do so, identifying the direct and indirect costs for which recovery is sought. Any such request is subject to LPSC review and approval. As of September 30, 2022, Entergy Louisiana had a regulatory asset of \$47.8 million for costs associated with the COVID-19 pandemic.

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. Following is an update to that discussion.

As discussed in the Form 10-K, the NRC’s Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC’s inspection program and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC’s Reactor Oversight Process Action Matrix columns: “licensee response column,” or Column 1, “regulatory response column,” or Column 2, “degraded cornerstone column,” or Column 3, “multiple/repetitive degraded cornerstone column,” or Column 4, and “unacceptable performance,” or Column 5. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC with, in general, progressively increasing levels of associated costs. Continued plant operation is not permitted for plants in Column 5. River Bend is currently in Column 1, and Waterford 3 is currently in Column 2.

In September 2022 the NRC placed Waterford 3 in Column 2 based on an error associated with a radiation monitor calibration. Entergy corrected the issue with the radiation monitor in February 2022; however, Waterford 3 is expected to remain in Column 2 until the NRC conducts a supplemental inspection of Waterford 3 in accordance with its inspection procedures for nuclear plants in Column 2.

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, impairment of long-lived assets, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the discussion of qualified pension and other postretirement benefits.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements in the Form 10-K for a discussion of new accounting pronouncements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$2,003,009	\$1,407,737	\$4,738,188	\$3,741,979
Natural gas	17,789	12,971	64,367	53,971
TOTAL	2,020,798	1,420,708	4,802,555	3,795,950
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	833,885	421,464	1,449,464	922,060
Purchased power	251,582	176,473	848,328	573,030
Nuclear refueling outage expenses	18,966	11,932	40,942	37,407
Other operation and maintenance	298,710	239,132	846,457	752,214
Decommissioning	18,137	17,250	53,736	51,108
Taxes other than income taxes	60,346	63,428	180,527	167,880
Depreciation and amortization	176,403	165,469	517,205	489,343
Other regulatory charges (credits) - net	(9,959)	(1,920)	172,605	7,560
TOTAL	1,648,070	1,093,228	4,109,264	3,000,602
OPERATING INCOME	372,728	327,480	693,291	795,348
OTHER INCOME				
Allowance for equity funds used during construction	8,280	7,247	17,865	20,183
Interest and investment income (loss)	(8,861)	7,327	(93,241)	75,502
Interest and investment income - affiliated	55,363	31,898	130,464	95,695
Miscellaneous - net	6,835	(8,924)	59,338	(79,595)
TOTAL	61,617	37,548	114,426	111,785
INTEREST EXPENSE				
Interest expense	92,020	87,295	278,559	260,731
Allowance for borrowed funds used during construction	(3,518)	(3,278)	(7,762)	(9,105)
TOTAL	88,502	84,017	270,797	251,626
INCOME BEFORE INCOME TAXES	345,843	281,011	536,920	655,507
Income taxes	71,453	56,536	(204,989)	120,479
NET INCOME	274,390	224,475	741,909	535,028
Net income attributable to noncontrolling interest	554	—	812	—
EARNINGS APPLICABLE TO MEMBER'S EQUITY	\$273,836	\$224,475	\$741,097	\$535,028
See Notes to Financial Statements.				

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
Net Income	\$274,390	\$224,475	\$741,909	\$535,028
Other comprehensive income (loss)				
Pension and other postretirement liabilities (net of tax expense (benefit) of \$109, (\$46), (\$298), and \$18)	295	(131)	(809)	50
Other comprehensive income (loss)	295	(131)	(809)	50
Comprehensive Income	274,685	224,344	741,100	535,078
Net income attributable to noncontrolling interest	554	—	812	—
Comprehensive Income Applicable to Member's Equity	<u>\$274,131</u>	<u>\$224,344</u>	<u>\$740,288</u>	<u>\$535,078</u>
See Notes to Financial Statements.				

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$741,909	\$535,028
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	633,124	607,299
Deferred income taxes, investment tax credits, and non-current taxes accrued	(84,719)	159,723
Changes in working capital:		
Receivables	(193,374)	(91,771)
Fuel inventory	1,920	5,766
Accounts payable	(117,199)	450,064
Taxes accrued	(9,415)	94,751
Interest accrued	3,244	4,464
Deferred fuel costs	(272,259)	(49,786)
Other working capital accounts	(161,058)	(41,769)
Changes in provisions for estimated losses	292,013	(764)
Changes in other regulatory assets	741,131	(938,646)
Changes in other regulatory liabilities	(92,554)	92,138
Effect of securitization on regulatory asset	(1,190,338)	—
Changes in pension and other postretirement liabilities	(29,538)	(68,132)
Other	358,570	289,625
Net cash flow provided by operating activities	621,457	1,047,987
INVESTING ACTIVITIES		
Construction expenditures	(2,099,909)	(2,147,096)
Allowance for equity funds used during construction	17,865	20,183
Proceeds from sale of assets	—	15,000
Nuclear fuel purchases	(84,606)	(75,349)
Proceeds from the sale of nuclear fuel	37,634	13,201
Receipts from storm reserve escrow account	1,000,228	—
Payments to storm reserve escrow account	(1,291,431)	—
Purchase of preferred membership interests of affiliate	(3,163,572)	—
Redemption of preferred membership interests of affiliate	1,390,587	—
Changes to securitization account	—	(2,815)
Proceeds from nuclear decommissioning trust fund sales	520,412	505,840
Investment in nuclear decommissioning trust funds	(540,653)	(555,749)
Changes in money pool receivable - net	9,757	(6,635)
Litigation proceeds from settlement agreement	5,695	—
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	8,690
Net cash flow used in investing activities	(4,197,993)	(2,224,730)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	2,673,246	2,404,102
Retirement of long-term debt	(2,734,524)	(1,628,383)
Proceeds from trust related to securitization	3,163,572	—
Capital contribution from parent	1,000,000	—
Common equity distributions paid	(374,500)	(60,000)
Other	25,866	(303)
Net cash flow provided by financing activities	3,753,660	715,416
Net increase (decrease) in cash and cash equivalents	177,124	(461,327)
Cash and cash equivalents at beginning of period	18,573	728,020
Cash and cash equivalents at end of period	\$195,697	\$266,693
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$266,522	\$247,878
See Notes to Financial Statements.		

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$390	\$195
Temporary cash investments	195,307	18,378
Total cash and cash equivalents	195,697	18,573
Accounts receivable:		
Customer	435,725	355,265
Allowance for doubtful accounts	(9,945)	(29,231)
Associated companies	120,203	96,539
Other	50,104	36,674
Accrued unbilled revenues	221,545	174,768
Total accounts receivable	817,632	634,015
Deferred fuel costs	317,633	45,374
Fuel inventory	41,038	42,958
Materials and supplies - at average cost	531,444	485,325
Deferred nuclear refueling outage costs	69,738	39,582
Prepayments and other	148,498	44,187
TOTAL	2,121,680	1,310,014
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	3,163,572	1,390,587
Decommissioning trust funds	1,682,479	2,114,523
Storm reserve escrow account	291,203	—
Non-utility property - at cost (less accumulated depreciation)	344,935	337,247
Other	14,098	13,744
TOTAL	5,496,287	3,856,101
UTILITY PLANT		
Electric	27,323,620	28,055,038
Natural gas	297,638	285,006
Construction work in progress	785,673	847,924
Nuclear fuel	191,908	209,418
TOTAL UTILITY PLANT	28,598,839	29,397,386
Less - accumulated depreciation and amortization	10,204,546	9,860,252
UTILITY PLANT - NET	18,394,293	19,537,134
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	2,035,535	2,776,666
Deferred fuel costs	168,122	168,122
Other	35,811	27,801
TOTAL	2,239,468	2,972,589
TOTAL ASSETS	\$28,251,728	\$27,675,838

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$525,000	\$200,000
Accounts payable:		
Associated companies	146,002	183,172
Other	680,238	1,481,902
Customer deposits	158,440	150,697
Taxes accrued	54,833	64,248
Interest accrued	96,296	93,052
Current portion of unprotected excess accumulated deferred income taxes	—	24,291
Other	81,448	68,995
TOTAL	1,742,257	2,266,357
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,363,961	2,433,854
Accumulated deferred investment tax credits	99,048	102,588
Regulatory liability for income taxes - net	302,760	313,693
Other regulatory liabilities	985,267	1,042,597
Decommissioning	1,718,635	1,653,198
Accumulated provisions	316,503	24,490
Pension and other postretirement liabilities	498,744	528,213
Long-term debt	10,335,595	10,714,346
Other	310,188	415,930
TOTAL	16,930,701	17,228,909
Commitments and Contingencies		
EQUITY		
Member's equity	9,538,853	8,172,294
Accumulated other comprehensive income	7,469	8,278
Noncontrolling interest	32,448	—
TOTAL	9,578,770	8,180,572
TOTAL LIABILITIES AND EQUITY	\$28,251,728	\$27,675,838

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Noncontrolling Interest	Member's Equity	Accumulated Other Comprehensive Income	Total
	(In Thousands)			
Balance at December 31, 2020	\$—	\$7,453,361	\$4,327	\$7,457,688
Net income	—	166,626	—	166,626
Other comprehensive loss	—	—	(407)	(407)
Other	—	(16)	—	(16)
Balance at March 31, 2021	—	7,619,971	3,920	7,623,891
Net income	—	143,927	—	143,927
Other comprehensive income	—	—	588	588
Other	—	(12)	—	(12)
Balance at June 30, 2021	—	7,763,886	4,508	7,768,394
Net income	—	224,475	—	224,475
Other comprehensive loss	—	—	(131)	(131)
Distributions declared on common equity	—	(60,000)	—	(60,000)
Other	—	(11)	—	(11)
Balance at September 30, 2021	<u>\$—</u>	<u>\$7,928,350</u>	<u>\$4,377</u>	<u>\$7,932,727</u>
Balance at December 31, 2021	\$—	\$8,172,294	\$8,278	\$8,180,572
Net income	—	150,860	—	150,860
Other comprehensive loss	—	—	(613)	(613)
Common equity distributions	—	(125,000)	—	(125,000)
Other	—	(13)	—	(13)
Balance at March 31, 2022	—	8,198,141	7,665	8,205,806
Net income	258	316,401	—	316,659
Other comprehensive loss	—	—	(491)	(491)
Capital contribution from parent	—	1,000,000	—	1,000,000
Beneficial interest in storm trust	31,636	—	—	31,636
Other	—	(13)	—	(13)
Balance at June 30, 2022	31,894	9,514,529	7,174	9,553,597
Net income	554	273,836	—	274,390
Other comprehensive income	—	—	295	295
Common equity distributions	—	(249,500)	—	(249,500)
Other	—	(12)	—	(12)
Balance at September 30, 2022	<u>\$32,448</u>	<u>\$9,538,853</u>	<u>\$7,469</u>	<u>\$9,578,770</u>

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Third Quarter 2022 Compared to Third Quarter 2021

Net income increased \$12.3 million primarily due to regulatory credits recorded in the third quarter 2022 to reflect the effects of the joint stipulation reached in the 2022 formula rate plan proceeding and higher retail electric price, partially offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, and higher interest expense.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Net income increased \$14.2 million primarily due to higher retail electric price, regulatory credits recorded in the third quarter 2022 to reflect the effects of the joint stipulation reached in the 2022 formula rate plan proceeding, and higher volume/weather, partially offset by regulatory credits recorded in the second quarter 2021 to reflect the effects of the joint stipulation reached in the 2021 formula rate plan filing proceeding, higher depreciation and amortization expenses, higher other operation and maintenance expenses, and higher interest expense.

Operating Revenues

Third Quarter 2022 Compared to Third Quarter 2021

Following is an analysis of the change in operating revenues comparing the third quarter 2022 to the third quarter 2021:

	Amount
	(In Millions)
2021 operating revenues	\$420.3
Fuel, rider, and other revenues that do not significantly affect net income	57.9
Retail electric price	17.3
Volume/weather	0.3
Retail one-time bill credit	(36.7)
2022 operating revenues	\$459.1

Entergy Mississippi’s results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. “Fuel, rider, and other revenues that do not significantly affect net income” includes the revenue variance associated with these items.

The retail electric price variance is primarily due to increases in formula rate plan rates effective April 2022 and August 2022. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan filings.

The volume/weather variance is insignificant and primarily due to an increase in industrial usage. The increase in industrial usage was primarily due to an increase in demand from small industrial customers.

The retail one-time bill credit represents the disbursement of settlement proceeds in the form of a one-time bill credit provided to retail customers, effective during the September 2022 billing cycle, as a result of the System Energy partial settlement agreement with the MPSC. There is no effect on net income as the reduction in operating revenues was offset by regulatory credits recorded in third quarter 2022. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds.

Total electric energy sales for Entergy Mississippi for the three months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	1,766	1,725	2
Commercial	1,352	1,337	1
Industrial	654	631	4
Governmental	119	118	1
Total retail	3,891	3,811	2
Sales for resale:			
Non-associated companies	936	1,134	(17)
Total	4,827	4,945	(2)

See Note 13 to the financial statements herein for additional discussion of Entergy Mississippi's operating revenues.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Following is an analysis of the change in operating revenues comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021:

	Amount
	(In Millions)
2021 operating revenues	\$1,106.0
Fuel, rider, and other revenues that do not significantly affect net income	89.5
Retail electric price	44.2
Volume/weather	10.6
Retail one-time bill credit	(36.7)
2022 operating revenues	\$1,213.6

Entergy Mississippi's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to increases in formula rate plan rates effective April 2021, July 2021, April 2022, and August 2022. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan filings.

The volume/weather variance is primarily due to the effect of more favorable weather on residential sales, partially offset by a decrease in weather-adjusted residential usage.

The retail one-time bill credit represents the disbursement of settlement proceeds in the form of a one-time bill credit provided to retail customers, effective during the September 2022 billing cycle, as a result of the System Energy partial settlement agreement with the MPSC. There is no effect on net income as the reduction in operating revenues was offset by regulatory credits recorded in third quarter 2022. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds.

Total electric energy sales for Entergy Mississippi for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	4,480	4,355	3
Commercial	3,539	3,449	3
Industrial	1,808	1,742	4
Governmental	320	315	2
Total retail	10,147	9,861	3
Sales for resale:			
Non-associated companies	2,148	4,230	(49)
Total	12,295	14,091	(13)

See Note 13 to the financial statements herein for additional discussion of Entergy Mississippi's operating revenues.

Other Income Statement Variances

Third Quarter 2022 Compared to Third Quarter 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$3.8 million in power delivery expenses primarily due to higher vegetation maintenance costs;
- \$2.2 million in amortization of the bad debt expense deferral resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic;
- an increase of \$1.4 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year;
- an increase of \$1.4 million in energy efficiency expenses primarily due to higher energy efficiency costs; and
- several individually insignificant items.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments and millage rate increases.

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

Other regulatory charges (credits) - net includes:

- a regulatory credit of \$36.7 million, recorded in the third quarter 2022, to reflect a one-time bill credit to customers as a result of the partial settlement agreement and offer of settlement with System Energy. This regulatory credit offsets a reduction in gross revenue from the bill credits provided to customers in the September bill cycle. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds; and
- regulatory credits of \$22.6 million, recorded in third quarter 2022, to reflect the effects of the joint stipulation reached in the 2022 formula rate plan filing proceeding. See Note 2 to the financial statements herein for discussion of the 2022 formula rate plan filing.

Interest expense increased primarily due to the issuance of \$200 million of 2.55% Series mortgage bonds in November 2021, the \$150 million unsecured term loan proceeds received in June 2022, and borrowings of \$100 million in 2022 on Entergy Mississippi's credit facility.

Net loss attributable to noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of the tax equity partnership for the Sunflower Solar facility under HLBV accounting. Entergy Mississippi recorded a regulatory charge of \$9 million in third quarter 2022 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements in the Form 10-K for discussion of the HLBV method of accounting.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Other operation and maintenance expenses increased primarily due to:

- \$2.2 million in amortization of the bad debt expense deferral resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic;
- an increase of \$2.1 million in customer service center support costs primarily due to higher contract costs;
- an increase of \$2 million in energy efficiency expenses primarily due to higher energy efficiency costs;
- an increase of \$1.8 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year; and
- an increase of \$1.4 million in power delivery expenses primarily due to higher vegetation maintenance costs.

The increase was partially offset by a decrease of \$1.9 million in non-nuclear generation expenses primarily due to a lower scope of work performed during plant outages in 2022 as compared to prior year.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments and millage rate increases.

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

Other regulatory charges (credits) - net includes:

- a regulatory credit of \$36.7 million, recorded in the third quarter 2022, to reflect a one-time bill credit to customers as a result of the partial settlement agreement and offer of settlement with System Energy. This regulatory credit offsets a reduction in gross revenues from the bill credits provided to customers in the September bill cycle. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and the MPSC directive related to the disbursement of settlement proceeds;

- regulatory credits of \$22.6 million, recorded in third quarter 2022, to reflect the effects of the joint stipulation reached in the 2022 formula rate plan filing proceeding. See Note 2 to the financial statements herein for discussion of the 2022 formula rate plan filing; and
- regulatory credits of \$19.9 million, recorded in the second quarter 2021, to reflect the effects of the joint stipulation reached in the 2021 formula rate plan filing proceeding. See Note 2 to the financial statements in the Form 10-K for discussion of the 2021 formula rate plan filing.

Other income increased primarily due to higher interest income from carrying costs related to the deferred fuel balance.

Interest expense increased primarily due to:

- the issuance of \$200 million of 2.55% Series mortgage bonds in November 2021;
- the issuance of \$200 million of 3.50% Series mortgage bonds in March 2021;
- the \$150 million unsecured term loan proceeds received in June 2022; and
- the borrowings of \$100 million in 2022 on Entergy Mississippi's credit facility.

Net loss attributable to noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of the tax equity partnership for the Sunflower Solar facility under HLBV accounting. Entergy Mississippi recorded a regulatory charge of \$9 million for the nine months ended September 30, 2022 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements in the Form 10-K for discussion of the HLBV method of accounting.

Income Taxes

The effective income tax rates were 23.8% for the third quarter 2022 and 22.6% for the nine months ended September 30, 2022. The differences in the effective income tax rates for the third quarter 2022 and the nine months ended September 30, 2022 versus the federal statutory rate of 21% were primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items.

The effective income tax rates were 22.9% for the third quarter 2021 and 22.4% for the nine months ended September 30, 2021. The differences in the effective income tax rates for the third quarter 2021 and the nine months ended September 30, 2021 versus the federal statutory rate of 21% were primarily due to 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.

Income Tax Legislation

See the "**Income Tax Legislation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the Inflation Reduction Act of 2022.

Liquidity and Capital Resources

Cash Flow

Cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$47,627	\$18
Net cash provided by (used in):		
Operating activities	101,591	249,768
Investing activities	(428,776)	(468,198)
Financing activities	282,455	218,440
Net increase (decrease) in cash and cash equivalents	(44,730)	10
Cash and cash equivalents at end of period	\$2,897	\$28

Operating Activities

Net cash flow provided by operating activities decreased \$148.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- increased fuel costs and timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements herein for a discussion of fuel and purchased power cost recovery;
- payments to vendors, including timing and increase in cost of operations;
- a one-time bill credit in 2022 for the disbursement of settlement proceeds as directed by the MPSC. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and the MPSC directive; and
- income tax refunds of \$8 million received in 2021 in accordance with an intercompany income tax allocation agreement.

The decrease was partially offset by higher collections from customers and a decrease of \$16.5 million in storm spending in 2022, primarily due to Winter Storm Uri restoration efforts in 2021.

Investing Activities

Net cash flow used in investing activities decreased \$39.4 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- a decrease of \$90.1 million in distribution construction expenditures primarily due to a lower scope of work performed in 2022 as compared to 2021, lower capital expenditures for storm restoration in 2022, and lower spending in 2022 on advanced metering infrastructure;
- money pool activity; and
- a decrease of \$35.4 million in transmission construction expenditures primarily due to a lower scope of work performed in 2022 as compared to 2021.

The decrease was partially offset by the initial payment of approximately \$105.1 million in May 2022 for the purchase of the Sunflower Solar facility by a consolidated tax equity partnership and an increase of \$9.2 million in information technology capital expenditures primarily due to increased spending on various technology projects in 2022. See Note 14 to the financial statements herein for discussion of the Sunflower Solar facility purchase.

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 \$40.5 million for the nine months ended September 30, 2022. The money pool is an inter-company borrowing arrangement designed to reduce the Utility's subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow provided by financing activities increased \$64 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- proceeds received in June 2022 from a \$150 million unsecured term loan due December 2023;
- borrowings of \$100 million in 2022 on Entergy Mississippi's credit facility; and
- a capital contribution of \$9.6 million received in May 2022 from the noncontrolling tax equity investor in MS Sunflower Partnership, LLC and used by the partnership for the initial payment in the acquisition of the Sunflower Solar facility. See Note 14 to the financial statements herein for discussion of the Sunflower Solar facility purchase.

The increase was partially offset by the issuance of \$200 million of 3.50% Series mortgage bonds in March 2021.

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 Mississippi's debt to capital ratio is shown in the following table.

	September 30, 2022	December 31, 2021
Debt to capital	54.9 %	54.3 %
Effect of subtracting cash	— %	(0.5 %)
Net debt to net capital	54.9 %	53.8 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and 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 also 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 is developing its capital investment plan for 2023 through 2025 and currently anticipates making \$1.6 billion in capital investments during that period. The preliminary estimate includes investments in generation projects to modernize, decarbonize, and diversify Entergy Mississippi's portfolio; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission

spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

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

September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
(In Thousands)			
(\$19,319)	\$40,456	(\$34,603)	(\$16,516)

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

Entergy Mississippi has three separate credit facilities in the aggregate amount of \$95 million scheduled to expire in April 2023. As of September 30, 2022, there were no cash borrowings outstanding under these credit facilities. Also, Entergy Mississippi has a credit facility in the amount of \$150 million scheduled to expire in July 2024. As of September 30, 2022, there was \$100 million in cash borrowings outstanding under the credit facility. In addition, Entergy Mississippi is a party to an uncommitted letter of credit facility primarily as a means to post collateral to support its obligations to MISO. As of September 30, 2022, \$9.7 million in MISO letters of credit and \$1 million in non-MISO letters of credit were outstanding under this facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

Entergy Mississippi had \$33.3 million in its storm reserve escrow account at September 30, 2022.

Sunflower Solar

As discussed in the Form 10-K, in April 2020 the MPSC issued an order approving certification of the Sunflower Solar facility and its recovery through the interim capacity rate adjustment mechanism, subject to certain conditions. In May 2022 both Entergy Mississippi and the tax equity investor made capital contributions to the tax equity partnership that were then used to make an initial payment of \$105 million for acquisition of the facility. In July 2022, pursuant to the MPSC's April 2020 order, Entergy Mississippi submitted a compliance filing to the MPSC with updated calculations of the impact of the Sunflower Solar facility on rate base and revenue requirement for the Sunflower Solar facility and benefits of the tax equity partnership. In November 2022 the MPSC approved Entergy Mississippi's July 2022 compliance filing and authorized the recovery of the costs of the Sunflower Solar facility through the interim capacity rate adjustment mechanism in the formula rate plan with rates effective in December 2022. Substantial completion of the Sunflower Solar facility was accepted by Entergy Mississippi in September 2022. A final payment is currently expected in fourth quarter 2022. Commercial operation at the Sunflower Solar facility commenced in September 2022. See Note 14 to the financial statements herein for discussion of Entergy Mississippi's purchase of the Sunflower Solar 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.

Fuel and purchased power cost recovery

See "Complaints Against System Energy - System Energy Settlement with the MPSC" in Note 2 to the financial statements herein for discussion of the partial settlement agreement filed with the FERC in June 2022. The settlement, which is contingent upon FERC approval, provides for a refund of \$235 million from System

Energy to Entergy Mississippi. In July 2022 the MPSC directed the disbursement of settlement proceeds, ordering Entergy Mississippi to provide a one-time \$80 bill credit to each of its approximately 460,000 retail customers to be effective during the September 2022 billing cycle, and to apply the remaining proceeds to Entergy Mississippi's under-recovered deferred fuel balance. System Energy requested an order from the FERC by November 2022.

Entergy Mississippi had a deferred fuel balance of approximately \$291.7 million under the energy cost recovery rider as of July 31, 2022, along with an over-recovery balance of \$51.1 million under the power management rider. Without further action, Entergy Mississippi anticipated a year-end deferred fuel balance of approximately \$200 million after application of a portion of the System Energy settlement proceeds, as discussed above. In September 2022, Entergy Mississippi filed for interim adjustments under both the energy cost recovery rider and the power management rider. Entergy Mississippi proposed five monthly incremental adjustments to the net energy cost factor designed to collect the under-recovered fuel balance as of July 31, 2022 and to reflect the recovery of a higher natural gas price. Entergy Mississippi also proposed five monthly incremental adjustments to the power management adjustment factor designed to flow through to customers the over-recovered power management rider balance as of July 31, 2022. In October 2022 the MPSC approved modified interim adjustments to Entergy Mississippi's energy cost recovery rider and power management rider. The MPSC approved dividing the energy cost recovery rider interim adjustment into two components that would allow Entergy Mississippi to 1) recover a natural gas fuel rate that is better aligned with current prices and 2) recover the estimated under-recovered deferred fuel balance as of September 30, 2022 over a period of 20 months. The MPSC approved six monthly incremental adjustments to the net energy cost factor designed to reflect the recovery of a higher natural gas price. The MPSC also approved six monthly incremental adjustments to the power management adjustment factor designed to flow through to customers the over-recovered power management rider balance. Entergy Mississippi will not file its annual redetermination of the energy cost recovery rider or the power management rider in November 2022. Entergy Mississippi's November 2023 annual redetermination will not reflect any part of the estimated under-recovered deferred fuel balance as of September 30, 2022; it will only reflect any over/under recovery that accumulates after September 2022. The November 2024 annual redetermination will include the total deferred fuel balance, including any over- or under-recovery of the deferred fuel balance as of September 30, 2022.

Retail Rates

2022 Formula Rate Plan Filing

In March 2022, Entergy Mississippi submitted its formula rate plan 2022 test year filing and 2021 look-back filing showing Entergy Mississippi's earned return for the historical 2021 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2022 calendar year to be below the formula rate plan bandwidth. The 2022 test year filing shows a \$69 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.70% return on rate base, within the formula rate plan bandwidth. The change in formula rate plan revenues, however, is capped at 4% of retail revenues, which equates to a revenue change of \$48.6 million. The 2021 look-back filing compares actual 2021 results to the approved benchmark return on rate base and reflects the need for a \$34.5 million interim increase in formula rate plan revenues. In fourth quarter 2021, Entergy Mississippi recorded a regulatory asset of \$19 million to reflect the then-current estimate in connection with the look-back feature of the formula rate plan. In accordance with the provisions of the formula rate plan, Entergy Mississippi implemented a \$24.3 million interim rate increase, reflecting a cap equal to 2% of 2021 retail revenues, effective in April 2022.

In June 2022, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed the 2022 test year filing that resulted in a total rate increase of \$48.6 million. Pursuant to the joint stipulation, Entergy Mississippi's 2021 look-back filing reflected an earned return on rate base of 5.99% in calendar year 2021, which is below the look-back bandwidth, resulting in a \$34.3 million increase in the formula rate plan revenues on an interim basis through June 2023. In July 2022 the MPSC approved the joint stipulation with rates effective in August 2022. In July 2022, Entergy Mississippi recorded regulatory credits of \$22.6 million to reflect the effects of the joint stipulation. In August 2022 an intervenor filed a statutorily-authorized direct appeal to the

Mississippi Supreme Court seeking review of the MPSC's July 2022 order approving the joint stipulation confirming Entergy Mississippi's 2022 formula rate plan filing. The rates that went into effect in August 2022 are not stayed or otherwise impacted while the appeal is pending.

In July 2022 the MPSC directed Entergy Mississippi to flow \$14.1 million of the power management rider over-recovery balance to customers beginning in August 2022 through December 2022 to mitigate the bill impact of the increase in formula rate plan revenues.

Net Metering Rulemaking

Pursuant to a mandatory reopener provision in its net metering rule, the MPSC opened a docket to review the efficacy and fairness of its existing net metering rule. In July 2022 the MPSC issued an order adopting revisions to its net metering rule. Among other things, the amended rule requires utilities to calculate avoided cost using daytime energy production, grandfathers a 2.5 cents per kWh distributed generation benefits adder for 25 years, and expands eligibility for the 2 cents per kWh low-income benefits adder to households up to 250% of the federal poverty level and grandfathers that adder for 25 years. The amended rule expands meter aggregation to include systems up to 3 MW alternating current and to any additional meters within the same electric utility service territory. The amended rule also increases the 3% net metering participation cap to 4% and requires that utilities seek MPSC approval prior to refusing additional net generation requests. The MPSC also directs utilities to make rate filings implementing rebates for distributed generation facilities. Because of the size and number of customers eligible under this new rule, there is a risk of loss of load and the shifting of costs to customers. In August 2022, Entergy Mississippi filed a motion for rehearing on the proposed net metering rule, which the MPSC granted. A hearing on the proposed rule was held in September 2022. In October 2022 the MPSC adopted an amended rule, which will now be known as the Distributed Generation Rule. In the Distributed Generation Rule, all provisions permitting meter aggregation were struck. The Distributed Generation Rule maintains the 3% net metering participation cap. The Distributed Generation Rule grandfathers a 2.5 cents per kWh distributed generation benefits adder for 25 years, and expands eligibility for the 2 cents per kWh low-income benefits adder to households up to 225% of the federal poverty level and grandfathers that adder for 25 years. The Distributed Generation Rule also directs utilities to make rate filings implementing up-front incentives for distributed generating systems and demand response battery systems, and to establish a public K-12 solar for schools program.

COVID-19 Orders

As discussed in the Form 10-K, in April 2020 the MPSC issued an order authorizing utilities to defer incremental costs and expenses associated with COVID-19 compliance and to seek future recovery through rates of the prudently incurred incremental costs and expenses. Entergy Mississippi began recovery of the bad debt expense deferral resulting from the COVID-19 pandemic over a three-year period with implementation of the interim formula rate plan rates in April 2022. As of September 30, 2022, Entergy Mississippi had a remaining regulatory asset of \$10.9 million for costs associated with the COVID-19 pandemic.

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 Mississippi’s accounting for utility regulatory accounting, impairment of long-lived assets, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the discussion of qualified pension and other postretirement benefits.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements in the Form 10-K for a discussion of new accounting pronouncements.

ENTERGY MISSISSIPPI, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$459,132	\$420,319	\$1,213,620	\$1,105,978
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	86,145	54,505	197,093	180,315
Purchased power	84,653	85,247	235,211	217,730
Other operation and maintenance	82,698	72,523	223,407	214,253
Taxes other than income taxes	37,045	25,911	102,259	78,886
Depreciation and amortization	61,921	57,130	182,623	168,324
Other regulatory charges (credits) - net	(11,470)	25,810	16,290	12,309
TOTAL	340,992	321,126	956,883	871,817
OPERATING INCOME	118,140	99,193	256,737	234,161
OTHER INCOME (DEDUCTIONS)				
Allowance for equity funds used during construction	1,606	2,006	4,179	5,703
Interest and investment income	136	1	234	50
Miscellaneous - net	181	(1,844)	17	(6,362)
TOTAL	1,923	163	4,430	(609)
INTEREST EXPENSE				
Interest expense	22,473	19,024	63,910	55,559
Allowance for borrowed funds used during construction	(753)	(849)	(1,876)	(2,378)
TOTAL	21,720	18,175	62,034	53,181
INCOME BEFORE INCOME TAXES	98,343	81,181	199,133	180,371
Income taxes	23,454	18,586	44,935	40,388
NET INCOME	74,889	62,595	154,198	139,983
Net loss attributable to noncontrolling interest	(9,117)	—	(9,117)	—
EARNINGS APPLICABLE TO MEMBER'S EQUITY	\$84,006	\$62,595	\$163,315	\$139,983

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$154,198	\$139,983
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	182,623	168,324
Deferred income taxes, investment tax credits, and non-current taxes accrued	45,811	53,629
Changes in assets and liabilities:		
Receivables	(50,712)	(36,754)
Fuel inventory	(2,856)	5,564
Accounts payable	34,776	48,413
Taxes accrued	(12,542)	(30,881)
Interest accrued	11,171	4,632
Deferred fuel costs	(214,459)	(95,310)
Other working capital accounts	(23,012)	(40,911)
Provisions for estimated losses	(461)	(8,087)
Other regulatory assets	(53,830)	(15,366)
Other regulatory liabilities	31,682	49,036
Pension and other postretirement liabilities	(18,489)	(17,454)
Other assets and liabilities	17,691	24,950
Net cash flow provided by operating activities	101,591	249,768
INVESTING ACTIVITIES		
Construction expenditures	(368,151)	(473,956)
Allowance for equity funds used during construction	4,179	5,703
Changes in money pool receivable - net	40,456	—
Payment for purchase of assets	(105,149)	—
Other	(111)	55
Net cash flow used in investing activities	(428,776)	(468,198)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	249,298	200,539
Capital contribution from noncontrolling interest	9,595	—
Changes in money pool payable - net	19,319	18,087
Other	4,243	(186)
Net cash flow provided by financing activities	282,455	218,440
Net increase (decrease) in cash and cash equivalents	(44,730)	10
Cash and cash equivalents at beginning of period	47,627	18
Cash and cash equivalents at end of period	\$2,897	\$28
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$50,719	\$49,080
Income taxes	\$—	(\$8,045)

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$2,896	\$29
Temporary cash investments	1	47,598
Total cash and cash equivalents	2,897	47,627
Accounts receivable:		
Customer	91,178	84,048
Allowance for doubtful accounts	(2,069)	(7,209)
Associated companies	11,625	42,994
Other	31,311	14,609
Accrued unbilled revenues	68,687	56,034
Total accounts receivable	200,732	190,476
Deferred fuel costs	336,337	121,878
Fuel inventory - at average cost	13,167	10,311
Materials and supplies - at average cost	84,495	69,639
Prepayments and other	11,519	6,394
TOTAL	649,147	446,325
OTHER PROPERTY AND INVESTMENTS		
Non-utility property - at cost (less accumulated depreciation)	4,516	4,527
Escrow accounts	41,147	48,886
TOTAL	45,663	53,413
UTILITY PLANT		
Electric	6,922,046	6,613,109
Construction work in progress	175,629	95,452
TOTAL UTILITY PLANT	7,097,675	6,708,561
Less - accumulated depreciation and amortization	2,242,272	2,127,590
UTILITY PLANT - NET	4,855,403	4,580,971
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	516,262	462,432
Other	19,881	14,248
TOTAL	536,143	476,680
TOTAL ASSETS	\$6,086,356	\$5,557,389

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$250,000	\$—
Accounts payable:		
Associated companies	80,635	42,929
Other	126,364	113,000
Customer deposits	89,084	86,167
Taxes accrued	93,731	106,273
Interest accrued	28,454	17,283
Other	23,160	36,731
TOTAL	691,428	402,383
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	773,775	720,097
Accumulated deferred investment tax credits	11,599	10,913
Regulatory liability for income taxes - net	204,353	212,445
Other regulatory liabilities	89,087	49,313
Asset retirement cost liabilities	10,750	10,315
Accumulated provisions	37,567	38,028
Pension and other postretirement liabilities	40,402	59,065
Long-term debt	2,180,783	2,179,989
Other	43,250	35,273
TOTAL	3,391,566	3,315,438
Commitments and Contingencies		
EQUITY		
Member's equity	2,002,884	1,839,568
Noncontrolling interest	478	—
TOTAL	2,003,362	1,839,568
TOTAL LIABILITIES AND EQUITY	\$6,086,356	\$5,557,389
See Notes to Financial Statements.		

ENTERGY MISSISSIPPI, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	<u>Noncontrolling Interest</u>	<u>Member's Equity</u> (In Thousands)	<u>Total</u>
Balance at December 31, 2020	\$—	\$1,672,734	\$1,672,734
Net income	—	25,972	25,972
Balance at March 31, 2021	—	1,698,706	1,698,706
Net income	—	51,416	51,416
Balance at June 30, 2021	—	1,750,122	1,750,122
Net income	—	62,595	62,595
Balance at September 30, 2021	\$—	\$1,812,717	\$1,812,717
Balance at December 31, 2021	\$—	\$1,839,568	\$1,839,568
Net income	—	30,355	30,355
Balance at March 31, 2022	—	1,869,923	1,869,923
Net income	—	48,955	48,955
Capital contribution from noncontrolling interest	9,595	—	9,595
Balance at June 30, 2022	9,595	1,918,878	1,928,473
Net income (loss)	(9,117)	84,006	74,889
Balance at September 30, 2022	\$478	\$2,002,884	\$2,003,362

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Third Quarter 2022 Compared to Third Quarter 2021

Net income increased \$10.9 million primarily due to higher retail electric price and higher volume/weather, partially offset by higher other operation and maintenance expenses.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Net income increased \$39.2 million primarily due to higher retail electric price and higher volume/weather, partially offset by higher interest expense, higher depreciation and amortization expense, and higher other operation and maintenance expenses.

Operating Revenues

Third Quarter 2022 Compared to Third Quarter 2021

Following is an analysis of the change in operating revenues comparing the third quarter 2022 to the third quarter 2021:

	Amount
	(In Millions)
2021 operating revenues	\$211.2
Fuel, rider, and other revenues that do not significantly affect net income	61.4
Retail electric price	13.6
Volume/weather	5.5
2022 operating revenues	\$291.7

Entergy New Orleans’s results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. “Fuel, rider, and other revenues that do not significantly affect net income” includes the revenue variance associated with these items.

The retail electric price variance is primarily due to rate increases effective November 2021 and September 2022, each in accordance with the terms of the 2021 and 2022 formula rate plan filings. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan filings.

The volume/weather variance is primarily due to increases in weather-adjusted residential and commercial usage, partially offset by the effect of less favorable weather on residential and commercial sales. The increase in weather-adjusted residential usage was primarily due to the effect of Hurricane Ida in third quarter 2021. The increase in weather-adjusted commercial usage was primarily due to the effect of the COVID-19 pandemic on businesses in third quarter 2021.

Total electric energy sales for Entergy New Orleans for the three months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	702	655	7
Commercial	561	545	3
Industrial	109	114	(4)
Governmental	222	203	9
Total retail	1,594	1,517	5
Sales for resale:			
Non-associated companies	499	653	(24)
Total	2,093	2,170	(4)

See Note 13 to the financial statements herein for additional discussion of Entergy New Orleans's operating revenues.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Following is an analysis of the change in operating revenues comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021:

	Amount
	(In Millions)
2021 operating revenues	\$559.3
Fuel, rider, and other revenues that do not significantly affect net income	129.8
Retail electric price	33.9
Volume/weather	21.2
2022 operating revenues	\$744.2

Entergy New Orleans's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to a rate increase effective November 2021 in accordance with the terms of the 2021 formula rate plan filing. 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 in weather-adjusted residential usage, an increase in commercial usage, and the effect of more favorable weather on residential sales. The increase in weather-adjusted residential usage was primarily due to the effect of Hurricane Ida in 2021. The increase in commercial usage was primarily due to the effect of the COVID-19 pandemic on businesses in 2021.

Total electric energy sales for Entergy New Orleans for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	1,909	1,755	9
Commercial	1,569	1,498	5
Industrial	318	319	—
Governmental	606	574	6
Total retail	4,402	4,146	6
Sales for resale:			
Non-associated companies	1,820	1,271	43
Total	6,222	5,417	15

See Note 13 to the financial statements herein for additional discussion of Entergy New Orleans's operating revenues.

Other Income Statement Variances

Third Quarter 2022 Compared to Third Quarter 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$4.7 million in bad debt expense, including the deferral in 2021 of bad debt expense resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic;
- an increase of \$3.4 million in power delivery expenses primarily due to higher reliability costs and higher vegetation maintenance costs; and
- an increase of \$1.9 million in loss provisions.

The increase was partially offset by a decrease of \$5 million in non-nuclear generation expenses primarily due to a lower scope of work performed in 2022 as compared to the same period in 2021.

Taxes other than income taxes decreased primarily due to decreases in ad valorem taxes resulting from lower assessments and decreases in local franchise taxes.

Interest expense increased primarily due to the issuance of \$90 million of 4.19% Series mortgage bonds and the issuance of \$70 million of 4.51% Series mortgage bonds, each in November 2021.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$4.9 million in bad debt expense, including the deferral in 2021 of bad debt expense and increased write-offs of bad debt in 2022, each resulting from the COVID-19 pandemic. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory activity associated with the COVID-19 pandemic;

- an increase of \$4.1 million in power delivery expenses primarily due to higher vegetation maintenance costs, higher safety and training costs, and higher reliability costs, partially offset by a decrease in meter reading expenses as a result of the deployment of advanced metering systems; and
- an increase of \$2.8 million in loss provisions.

The increase was partially offset by a decrease of \$8 million in non-nuclear generation expenses primarily due to a lower scope of work performed in 2022, including during plant outages, as compared to the same period in 2021 and a decrease of \$1.9 million in energy efficiency expenses due to the timing of recovery from customers.

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

Interest expense increased primarily due to the issuance of \$90 million of 4.19% Series mortgage bonds and the issuance of \$70 million of 4.51% Series mortgage bonds, each in November 2021.

Income Taxes

The effective income tax rate was 27.1% for third quarter 2022. The difference in the effective income tax rate for third quarter 2022 versus the federal statutory rate of 21% was primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items.

The effective income tax rate was 25.1% for the nine months ended September 30, 2022. The difference in the effective income tax rate for the nine months ended September 30, 2022 versus the federal statutory rate of 21% was primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items and the amortization of excess accumulated deferred income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

The effective income tax rates were 26% for third quarter 2021 and 27.1% for the nine months ended September 30, 2021. The differences in the effective income tax rates for third quarter 2021 and the nine months ended September 30, 2021 versus the federal statutory rate of 21% were primarily due to state income taxes and the provision for uncertain tax positions, partially offset by certain book and tax differences related to utility plant items.

Income Tax Legislation

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Inflation Reduction Act of 2022.

Liquidity and Capital Resources

Cash Flow

Cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$42,862	\$26
Net cash provided by (used in):		
Operating activities	96,194	77,450
Investing activities	(130,584)	(59,423)
Financing activities	9,509	8,335
Net increase (decrease) in cash and cash equivalents	(24,881)	26,362
Cash and cash equivalents at end of period	\$17,981	\$26,388

Operating Activities

Net cash flow provided by operating activities increased \$18.7 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- higher collections from customers; and
- a decrease of \$4.5 million in pension contributions in 2022 as compared to prior period. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**” herein and in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

The increase was partially offset by:

- increased fuel costs, including the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements in the Form 10-K for a discussion of fuel and purchased power cost recovery;
- payments to vendors, including timing and increase in cost of operations; and
- an increase of \$11.2 million in storm spending in 2022, primarily due to Hurricane Ida restoration efforts. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Ida**” in the Form 10-K and Note 2 to the financial statements herein for a discussion of storm restoration efforts.

Investing Activities

Net cash flow used in investing activities increased \$71.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- \$83 million in receipts from storm reserve escrow accounts in 2021; and
- an increase of \$32 million in distribution construction expenditures primarily due to higher capital expenditures for storm restoration in 2022 and increased investment in the reliability and infrastructure of Entergy New Orleans’s distribution system, partially offset by lower spending in 2022 on advanced metering infrastructure. The increase in storm restoration spending is primarily due to Hurricane Ida restoration efforts. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Ida**” in the Form 10-K and Note 2 to the financial statements herein for a discussion of storm restoration efforts.

The increase was partially offset by money pool activity and a decrease of \$9.7 million in non-nuclear generation construction expenditures primarily due to a lower scope of work performed during plant outages in 2022.

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 \$36 million for the nine months ended September 30, 2022 compared to increasing by \$2 million for the nine months ended September 30, 2021. 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 \$1.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to a \$15 million advance received in 2022 in anticipation of Entergy New Orleans's construction of a New Orleans Sewerage and Water Board substation and money pool activity. The increase was partially offset by long-term credit borrowings of \$25 million in 2021.

Decreases in Entergy New Orleans's payable to the money pool are a use of cash flow, and Entergy New Orleans's payable to the money pool decreased \$10.2 million for the nine months ended September 30, 2021.

Capital Structure

Entergy New Orleans's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due an increase in equity resulting from retained earnings in 2022.

	September 30, 2022	December 31, 2021
Debt to capital	52.9 %	55.4 %
Effect of excluding securitization bonds	(0.7 %)	(1.0 %)
Debt to capital, excluding securitization bonds (a)	52.2 %	54.4 %
Effect of subtracting cash	(0.6 %)	(1.4 %)
Net debt to net capital, excluding securitization bonds (a)	51.6 %	53.0 %

(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, finance lease obligations, long-term debt, including the currently maturing portion, and the long-term payable due to an associated company. Capital consists of debt and 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.

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 is developing its capital investment plan for 2023 through 2025 and currently anticipates making \$555 million in capital investments during that period. The preliminary estimate includes investments in generation projects to modernize, decarbonize, and diversify Entergy New Orleans’s portfolio; distribution and Utility support spending to deliver reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

Entergy New Orleans’s receivables from or (payables to) the money pool were as follows:

September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
(In Thousands)			
\$433	\$36,410	\$1,995	(\$10,190)

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 June 2024. 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 September 30, 2022, there were no cash borrowings and no letters of credit outstanding under the credit 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 September 30, 2022, a \$1 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.

Hurricane Zeta

As discussed in the Form 10-K, in October 2020, Hurricane Zeta caused significant damage to Entergy New Orleans’s service area. The storm resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the power outages. In March 2021, Entergy New Orleans withdrew \$44 million from its funded storm reserves. In May 2021, Entergy New Orleans filed an application with the City Council requesting approval and certification that its system restoration costs associated with Hurricane Zeta of approximately \$36 million, which included \$7 million in estimated costs, were reasonable and necessary to enable Entergy New Orleans to restore electric service to its customers and Entergy New Orleans’s electric utility infrastructure. In May 2022 the City Council advisors issued a report recommending that the City Council find that Entergy New Orleans acted prudently in restoring service following Hurricane Zeta and approximately \$33 million in storm restoration costs were prudently incurred and recoverable. Additionally, the advisors concluded that approximately \$7 million of the \$44 million withdrawn from its funded storm reserve was in excess of Entergy New Orleans’s costs and should be considered in Entergy New Orleans’s application for certification of costs related to Hurricane Ida. In September 2022 the City Council issued a resolution finding that Entergy New Orleans’s system restoration costs were reasonable and necessary, and that Entergy New Orleans acted prudently in restoring electricity following Hurricane Zeta. The City Council also found that approximately \$33 million in storm costs were recoverable.

Hurricane Ida

As discussed in the Form 10-K, in August 2021, Hurricane Ida caused significant damage to Entergy New Orleans's service area, including Entergy's electrical grid. The storm resulted in widespread power outages, including the loss of 100% of Entergy New Orleans's load and damage to distribution and transmission infrastructure, including the loss of connectivity to the eastern interconnection. In September 2021, Entergy New Orleans withdrew \$39 million from its funded storm reserves. In June 2022, Entergy New Orleans filed an application with the City Council requesting approval and certification that storm restoration costs associated with Hurricane Ida of approximately \$170 million, which included \$11 million in estimated costs, were reasonable, necessary, and prudently incurred to enable Entergy New Orleans to restore electric service to its customers and to repair Entergy New Orleans's electric utility infrastructure. In addition, estimated carrying costs through December 2022 related to Hurricane Ida restoration costs were \$9 million. Also, Entergy New Orleans is requesting approval that the \$39 million withdrawal from its funded storm reserve in September 2021 and \$7 million in excess storm reserve escrow withdrawals related to Hurricane Zeta and prior miscellaneous storms are properly applied to Hurricane Ida storm restoration costs, the application of which reduces the amount to be recovered from Entergy New Orleans customers by \$46 million.

Additionally, as discussed in the Form 10-K, in February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans's storm reserve and increase the storm reserve funding level to \$150 million, to be funded through securitization. In August 2022 the City Council's advisors recommended that the City Council authorize a single securitization bond issuance to fund Entergy New Orleans's storm recovery reserves to an amount sufficient to: (1) allow recovery of all of Entergy New Orleans's unrecovered storm recovery costs following Hurricane Ida, subject to City Council review and certification; (2) provide initial funding of storm recovery reserves for future storms to a level of \$75 million; and (3) fund the storm recovery bonds' upfront financing costs. In September 2022, Entergy New Orleans and the City Council's advisors entered into an agreement in principle, which was approved by the City Council along with a financing order in October 2022, authorizing Entergy New Orleans to proceed with a single securitization bond issuance of \$206 million, with \$125 million interim recovery, subject to City Council review and certification, to be allocated to unrecovered Hurricane Ida storm recovery costs; \$75 million to provide for a storm recovery reserve for future storms; and the remainder to fund the recovery of storm recovery bonds' upfront financing costs. In November 2022 the City Council adopted a procedural schedule regarding the certification of the Hurricane Ida storm restoration costs in which the hearing officer shall certify the record for City Council consideration no later than August 2023.

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.

Retail Rates

2022 Formula Rate Plan Filing

In April 2022, Entergy New Orleans submitted to the City Council its formula rate plan 2021 test year filing. The 2021 test year evaluation report, subsequently updated in a July 2022 filing, produced an earned return on equity of 6.88% compared to the authorized return on equity of 9.35%. Entergy New Orleans sought approval of a \$42.1 million rate increase based on the formula set by the City Council in the 2018 rate case. The formula results in an increase in authorized electric revenues of \$34.1 million and an increase in authorized gas revenues of \$3.3 million. Entergy New Orleans also sought to commence collecting \$4.7 million in electric revenues that were previously approved by the City Council for collection through the formula rate plan. In July 2022 the City Council's advisors issued a report seeking a reduction to Entergy New Orleans's proposed increase of approximately \$17.1 million in total for electric and gas revenues. Effective with the first billing cycle of

September 2022, Entergy New Orleans implemented rates reflecting an amount agreed upon by Entergy New Orleans and the City Council including adjustments filed in the City Council's advisors' report, per the approved process for formula rate plan implementation. The total formula rate plan increase implemented was \$24.7 million, which includes an increase of \$18.2 million in electric revenues, \$4.7 million in previously approved electric revenues, and an increase of \$1.8 million in gas revenues. Additionally, credits of \$13.9 million funded by certain regulatory liabilities currently held by Entergy New Orleans for customers will be issued over an eight-month period beginning September 2022.

COVID-19 Orders

As discussed in the Form 10-K, in May 2020 the City Council issued an accounting order authorizing Entergy New Orleans to establish a regulatory asset for incremental COVID-19-related expenses. As of September 30, 2022, Entergy New Orleans had a regulatory asset of \$13.9 million for costs associated with the COVID-19 pandemic. As part of the agreed-upon terms of its 2022 formula rate plan filing, Entergy New Orleans will recover this regulatory asset over a five-year period beginning September 2023.

Reliability Investigation

As discussed in the Form 10-K, in April 2018 the City Council adopted a resolution directing Entergy New Orleans to demonstrate that it has been prudent in the management and maintenance of the reliability of its distribution system. The City Council also approved a resolution that opened a prudence investigation into whether Entergy New Orleans was imprudent for not acting sooner to address outages in New Orleans and whether fines should be imposed. In January 2019, Entergy New Orleans filed testimony in response to the prudence investigation asserting that it had been prudent in managing system reliability. In April 2019 the City Council advisors filed comments and testimony asserting that Entergy New Orleans did not act prudently in maintaining and improving its distribution system reliability in recent years and recommending that a financial penalty in the range of \$1.5 million to \$2 million should be assessed. Entergy New Orleans disagreed with the recommendation and submitted rebuttal testimony and rebuttal comments in June 2019. In November 2019 the City Council passed a resolution that penalized Entergy New Orleans \$1 million for alleged imprudence in the maintenance of its distribution system. In December 2019, Entergy New Orleans filed suit in Louisiana state court seeking judicial review of the City Council's resolution. In June 2022 the Orleans Civil District Court issued a written judgment that the penalty be set aside, reversed, and vacated. In August 2022 the Orleans Civil District Court granted a post-judgment motion to remand for the City Council to take actions consistent with its judgment.

Also in August 2022 the City Council approved a resolution establishing a 30-day comment period on proposed minimum reliability standards and an associated penalty mechanism. In September 2022, Entergy New Orleans filed comments to the proposed plan including a request for an additional round of comments.

System Resiliency and Storm Hardening

As discussed in the Form 10-K, in October 2021 the City Council passed a resolution and order establishing a docket and procedural schedule with respect to system resiliency and storm hardening. The docket will identify a plan for storm hardening and resiliency projects with other stakeholders. In July 2022, Entergy New Orleans filed with the City Council a response identifying a plan for storm hardening and resiliency projects, including microgrids, to be implemented over 10 years at an approximate cost of \$1.5 billion. In September 2022 the City Council approved a procedural schedule with final comments due April 2023.

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, impairment of long-lived assets, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the discussion of qualified pension and other postretirement benefits.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements in the Form 10-K for a discussion of new accounting pronouncements.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$262,904	\$192,946	\$641,634	\$491,855
Natural gas	28,759	18,283	102,550	67,449
TOTAL	291,663	211,229	744,184	559,304
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	81,847	34,940	180,059	88,462
Purchased power	88,103	75,360	227,661	201,207
Other operation and maintenance	38,806	34,483	116,173	113,638
Taxes other than income taxes	12,920	15,530	41,353	40,380
Depreciation and amortization	19,556	18,444	57,322	54,758
Other regulatory charges (credits) - net	5,452	4,126	14,991	9,831
TOTAL	246,684	182,883	637,559	508,276
OPERATING INCOME	44,979	28,346	106,625	51,028
OTHER INCOME				
Allowance for equity funds used during construction	396	433	316	1,067
Interest and investment income	215	18	307	32
Miscellaneous - net	(184)	(205)	766	(711)
TOTAL	427	246	1,389	388
INTEREST EXPENSE				
Interest expense	8,683	7,158	26,075	21,149
Allowance for borrowed funds used during construction	(215)	(192)	(255)	(475)
TOTAL	8,468	6,966	25,820	20,674
INCOME BEFORE INCOME TAXES	36,938	21,626	82,194	30,742
Income taxes	10,023	5,631	20,607	8,345
NET INCOME	\$26,915	\$15,995	\$61,587	\$22,397

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$61,587	\$22,397
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	57,322	54,758
Deferred income taxes, investment tax credits, and non-current taxes accrued	22,429	11,261
Changes in assets and liabilities:		
Receivables	(9,022)	(24,959)
Fuel inventory	(3,245)	79
Accounts payable	3,319	22,863
Taxes accrued	(4,241)	(1,699)
Interest accrued	(204)	(2,796)
Deferred fuel costs	(33,301)	4,280
Other working capital accounts	(5,973)	(7,025)
Provisions for estimated losses	8,409	(62,293)
Other regulatory assets	24,449	18,412
Other regulatory liabilities	(8,921)	11,757
Pension and other postretirement liabilities	(6,598)	(11,220)
Other assets and liabilities	(9,816)	41,635
Net cash flow provided by operating activities	96,194	77,450
INVESTING ACTIVITIES		
Construction expenditures	(163,403)	(139,153)
Allowance for equity funds used during construction	316	1,067
Changes in money pool receivable - net	35,977	(1,995)
Receipts from storm reserve escrow account	—	83,045
Payments to storm reserve escrow account	—	(7)
Changes in securitization account	(3,474)	(2,380)
Net cash flow used in investing activities	(130,584)	(59,423)
FINANCING ACTIVITIES		
Retirement of long-term debt	—	19,251
Changes in money pool payable - net	—	(10,190)
Other	9,509	(726)
Net cash flow provided by financing activities	9,509	8,335
Net increase (decrease) in cash and cash equivalents	(24,881)	26,362
Cash and cash equivalents at beginning of period	42,862	26
Cash and cash equivalents at end of period	\$17,981	\$26,388
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$25,231	\$23,015
Income taxes	\$—	\$324

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$426	\$26
Temporary cash investments	17,555	42,836
Total cash and cash equivalents	17,981	42,862
Securitization recovery trust account	5,473	1,999
Accounts receivable:		
Customer	104,201	69,902
Allowance for doubtful accounts	(9,392)	(13,282)
Associated companies	2,948	74,146
Other	6,611	13,668
Accrued unbilled revenues	38,661	25,550
Total accounts receivable	143,029	169,984
Deferred fuel costs	25,694	—
Fuel inventory - at average cost	6,190	2,945
Materials and supplies - at average cost	21,637	19,216
Prepayments and other	12,280	5,428
TOTAL	232,284	242,434
OTHER PROPERTY AND INVESTMENTS		
Non-utility property at cost (less accumulated depreciation)	1,050	1,016
TOTAL	1,050	1,016
UTILITY PLANT		
Electric	1,992,727	1,976,202
Natural gas	385,007	373,983
Construction work in progress	45,338	22,199
TOTAL UTILITY PLANT	2,423,072	2,372,384
Less - accumulated depreciation and amortization	809,858	774,309
UTILITY PLANT - NET	1,613,214	1,598,075
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Deferred fuel costs	4,080	4,080
Other regulatory assets (includes securitization property of \$16,350 as of September 30, 2022 and \$25,761 as of December 31, 2021)	224,168	248,617
Other	63,947	56,101
TOTAL	292,195	308,798
TOTAL ASSETS	\$2,138,743	\$2,150,323

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$170,000	\$—
Payable due to associated company	1,326	1,326
Accounts payable:		
Associated companies	57,512	45,057
Other	53,049	146,921
Customer deposits	31,020	28,539
Taxes accrued	144	4,385
Interest accrued	7,787	7,991
Deferred fuel costs	—	7,607
Current portion of unprotected excess accumulated deferred income taxes	—	1,906
Other	7,226	6,204
TOTAL	328,064	249,936
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	390,806	365,384
Accumulated deferred investment tax credits	16,277	16,306
Regulatory liability for income taxes - net	39,660	40,589
Asset retirement cost liabilities	—	4,032
Accumulated provisions	14,738	6,329
Long-term debt (includes securitization bonds of \$23,927 as of September 30, 2022 and \$29,661 as of December 31, 2021)	602,123	777,254
Long-term payable due to associated company	9,585	9,585
Other	37,188	42,193
TOTAL	1,110,377	1,261,672
Commitments and Contingencies		
EQUITY		
Member's equity	700,302	638,715
TOTAL	700,302	638,715
TOTAL LIABILITIES AND EQUITY	\$2,138,743	\$2,150,323
See Notes to Financial Statements.		

ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Member's Equity
	(In Thousands)
Balance at December 31, 2020	\$606,917
Net income	1,771
Balance at March 31, 2021	608,688
Net income	4,631
Balance at June 30, 2021	613,319
Net income	15,995
Balance at September 30, 2021	\$629,314
Balance at December 31, 2021	\$638,715
Net income	15,126
Balance at March 31, 2022	653,841
Net income	19,546
Balance at June 30, 2022	673,387
Net income	26,915
Balance at September 30, 2022	\$700,302
See Notes to Financial Statements.	

ENTERGY TEXAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Third Quarter 2022 Compared to Third Quarter 2021

Net income increased \$23.2 million primarily due to higher volume/weather and higher retail electric price, partially offset by higher other operation and maintenance expenses.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Net income increased \$76.2 million primarily due to higher volume/weather, higher retail electric price, and the recognition of the equity component of carrying costs as part of the securitization of the Hurricane Laura, Hurricane Delta, and Winter Storm Uri system restoration costs in April 2022. The increase was partially offset by higher other operation and maintenance expenses and higher depreciation and amortization expenses.

Operating Revenues

Third Quarter 2022 Compared to Third Quarter 2021

Following is an analysis of the change in operating revenues comparing the third quarter 2022 to the third quarter 2021:

	Amount
	(In Millions)
2021 operating revenues	\$541.6
Fuel, rider, and other revenues that do not significantly affect net income	85.7
Volume/weather	21.7
Retail electric price	10.6
2022 operating revenues	\$659.6

Entergy Texas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The volume/weather variance is primarily due to the effect of more favorable weather on residential and commercial sales, an increase in weather-adjusted residential and commercial usage, and an increase in industrial usage. The increase in weather-adjusted residential usage was primarily due to an increase in customers. The increase in weather-adjusted commercial usage was primarily due to the effect of the COVID-19 pandemic on businesses in third quarter 2021. The increase in industrial usage was primarily due to an increase in demand from cogeneration and small industrial customers and an increase in demand from expansion projects, primarily in the chemicals, transportation, and petroleum refining industries.

The retail electric price variance is primarily due to an increase in the transmission cost recovery factor rider effective March 2022 and an increase in the distribution cost recovery factor rider effective January 2022. See

Note 2 to the financial statements herein and in the Form 10-K for further discussion of the transmission and distribution cost recovery factor rider filings.

Total electric energy sales for Entergy Texas for the three months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	2,125	1,963	8
Commercial	1,416	1,316	8
Industrial	2,538	2,416	5
Governmental	77	69	12
Total retail	6,156	5,764	7
Sales for resale:			
Associated companies	—	324	(100)
Non-associated companies	127	191	(34)
Total	6,283	6,279	—

See Note 13 to the financial statements herein for additional discussion of Entergy Texas's operating revenues.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Following is an analysis of the change in operating revenues comparing the nine months ended September 30, 2022 to the nine months ended September 30, 2021:

	Amount
	(In Millions)
2021 operating revenues	\$1,452.3
Fuel, rider, and other revenues that do not significantly affect net income	121.3
Volume/weather	62.2
Retail electric price	39.1
System restoration carrying costs	21.7
2022 operating revenues	\$1,696.6

Entergy Texas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The volume/weather variance is primarily due to the effect of more favorable weather on residential sales, an increase in industrial usage, and an increase in weather-adjusted residential usage. The increase in industrial usage was primarily due to an increase in demand from cogeneration and small industrial customers, an increase in demand from expansion projects, primarily in the transportation and chemicals industries, and an increase in demand from existing customers, primarily in the transportation industry. The increase in weather-adjusted residential usage was primarily due to an increase in customers.

The retail electric price variance is primarily due to:

- increases in the transmission cost recovery factor rider effective March 2021 and March 2022;
- an increase in the distribution cost recovery factor rider effective January 2022; and
- the implementation of the generation cost recovery rider, which includes the first-year revenue requirement for the Montgomery County Power Station, effective in late January 2021.

See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the transmission and distribution cost recovery factor rider and generation cost recovery rider filings.

System restoration carrying costs represent the equity component of system restoration carrying costs, recorded in second quarter 2022, recognized as part of the securitization of the Hurricane Laura, Hurricane Delta, and Winter Storm Uri system restoration costs in April 2022. See Note 2 to the financial statements herein for a discussion of the securitization.

Total electric energy sales for Entergy Texas for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021	% Change
	(GWh)		
Residential	5,345	4,844	10
Commercial	3,706	3,420	8
Industrial	7,291	6,561	11
Governmental	207	190	9
Total retail	16,549	15,015	10
Sales for resale:			
Associated companies	279	983	(72)
Non-associated companies	432	824	(48)
Total	17,260	16,822	3

See Note 13 to the financial statements herein for additional discussion of Entergy Texas's operating revenues.

Other Income Statement Variances

Third Quarter 2022 Compared to Third Quarter 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$7.8 million in power delivery expenses primarily due to higher vegetation maintenance costs;
- an increase of \$2 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year; and
- several individually insignificant items.

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

Interest expense increased primarily due to the issuance of \$290.85 million of senior secured system restoration bonds in April 2022 and the issuance of \$325 million of 5.00% Series mortgage bonds in August 2022,

partially offset by the repayment, prior to maturity, of \$545.9 million of senior secured transition bonds as a result of payments made on the remaining principal balance in 2022.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Other operation and maintenance expenses increased primarily due to:

- an increase of \$11.7 million in power delivery expenses primarily due to higher vegetation maintenance costs and higher reliability costs;
- an increase of \$5.8 million in non-nuclear generation expenses primarily due to higher expenses associated with the Hardin County Peaking Facility, which was purchased in June 2021, and a higher scope of work performed in 2022 as compared to the same period in 2021;
- an increase of \$2.7 million in customer service center support costs primarily due to higher contract costs;
- an increase of \$2.4 million in compensation and benefits costs primarily due to the timing of incentive-based compensation accruals as compared to prior year; and
- several individually insignificant items.

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 2022.

Interest expense increased primarily due to the issuance of \$290.85 million of senior secured system restoration bonds in April 2022, partially offset by the repayment, prior to maturity, of \$545.9 million of senior secured transition bonds as a result of payments made on the remaining principal balance in 2022.

Income Taxes

The effective income tax rates were 14.4% for the third quarter 2022 and 13.5% for the nine months ended September 30, 2022. The differences in the effective income tax rates for the third quarter 2022 and the nine months ended September 30, 2022 versus the federal statutory rate of 21% were primarily due to the amortization of excess accumulated deferred income taxes and certain book and tax differences related to utility plant items. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

The effective income tax rates were 13.7% for the third quarter 2021 and 11.3% for the nine months ended September 30, 2021. The differences in the effective income tax rates for the third quarter 2021 and the nine months ended September 30, 2021 versus the federal statutory rate of 21% were primarily due to the amortization of excess accumulated deferred income taxes and certain book and tax differences related to utility plant items. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

Income Tax Legislation

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Inflation Reduction Act of 2022.

Liquidity and Capital Resources

Cash Flow

Cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$28	\$248,596
Net cash provided by (used in):		
Operating activities	224,735	254,980
Investing activities	(487,729)	(479,166)
Financing activities	477,070	(24,385)
Net increase (decrease) in cash and cash equivalents	214,076	(248,571)
Cash and cash equivalents at end of period	\$214,104	\$25

Operating Activities

Net cash flow provided by operating activities decreased \$30.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements herein for a discussion of fuel and purchased power cost recovery. The decrease was partially offset by higher collections from customers, the timing of payments to vendors, and a decrease of \$24.7 million in storm spending in 2022, primarily due to Hurricane Laura, Hurricane Delta, and Winter Storm Uri restoration efforts in 2021.

Investing Activities

Net cash flow used in investing activities increased \$8.6 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to the sale of a 7.56% partial interest in the Montgomery County Power Station in June 2021 for approximately \$67.9 million and cash collateral of \$31.2 million posted in 2022 to support Entergy Texas's obligations to MISO. The increase was partially offset by:

- a decrease of \$44.4 million in distribution construction expenditures primarily due to lower capital expenditures for storm restoration in 2022, partially offset by higher capital expenditures as a result of increased development in Entergy Texas's service area. The decrease in storm restoration spending is primarily due to Hurricane Laura and Hurricane Delta restoration efforts in 2021;
- the purchase of the Hardin County Peaking Facility in June 2021 for approximately \$36.7 million; and
- a decrease of \$26.6 million in non-nuclear generation construction expenditures primarily due to higher spending in 2021 on the Montgomery County Power Station project.

Financing Activities

Entergy Texas's financing activities provided \$477.1 million of cash for the nine months ended September 30, 2022 compared to using \$24.4 million for the nine months ended September 30, 2021 primarily due to the following activity:

- the issuance of \$325 million of 5.00% Series mortgage bonds in August 2022;
- the issuance of \$290.85 million of senior secured system restoration bonds in April 2022;
- the repayment, prior to maturity, of \$125 million of 2.55% Series mortgage bonds in May 2021;

- the repayment, at maturity, of \$75 million of 4.10% Series mortgage bonds in September 2021;
- the issuance of \$130 million of 1.50% Series mortgage bonds in August 2021;
- money pool activity; and
- a capital contribution of \$85 million received from Entergy Corporation in April 2021 in order to maintain Entergy Texas's capital structure and in anticipation of various upcoming capital expenditures.

Decreases in Entergy Texas's payable to the money pool are a use of cash flow, and Entergy Texas's payable to the money pool decreased \$79.6 million for the nine months ended September 30, 2022 compared to increasing by \$20.1 million for the nine months ended September 30, 2021. 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 Texas's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the issuance of long-term debt in 2022, partially offset by an increase in equity resulting from retained earnings.

	September 30, 2022	December 31, 2021
Debt to capital	51.5 %	48.7 %
Effect of excluding the securitization bonds	(2.6 %)	(0.5 %)
Debt to capital, excluding securitization bonds (a)	48.9 %	48.2 %
Effect of subtracting cash	(2.1 %)	— %
Net debt to net capital, excluding securitization bonds (a)	46.8 %	48.2 %

(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 finance lease obligations and long-term debt, including the currently maturing portion. Capital consists of debt and 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 is developing its capital investment plan for 2023 through 2025 and currently anticipates making \$3.4 billion in capital investments during that period. The preliminary estimate includes investments in generation projects to modernize, decarbonize, and diversify Entergy Texas's portfolio, including Orange County Advanced Power Station; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion;

and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

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

September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
(In Thousands)			
\$5,146	(\$79,594)	(\$20,075)	\$4,601

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

Entergy Texas has a credit facility in the amount of \$150 million scheduled to expire in June 2027. 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 September 30, 2022, there were no cash borrowings and \$1.1 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 September 30, 2022, \$9.7 million in letters of credit were 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.

Orange County Advanced Power Station

As discussed in the Form 10-K, in September 2021, Entergy Texas filed an application seeking PUCT approval to amend Entergy Texas's certificate of convenience and necessity to construct, own, and operate the Orange County Advanced Power Station, a new 1,215 MW combined-cycle combustion turbine facility to be located in Bridge City, Texas at an initially-estimated expected total cost of \$1.2 billion inclusive of the estimated costs of the generation facilities, transmission upgrades, contingency, an allowance for funds used during construction, and necessary regulatory expenses, among others. The project includes combustion turbine technology with dual fuel capability, able to co-fire up to 30% hydrogen by volume upon commercial operation and upgradable to support 100% hydrogen operations in the future. In December 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. In March 2022 certain intervenors filed testimony opposing the hydrogen co-firing component of the proposed project and others filed testimony opposing the project outright. Also in March 2022 the PUCT staff filed testimony opposing the hydrogen co-firing component of the proposed project, but otherwise taking no specific position on the merits of the project. The PUCT staff also proposed that the PUCT establish a maximum amount that Entergy Texas may recover in rates attributable to the project. In April 2022, Entergy Texas filed rebuttal testimony addressing and rebutting these various arguments. Also in April 2022 the ALJs with the State Office of Administrative Hearings approved a continuance of the hearing on the merits from April 2022 to June 2022, providing Entergy Texas an opportunity to accelerate the determination and fixing of pricing for 60 days for the Orange County Advanced Power Station prior to the hearing. In May 2022, Entergy Texas obtained and provided to the parties an updated fixed pricing option of \$1.58 billion, available until mid-July 2022. The hearing on the merits was held in June 2022, and post-hearing briefs were submitted in July 2022. In September 2022 the ALJs with the State Office of Administrative Hearings issued a proposal for decision recommending the PUCT approve Entergy Texas's application for certification of Orange County Advanced Power Station subject to certain conditions, including a cap on cost recovery at \$1.37 billion, the exclusion of investment associated with co-firing hydrogen, weatherization requirements, and customer receipt of any contractual benefits associated with the facility's guaranteed heat rate. In October 2022 the parties in the proceeding filed exceptions and replies to exceptions to the proposal for decision. Also in October 2022, Entergy Texas filed with the PUCT information regarding a new fixed pricing option for an estimated project cost of approximately \$1.55 billion associated with Entergy Texas's issuance of limited notice to proceed by mid-November 2022. A final order by the PUCT is expected in the fourth quarter of 2022. Entergy Texas also is pursuing environmental permitting that is

required prior to the commencement of construction. Subject to receipt of required regulatory approvals, permits, and other conditions, the facility is expected to be in service by the end of 2026.

Hurricane Laura, Hurricane Delta, and Winter Storm Uri

As discussed in the Form 10-K, in August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to distribution and transmission infrastructure, and the loss of sales during the power outages. In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of certain system restoration costs, which were approved by the PUCT as eligible for securitization in December 2021. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement. As a result of the financing order, in first quarter 2022, Entergy Texas reclassified \$153 million from utility plant to other regulatory assets.

In April 2022, Entergy Texas Restoration Funding II, LLC, a company wholly-owned and consolidated by Entergy Texas, issued \$290.85 million of senior secured system restoration bonds (securitization bonds). With the proceeds, Entergy Texas Restoration Funding II purchased from Entergy Texas the transition property, which is the right to recover from customers through a system restoration charge amounts sufficient to service the securitization bonds. Entergy Texas began cost recovery through the system restoration charge effective with the first billing cycle of May 2022 and the system restoration charge is expected to remain in place up to 15 years. See Note 4 to the financial statements herein for a discussion of the April 2022 issuance of the securitization bonds.

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

2022 Base Rate Case

In July 2022, Entergy Texas filed a base rate case with the PUCT seeking a net increase in base rates of approximately \$131.4 million. The base rate case was based on a 12-month test year ending December 31, 2021. Key drivers of the requested increase are changes in depreciation rates as the result of a depreciation study and an increase in the return on equity. In addition, Entergy Texas included capital additions placed into service for the period of January 1, 2018 through December 31, 2021, including those additions currently reflected in the distribution and transmission cost recovery factor riders and the generation cost recovery rider, all of which would be reset to zero as a result of this proceeding. In July 2022, the PUCT referred the proceeding to the State Office of Administrative Hearings. In October 2022 intervenors filed direct testimony challenging and supporting various aspects of Entergy Texas's rate case application. The key issues addressed included the appropriate return on equity, generation plant deactivations, depreciation rates, and proposed tariffs related to electric vehicles. In November 2022 the PUCT staff filed direct testimony addressing a similar set of issues and recommending a reduction of \$50.7 million to Entergy Texas's overall cost of service associated with the requested net increase in base rates of approximately \$131.4 million. Entergy Texas will file rebuttal testimony in November 2022. A hearing on the merits is scheduled for December 2022. If a settlement is not reached, a final decision by the PUCT is expected in second quarter 2023.

Distribution Cost Recovery Factor (DCRF) Rider

As discussed in the Form 10-K, in August 2021, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$40.2 million annually, or \$13.9 million in incremental annual revenues beyond Entergy Texas's then-effective DCRF rider based on its capital invested in distribution between September 1, 2020 and June 30, 2021. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in December 2021. In December 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding, including a motion for interim rates to take effect for usage on and after January 24, 2022. Also, in December 2021, the ALJ with the State Office of Administrative Hearings issued an order granting the motion for interim rates, which went into effect in January 2022, admitting evidence, and remanding the proceeding to the PUCT to consider the settlement. In March 2022 the PUCT issued an order approving the settlement.

Transmission Cost Recovery Factor (TCRF) Rider

As discussed in the Form 10-K, in October 2021, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately \$66.1 million annually, or \$15.1 million in incremental annual revenues beyond Entergy Texas's then-effective TCRF rider based on its capital invested in transmission between September 1, 2020 and July 31, 2021 and changes in approved transmission charges. In January 2022 the PUCT referred the proceeding to the State Office of Administrative Hearings. In February 2022 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2022. In February 2022 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting. In June 2022 the PUCT issued an order approving the settlement.

Generation Cost Recovery Rider

As discussed in the Form 10-K, in October 2020, Entergy Texas filed an application to establish a generation cost recovery rider to begin recovering a return of and on its generation capital investment in the Montgomery County Power Station through August 31, 2020, which was approved by the PUCT on an interim basis in January 2021. In March 2021, Entergy Texas filed to update its generation cost recovery rider to include its generation capital investment in Montgomery County Power Station after August 31, 2020 and an unopposed settlement agreement filed on behalf of the parties by Entergy Texas in October 2021 was approved by the PUCT in January 2022. In February 2022, Entergy Texas filed a relate-back rider to collect over five months an additional approximately \$5 million, which is the difference between the interim revenue requirement approved in January 2021 and the revenue requirement approved in January 2022 that reflects Entergy Texas's full generation capital investment and ownership in Montgomery County Power Station on January 1, 2021, plus carrying costs from January 2021 through January 2022 when the updated revenue requirement took effect. In April 2022, Entergy Texas and the PUCT staff filed a joint proposed order that supports approval of Entergy Texas's as-filed request. The PUCT approved the relate-back rider consistent with Entergy Texas's as-filed request, and rates became effective over a five month period, in August 2022.

In December 2020, Entergy Texas also filed an application to amend its generation cost recovery rider to reflect its acquisition of the Hardin County Peaking Facility, which closed in June 2021. Because Hardin was to be acquired in the future, the initial generation cost recovery rider rates proposed in the application represented no change from the generation cost recovery rider rates established in Entergy Texas's previous generation cost recovery rider proceeding. In July 2021 the PUCT issued an order approving the application. In August 2021, Entergy Texas filed an update application to recover its actual investment in the acquisition of the Hardin County Peaking Facility. In September 2021 the PUCT referred the proceeding to the State Office of Administrative

Hearings. A procedural schedule was established with a hearing scheduled in April 2022. In January 2022, Entergy Texas filed an update to its application to align the requested revenue requirement with the terms of the generation cost recovery rider settlement approved by the PUCT in January 2022. In March 2022, Entergy Texas filed on behalf of the parties an unopposed motion, which motion was granted by the ALJ with the State Office of Administrative Hearings, to abate the procedural schedule indicating that the parties had reached an agreement in principle. In April 2022, Entergy Texas filed on behalf of the parties a unanimous settlement agreement that would adjust its generation cost recovery rider to recover an annual revenue requirement of approximately \$92.8 million, which is \$4.5 million in incremental annual revenue above the \$88.3 million approved in January 2022, related to Entergy Texas's actual investment in the acquisition of the Hardin County Peaking Facility. Concurrently with filing of the unanimous settlement agreement, Entergy Texas submitted an agreed motion to admit evidence and remand the case to the PUCT for review and consideration of the settlement agreement, which motion was granted by the ALJ with the State Office of Administrative Hearings. The PUCT approved the settlement agreement and rates became effective in August 2022. In September 2022, Entergy Texas filed a relate-back rider designed to collect over three months an additional approximately \$5.7 million, which is the revenue requirement, plus carrying costs, associated with Entergy Texas's acquisition of Hardin County Peaking Facility from June 2021 through August 2022 when the updated revenue requirement took effect.

COVID-19 Orders

As discussed in the Form 10-K, in March 2020 the PUCT authorized electric utilities to record as a regulatory asset expenses resulting from the effects of the COVID-19 pandemic. In future proceedings, the PUCT will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary, the appropriate period of recovery, and any amount of carrying costs thereon. As of September 30, 2022, Entergy Texas had a regulatory asset of \$10.4 million for costs associated with the COVID-19 pandemic. As part of its 2022 base rate case filing, Entergy Texas requested recovery of its regulatory asset over a three-year period beginning December 2022.

Green Pricing Option Tariffs

In January 2022, Entergy Texas filed an application requesting approval to implement two voluntary renewable option tariffs, Rider Small Volume Renewable Option (Rider SVRO) and Rider Large Volume Renewable Option (Rider LVRO). Both tariffs are voluntary offerings that give customers the ability to match some or all of their monthly electricity usage with renewable energy credits that are purchased by Entergy Texas and retired on the customer's behalf. Voluntary participation in either Rider SVRO or Rider LVRO and the charges assessed under the respective tariff would be in addition to the charges paid by customers under their otherwise applicable rate schedules and riders. In April 2022, Entergy Texas filed on behalf of the parties an unopposed settlement agreement supporting approval of Entergy Texas's proposed green pricing option tariffs. As part of the settlement agreement, Entergy Texas agreed to revise the cost allocation between the rate tiers of Rider SVRO and committed to collaborating with and considering the input of customers to develop an asset-backed green tariff program. The PUCT approved the settlement agreement in August 2022.

Fuel and purchased power recovery

In May 2022, Entergy Texas filed an application with the PUCT to implement an interim fuel surcharge to collect the cumulative under-recovery of approximately \$51.7 million, including interest, of fuel and purchased power costs incurred from May 1, 2020 through December 31, 2021. The under-recovery balance is primarily attributable to the impacts of Winter Storm Uri, including historically high natural gas prices, partially offset by settlements received by Entergy Texas from MISO related to Hurricane Laura. Entergy Texas proposed that the interim fuel surcharge be assessed over a period of six months beginning with the first billing cycle after the PUCT issues a final order, but no later than the first billing cycle of September 2022. Also in May 2022, the PUCT referred the proceeding to the State Office of Administrative Hearings. In July 2022, Entergy Texas filed on behalf of the parties an unopposed settlement resolving all issues in the proceeding. In addition, Entergy Texas filed on

behalf of the parties a motion to admit evidence, to approve interim rates as requested in the initial application, and to remand the proceeding to the PUCT to consider the unopposed settlement. In August 2022 the ALJ with the State Office of Administrative Hearings issued an order granting Entergy Texas's motion, approving interim rates effective with the first billing cycle of September 2022, and remanding the case to the PUCT for final approval.

In September 2022, Entergy Texas filed an application with the PUCT to reconcile its fuel and purchased power costs for the period from April 2019 through March 2022. During the reconciliation period, Entergy Texas incurred approximately \$1.7 billion in eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. As of the end of the reconciliation period, Entergy Texas's cumulative under-recovery balance was approximately \$103.1 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2022, pending future surcharges or refunds as approved by the PUCT. A PUCT decision is expected in September 2023.

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 discussion of nuclear matters.

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.

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 Texas's accounting for utility regulatory accounting, impairment of long-lived assets, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. See "**Qualified Pension and Other Postretirement Benefits**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for updates to the discussion of qualified pension and other postretirement benefits.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Note 1 to the financial statements in the Form 10-K for a discussion of new accounting pronouncements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$659,556	\$541,632	\$1,696,629	\$1,452,286
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	113,154	92,843	247,929	269,270
Purchased power	208,703	155,723	564,809	425,784
Other operation and maintenance	83,014	68,973	230,580	202,743
Taxes other than income taxes	29,886	30,479	73,817	73,025
Depreciation and amortization	58,472	54,711	171,781	159,234
Other regulatory charges (credits) - net	8,072	10,029	43,917	51,122
TOTAL	501,301	412,758	1,332,833	1,181,178
OPERATING INCOME	158,255	128,874	363,796	271,108
OTHER INCOME				
Allowance for equity funds used during construction	3,616	1,836	9,375	6,951
Interest and investment income	1,062	204	1,597	632
Miscellaneous - net	(1,655)	(507)	(1,757)	(1,457)
TOTAL	3,023	1,533	9,215	6,126
INTEREST EXPENSE				
Interest expense	24,613	21,220	68,626	66,157
Allowance for borrowed funds used during construction	(1,218)	(738)	(3,150)	(2,797)
TOTAL	23,395	20,482	65,476	63,360
INCOME BEFORE INCOME TAXES	137,883	109,925	307,535	213,874
Income taxes	19,881	15,084	41,645	24,185
NET INCOME	118,002	94,841	265,890	189,689
Preferred dividend requirements	518	470	1,554	1,411
EARNINGS APPLICABLE TO COMMON STOCK	\$117,484	\$94,371	\$264,336	\$188,278

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$265,890	\$189,689
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	171,781	159,234
Deferred income taxes, investment tax credits, and non-current taxes accrued	57,532	31,518
Changes in assets and liabilities:		
Receivables	(63,743)	(50,538)
Fuel inventory	16,868	7,232
Accounts payable	77,740	20,506
Taxes accrued	2,520	6,003
Interest accrued	(4,832)	(12,808)
Deferred fuel costs	(273,644)	(103,013)
Other working capital accounts	(11,927)	(19,522)
Provisions for estimated losses	(414)	67
Other regulatory assets	(130,042)	72,760
Other regulatory liabilities	(23,014)	(21,469)
System restoration costs approved for securitization recognized as regulatory asset	153,383	—
Pension and other postretirement liabilities	(12,458)	(16,489)
Other assets and liabilities	(905)	(8,190)
Net cash flow provided by operating activities	224,735	254,980
INVESTING ACTIVITIES		
Construction expenditures	(469,630)	(541,161)
Allowance for equity funds used during construction	9,375	6,951
Proceeds from sale of assets	—	67,920
Payment for purchase of assets	—	(36,534)
Litigation proceeds from settlement agreement	4,134	—
Changes in money pool receivable - net	(5,146)	4,601
Changes in securitization account	4,698	19,057
Increase in other investments	(31,160)	—
Net cash flow used in investing activities	(487,729)	(479,166)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	606,444	127,931
Retirement of long-term debt	(54,257)	(269,435)
Capital contribution from parent	—	85,000
Changes in money pool payable - net	(79,594)	20,075
Preferred stock dividends paid	(1,542)	(1,411)
Other	6,019	13,455
Net cash flow provided by (used in) financing activities	477,070	(24,385)
Net increase (decrease) in cash and cash equivalents	214,076	(248,571)
Cash and cash equivalents at beginning of period	28	248,596
Cash and cash equivalents at end of period	\$214,104	\$25
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$71,311	\$77,110
Income taxes	\$1,085	\$11,710

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$5,290	\$28
Temporary cash investments	208,814	—
Total cash and cash equivalents	214,104	28
Securitization recovery trust account	21,931	26,629
Accounts receivable:		
Customer	141,972	83,797
Allowance for doubtful accounts	(2,989)	(5,814)
Associated companies	17,759	31,720
Other	17,608	13,404
Accrued unbilled revenues	79,887	62,241
Total accounts receivable	254,237	185,348
Deferred fuel costs	321,924	48,280
Fuel inventory - at average cost	25,844	42,712
Materials and supplies - at average cost	82,470	72,884
Prepayments and other	57,253	17,515
TOTAL	977,763	393,396
OTHER PROPERTY AND INVESTMENTS		
Investments in affiliates - at equity	262	300
Non-utility property - at cost (less accumulated depreciation)	376	376
Other	18,097	18,128
TOTAL	18,735	18,804
UTILITY PLANT		
Electric	7,259,010	7,181,567
Construction work in progress	285,907	183,965
TOTAL UTILITY PLANT	7,544,917	7,365,532
Less - accumulated depreciation and amortization	2,121,834	2,049,750
UTILITY PLANT - NET	5,423,083	5,315,782
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$274,933 as of September 30, 2022 and \$23,818 as of December 31, 2021)	551,375	421,333
Other	126,722	112,096
TOTAL	678,097	533,429
TOTAL ASSETS	\$7,097,678	\$6,261,411

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	\$73,558	\$142,929
Other	197,204	164,981
Customer deposits	38,503	37,271
Taxes accrued	51,538	49,018
Interest accrued	14,170	19,002
Current portion of unprotected excess accumulated deferred income taxes	2,660	27,188
Other	19,107	16,120
TOTAL	396,740	456,509
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	761,897	692,496
Accumulated deferred investment tax credits	8,864	9,325
Regulatory liability for income taxes - net	133,021	144,145
Other regulatory liabilities	49,698	37,060
Asset retirement cost liabilities	10,971	8,520
Accumulated provisions	7,828	8,242
Long-term debt (includes securitization bonds of \$287,229 as of September 30, 2022 and \$53,979 as of December 31, 2021)	2,907,947	2,354,148
Other	73,170	67,760
TOTAL	3,953,396	3,321,696
Commitments and Contingencies		
EQUITY		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2022 and 2021	49,452	49,452
Paid-in capital	1,050,125	1,050,125
Retained earnings	1,609,215	1,344,879
Total common shareholder's equity	2,708,792	2,444,456
Preferred stock without sinking fund	38,750	38,750
TOTAL	2,747,542	2,483,206
TOTAL LIABILITIES AND EQUITY	\$7,097,678	\$6,261,411

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

		Common Equity			
	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Total
	(In Thousands)				
Balance at December 31, 2020	\$35,000	\$49,452	\$955,162	\$1,117,964	\$2,157,578
Net income	—	—	—	50,058	50,058
Preferred stock dividends	—	—	—	(470)	(470)
Balance at March 31, 2021	35,000	49,452	955,162	1,167,552	2,207,166
Net income	—	—	—	44,790	44,790
Capital contribution from parent	—	—	85,000	—	85,000
Preferred stock dividends	—	—	—	(471)	(471)
Balance at June 30, 2021	35,000	49,452	1,040,162	1,211,871	2,336,485
Net income	—	—	—	94,841	94,841
Preferred stock dividends	—	—	—	(470)	(470)
Balance at September 30, 2021	<u>\$35,000</u>	<u>\$49,452</u>	<u>\$1,040,162</u>	<u>\$1,306,242</u>	<u>\$2,430,856</u>
Balance at December 31, 2021	\$38,750	\$49,452	\$1,050,125	\$1,344,879	\$2,483,206
Net income	—	—	—	50,403	50,403
Preferred stock dividends	—	—	—	(518)	(518)
Balance at March 31, 2022	38,750	49,452	1,050,125	1,394,764	2,533,091
Net income	—	—	—	97,485	97,485
Preferred stock dividends	—	—	—	(518)	(518)
Balance at June 30, 2022	38,750	49,452	1,050,125	1,491,731	2,630,058
Net income	—	—	—	118,002	118,002
Preferred stock dividends	—	—	—	(518)	(518)
Balance at September 30, 2022	<u>\$38,750</u>	<u>\$49,452</u>	<u>\$1,050,125</u>	<u>\$1,609,215</u>	<u>\$2,747,542</u>

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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. As discussed in "[**Complaints Against System Energy**](#)" below, System Energy is currently involved in proceedings at the FERC commenced by the retail regulators of its customers regarding its return on equity, its capital structure, its renewal of the sale-leaseback of 11.5% of Grand Gulf, the treatment of uncertain tax positions in rate base, the prudence of its operation of Grand Gulf, and the rates it charges under the Unit Power Sales Agreement.

Results of Operations

Net Income

Third Quarter 2022 Compared to Third Quarter 2021

Net income remained relatively unchanged, decreasing \$0.1 million, for the third quarter 2022 compared to the third quarter 2021.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

System Energy experienced a net loss of \$321.4 million in the nine months ended September 30, 2022 compared to net income of \$81.7 million for the nine months ended September 30, 2021 primarily due to a regulatory charge of \$551 million (\$413 million net-of-tax) recorded in the second quarter 2022 to reflect the effects of the partial settlement agreement and offer of settlement related to pending proceedings before the FERC. Partially offsetting the decrease in earnings was an increase in revenues resulting from changes in rate base. See Note 2 to the financial statements herein for discussion of the partial settlement agreement and offer of settlement.

Income Taxes

The effective income tax rates were 11% for the third quarter 2022 and 26.4% for the nine months ended September 30, 2022. The differences in the effective income tax rates for the third quarter 2022 and the nine months ended September 30, 2022 versus the federal statutory rate of 21% were primarily due to state income taxes, which included an adjustment to the amortization of state investment tax credits recorded in the third quarter 2022.

The effective income tax rate was 23.5% for the third quarter 2021. The difference in the effective income tax rate for the third quarter 2021 versus the federal statutory rate of 21% was primarily due to state income taxes.

The effective income tax rate was 7.7% for the nine months ended September 30, 2021. The difference in the effective income tax rate for the nine months ended September 30, 2021 versus the federal statutory rate of 21% was primarily due to the amortization of excess accumulated deferred income taxes, partially offset by state income taxes. See Note 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects of and regulatory activity regarding the Tax Cuts and Jobs Act.

Income Tax Legislation

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Inflation Reduction Act of 2022.

Liquidity and Capital Resources**Cash Flow**

Cash flows for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$89,201	\$242,469
Net cash provided by (used in):		
Operating activities	177,739	130,676
Investing activities	(118,663)	(75,603)
Financing activities	46,958	(134,400)
Net increase (decrease) in cash and cash equivalents	106,034	(79,327)
Cash and cash equivalents at end of period	\$195,235	\$163,142

Operating Activities

Net cash flow provided by operating activities increased \$47.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to income tax payments of \$39.1 million in 2021, timing of collections of receivables, and timing of payments to vendors, partially offset by an increase in spending of \$36.1 million on nuclear refueling outages in 2022 as compared to the same period in 2021. System Energy had income tax payments in 2021 as a result of the amended Mississippi tax returns filed based on federal adjustments related to the resolution of the 2014-2015 IRS audit, as well as a portion of the payments made in accordance with an intercompany income tax allocation agreement. See Note 3 to the financial statements in the Form 10-K for discussion of the 2014-2015 IRS audit.

Investing Activities

Net cash flow used in investing activities increased \$43.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to:

- an increase of \$66.4 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2022; and
- an increase of \$52.6 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.

The increase was 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 \$70.9 million for the nine months ended September 30, 2022 compared to increasing by \$8.3 million for the nine months ended September 30, 2021. 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 \$47 million of cash for the nine months ended September 30, 2022 compared to using \$134.4 million of cash for the nine months ended September 30, 2021 primarily due to:

- the repayment in February 2021 of \$100 million of 3.42% Series J notes by the System Energy nuclear fuel company variable interest entity; and
- a decrease of \$74 million in common stock dividends and distributions. No common stock dividends or distributions were made in 2022 in order to maintain System Energy's capital structure and in anticipation of the settlement with the MPSC.

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 debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the net loss in 2022.

	September 30, 2022	December 31, 2021
Debt to capital	50.6 %	40.4 %
Effect of subtracting cash	(7.1 %)	(3.0 %)
Net debt to net capital	43.5 %	37.4 %

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 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 is developing its capital investment plan for 2023 through 2025 and currently anticipates making \$510 million in capital investments during that period. The preliminary estimate includes amounts associated with Grand Gulf investments and initiatives.

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

September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
(In Thousands)			
\$4,802	\$75,745	\$12,338	\$4,004

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 June 2025. As of September 30, 2022, \$83.9 million in loans 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.

Complaints Against System Energy

See Note 2 to the financial statements in the Form 10-K for information regarding pending complaints against System Energy. The following are updates to that discussion. See "**System Energy Settlement with the MPSC**" below for discussion of a partial settlement agreement and offer of settlement related to the pending proceedings before the FERC.

Return on Equity and Capital Structure Complaints

As discussed in the Form 10-K, in March 2021 the FERC ALJ issued an initial decision in the proceeding against System Energy regarding the return on equity component of the Unit Power Sales Agreement. With regard to System Energy's authorized return on equity, the ALJ determined that the existing return on equity of 10.94% is no longer just and reasonable, and that the replacement authorized return on equity, based on application of the Opinion No. 569-A methodology, should be 9.32%. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (January 2017-April 2018) based on the difference between the current return on equity and the replacement authorized return on equity. The ALJ determined that the April 2018 complaint concerning the authorized return on equity should be dismissed, and that no refunds for a second fifteen-month refund period should be due. With regard to System Energy's capital structure, the ALJ determined that System Energy's actual equity ratio is excessive and that the just and reasonable equity ratio is 48.15% equity, based on the average equity ratio of the proxy group used to evaluate the return on equity for the second complaint. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (September 2018-December 2019) based on the difference between the actual equity ratio and the 48.15% equity ratio. If the ALJ's initial decision is upheld, the estimated refund for this proceeding is approximately \$62 million, which includes interest through September 30, 2022, and the estimated resulting annual rate reduction would be approximately \$34 million. The estimated refund will continue to accrue interest until a final FERC decision is issued.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. In April 2021, System Energy filed its brief on exceptions, in which it challenged the initial decision's findings on both the return on equity and capital structure issues. Also in April 2021 the LPSC, APSC, MPSC, City Council, and the FERC trial staff filed briefs on exceptions. Reply briefs opposing exceptions were filed in May 2021 by System Energy, the FERC trial staff, the

LPSC, APSC, MPSC, and the City Council. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

In August 2022 the D.C. Circuit Court of Appeals issued an order addressing appeals of FERC's Opinion No. 569 and 569-A, which established the methodology applied in the ALJ's initial decision in the proceeding against System Energy discussed above. The appellate order addressed the methodology for determining the return on equity applicable to transmission owners in MISO. The D.C. Circuit found FERC's use of the Risk Premium model as part of the methodology to be arbitrary and capricious, and remanded the case back to FERC. The remanded case is pending FERC action.

Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue

As discussed in the Form 10-K, in May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. A hearing was held before a FERC ALJ in November 2019. In April 2020 the ALJ issued the initial decision. Among other things, the ALJ determined that refunds were due on three main issues. First, with regard to the lease renewal payments, the ALJ determined that System Energy is recovering an unjust acquisition premium through the lease renewal payments, and that System Energy's recovery from customers through rates should be limited to the cost of service based on the remaining net book value of the leased assets, which is approximately \$70 million. The ALJ found that the remedy for this issue should be the refund of lease payments (approximately \$17.2 million per year since July 2015) with interest determined at the FERC quarterly interest rate, which would be offset by the addition of the net book value of the leased assets in the cost of service. The ALJ did not calculate a value for the refund expected as a result of this remedy. In addition, System Energy would no longer recover the lease payments in rates prospectively. Second, with regard to the liabilities associated with uncertain tax positions, the ALJ determined that the liabilities are accumulated deferred income taxes and that System Energy's rate base should have been reduced for those liabilities. If the ALJ's initial decision is upheld, the estimated refund for this issue through September 30, 2022 is approximately \$422 million, plus interest, which is approximately \$144 million through September 30, 2022. The ALJ also found that System Energy should include liabilities associated with uncertain tax positions as a rate base reduction going forward. Third, with regard to the depreciation expense adjustments, the ALJ found that System Energy should correct for the error in re-billings retroactively and prospectively, but that System Energy should not be permitted to recover interest on any retroactive return on enhanced rate base resulting from such corrections. If the initial decision is affirmed on this issue, System Energy estimates refunds of approximately \$20 million, which includes interest through September 30, 2022.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. The ALJ in the initial decision acknowledges that these are issues of first impression before the FERC. The case is pending before the FERC, which will review the case and issue an order on the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in whole or in part. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

LPSC Additional Complaints

As discussed in the Form 10-K, in May 2020 the LPSC authorized its staff to file additional complaints at the FERC related to the rates charged by System Energy for Grand Gulf energy and capacity supplied to Entergy Louisiana under the Unit Power Sales Agreement.

Unit Power Sales Agreement Complaint

The first of the additional complaints was filed by the LPSC, the APSC, the MPSC, and the City Council in September 2020. The first complaint raises two sets of rate allegations: violations of the filed rate and a

corresponding request for refunds for prior periods; and elements of the Unit Power Sales Agreement are unjust and unreasonable and a corresponding request for refunds for the 15-month refund period and changes to the Unit Power Sales Agreement prospectively. In May 2021 the FERC issued an order addressing the complaint, establishing a refund effective date of September 21, 2020, establishing hearing procedures, and holding those procedures in abeyance pending the FERC's review of the initial decision in the Grand Gulf sale-leaseback renewal complaint discussed above. System Energy agreed that the hearing should be held in abeyance but sought rehearing of the FERC's decision as related to matters set for hearing that were beyond the scope of the FERC's jurisdiction or authority. The complainants sought rehearing of the FERC's decision to hold the hearing in abeyance and filed a motion to proceed, which motion System Energy subsequently opposed. In June 2021, System Energy's request for rehearing was denied by operation of law, and System Energy filed an appeal of the FERC's orders in the Court of Appeals for the Fifth Circuit. The appeal was initially stayed for a period of 90 days, but the stay expired. In November 2021 the Fifth Circuit dismissed the appeal as premature.

In November 2021 the LPSC, the APSC, and the City Council filed direct testimony and requested the FERC to order refunds for prior periods and prospective amendments to the Unit Power Sales Agreement. The LPSC's refund claims include, among other things, allegations that: (1) System Energy should not have included certain sale-leaseback transaction costs in prepayments; (2) System Energy should have credited rate base to reflect the time value of money associated with the advance collection of lease payments; (3) System Energy incorrectly included refueling outage costs that were recorded in account 174 in rate base; and (4) System Energy should have excluded several accumulated deferred income tax balances in account 190 from rate base. The LPSC is also seeking a retroactive adjustment to retained earnings and capital structure in conjunction with the implementation of its proposed refunds. In addition, the LPSC seeks amendments to the Unit Power Sales Agreement going forward to address below-the-line costs, incentive compensation, the working capital allowance, litigation expenses, and the 2019 termination of the capital funds agreement. The APSC argues that: (1) System Energy should have included borrowings from the Entergy System money pool in its determination of short-term debt in its cost of capital; and (2) System Energy should credit customers with System Energy's allocation of earnings on money pool investments. The City Council alleges that System Energy has maintained excess cash on hand in the money pool and that retention of excess cash was imprudent. Based on this allegation, the City Council's witness recommends a refund of approximately \$98.8 million for the period 2004-September 2021 or other alternative relief. The City Council further recommends that the FERC impose a hypothetical equity ratio such as 48.15% equity to capital on a prospective basis.

In January 2022, System Energy filed answering testimony arguing that the FERC should not order refunds for prior periods or any prospective amendments to the Unit Power Sales Agreement. In response to the LPSC's refund claims, System Energy argues, among other things, that: (1) the inclusion of sale-leaseback transaction costs in prepayments was correct; (2) the filed rate doctrine bars the request for a retroactive credit to rate base for the time value of money associated with the advance collection of lease payments; (3) an accounting misclassification for deferred refueling outage costs has been corrected, caused no harm to customers, and requires no refunds; and (4) its accounting and ratemaking treatment of specified accumulated deferred income tax balances in account 190 has been correct. System Energy further responds that no retroactive adjustment to retained earnings or capital structure should be ordered because there is no general policy requiring such a remedy and there was no showing that the retained earnings element of the capital structure was incorrectly implemented. Further, System Energy presented evidence that all of the costs that are being challenged were long known to the retail regulators and were approved by them for inclusion in retail rates, and the attempt to retroactively challenge these costs, some of which have been included in rates for decades, is unjust and unreasonable. In response to the LPSC's proposed going-forward adjustments, System Energy presents evidence to show that none of the proposed adjustments are needed. On the issue of below-the-line expenses, during discovery procedures, System Energy identified a historical allocation error in certain months and agreed to provide a bill credit to customers to correct the error. In response to the APSC's claims, System Energy argues that the Unit Power Sales Agreement does not include System Energy's borrowings from the Entergy System money pool or earnings on deposits to the Entergy System money pool in the determination of the cost of capital; and accordingly, no refunds are appropriate on those issues. In response to the City Council's claims, System Energy argues that it has reasonably managed its cash and that the City Council's

theory of cash management is defective because it fails to adequately consider the relevant cash needs of System Energy and it makes faulty presumptions about the operation of the Entergy System money pool. System Energy further points out that the issue of its capital structure is already subject to pending FERC litigation.

In March 2022 the FERC trial staff filed direct and answering testimony in response to the LPSC, the APSC, and the City Council's direct testimony. In its testimony, the FERC trial staff recommends refunds for two primary reasons: (1) it concluded that System Energy should have excluded specified accumulated deferred income tax balances in account 190 associated with rate refunds; and (2) it concluded that System Energy should have excluded specified accumulated deferred income tax balances in account 190 associated with a deemed contract satisfaction and reissuance that occurred in 2005. The FERC trial staff recommends refunds of \$84.1 million, exclusive of any tax gross-up or FERC interest. In addition, the FERC trial staff recommends the following prospective modifications to the Unit Power Sales Agreement: (1) inclusion of a rate base credit to recognize the time value of money associated with the advance collection of lease payments; (2) exclusion of executive incentive compensation costs for members of the Office of the Chief Executive and long-term performance unit costs where awards are based solely or primarily on financial metrics; and (3) exclusion of unvested, accrued amounts for stock options, performance units, and restricted stock awards. With respect to issues that ultimately concern the reasonableness of System Energy's rate of return, the FERC trial staff states that it is unnecessary to consider such issues in this proceeding, in light of the pending case concerning System Energy's return on equity and capital structure. On all other material issues raised by the LPSC, the APSC, and the City Council, the FERC trial staff recommends either no refunds or no modification to the Unit Power Sales Agreement.

In April 2022, System Energy filed cross-answering testimony in response to the FERC trial staff's recommendations of refunds for the accumulated deferred income taxes issues and proposed modifications to the Unit Power Sales Agreement for the executive incentive compensation issues. In June 2022 the FERC trial staff submitted revised answering testimony, in which it recommended additional refunds associated with the accumulated deferred income tax balances in account 190 associated with a deemed contract satisfaction and reissuance that occurred in 2005. Based on the testimony revisions, the FERC trial staff's recommended refunds total \$106.6 million, exclusive of any tax gross-up or FERC awarded interest. Also in June 2022, System Energy filed revised and supplemental cross-answering testimony to respond to the changes in the FERC trial staff's testimony and oppose its revised recommendation.

In May 2022 the LPSC, the APSC, and the City Council filed rebuttal testimony. The LPSC's testimony asserts new claims, including that: (1) certain of the sale-leaseback transaction costs may have been imprudently incurred; (2) accumulated deferred income taxes associated with sale-leaseback transaction costs should have been included in rate base; (3) accumulated deferred income taxes associated with federal investment tax credits should have been excluded from rate base; (4) monthly net operating loss accumulated deferred income taxes should have been excluded from rate base; and (5) several categories of proposed rate changes, including executive incentive compensation, air travel, industry dues, and legal costs, also warrant historical refunds. The LPSC's rebuttal testimony argues that refunds for the alleged tariff violations and other claims must be calculated by rerunning the Unit Power Sales Agreement formula rate; however, it includes estimates of refunds associated with some, but not all, of its claims, totaling \$286 million without interest. The City Council's rebuttal testimony also proposes a new, alternate theory and claim for relief regarding System Energy's participation in the Entergy System money pool, under which it calculates estimated refunds of approximately \$51.7 million. The APSC's rebuttal testimony agrees with the LPSC's direct testimony that retained earnings should be adjusted in a comprehensive refund calculation. The testimony quantifies the estimated impacts of three issues: (1) a \$1.5 million reduction in the revenue requirement under the Unit Power Sales Agreement if System Energy's borrowings from the money pool are included in short-term debt; (2) a \$1.9 million reduction in the revenue requirement if System Energy's allocated share of money pool earnings are credited through the Unit Power Sales Agreement; and (3) a \$1.9 million reduction in the revenue requirement for every \$50 million of refunds ordered in a given year, without interest.

In June 2022 a new procedural schedule was adopted, providing for additional rounds of testimony, for the hearing to begin in September 2022, and for the initial decision to be issued in March 2023. In July 2022, System

Energy filed responsive rebuttal testimony responding to the new claims in the LPSC's and the City Council's rebuttal testimony. Also in July 2022 the LPSC filed supplemental rebuttal testimony responding to System Energy's revised cross-answering testimony, and System Energy filed responsive rebuttal testimony responding to that testimony. In August 2022 the LPSC filed responsive rebuttal testimony to System Energy's responsive rebuttal testimony. The hearing commenced in September 2022.

LPSC Petition for Writ of Mandamus

In August 2022 the LPSC filed a petition for a writ of mandamus asking the Fifth Circuit Court of Appeals to order the FERC to act within ninety days on certain pending proceedings, including the Grand Gulf prudence complaint, the return on equity and capital structure complaints, and the Grand Gulf sale-leaseback renewal complaint. In September 2022 the FERC and System Energy filed oppositions to the LPSC's petition, and the APSC and the City Council filed interventions in support of the petition. See Note 2 to the financial statements in the Form 10-K for further discussion of the complaints.

System Energy Formula Rate Annual Protocols Formal Challenge Concerning 2020 Calendar Year Bills

System Energy's Unit Power Sales Agreement includes formula rate protocols that provide for the disclosure of cost inputs, an opportunity for informal discovery procedures, and a challenge process. In February 2022, pursuant to the protocols procedures, the LPSC, the APSC, the MPSC, the City Council, and the Mississippi Public Utilities Staff filed with the FERC a formal challenge to System Energy's implementation of the formula rate during calendar year 2020. The formal challenge alleges: (1) that it was imprudent for System Energy to accept the IRS's partial acceptance of a previously uncertain tax position; (2) that System Energy should have delayed recording the result of the IRS's partial acceptance of the previously uncertain tax position until after internal tax allocation payments were made; (3) that the equity ratio charged in rates was excessive; (4) that sale-leaseback rental payments should have been excluded from rates; and (5) that all issues in the ongoing Unit Power Sales Agreement complaint proceeding should also be reflected in calendar year 2020 bills. While System Energy disagrees that any refunds are owed for the 2020 calendar year bills, the formal challenge estimates that the financial impact of the first through fourth allegations is approximately \$53 million in refunds, excluding interest which will be calculated after a FERC order is issued; it does not provide an estimate of the financial impact of the fifth allegation.

In March 2022, System Energy filed an answer to the formal challenge in which it requested that the FERC deny the formal challenge as a matter of law, or else hold the proceeding in abeyance pending the resolution of related dockets.

System Energy Settlement with the MPSC

In June 2022, System Energy, Entergy Mississippi, and additional named Entergy parties involved in thirteen docketed proceedings before the FERC filed with the FERC a partial settlement agreement and offer of settlement. The settlement memorializes the Entergy parties' agreement with the MPSC to globally resolve all actual and potential claims between the Entergy parties and the MPSC associated with those FERC proceedings and with System Energy's past implementation of the Unit Power Sales Agreement. The Unit Power Sales Agreement is a FERC-jurisdictional formula rate tariff for sales of energy and capacity from System Energy's owned and leased share of Grand Gulf to Entergy Mississippi, Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans. Entergy Mississippi purchases the greatest single amount, nearly 40% of System Energy's share of Grand Gulf, after its additional purchases from affiliates are considered. The settlement therefore limits System Energy's overall refund exposure associated with the identified proceedings because they will be resolved completely as between the Entergy parties and the MPSC.

The FERC proceedings that are resolved as between the Entergy parties and the MPSC include the return on equity and capital structure complaints, the Grand Gulf sale-leaseback renewal complaint and uncertain tax position

rate base issue, the Unit Power Sales Agreement complaint, and the Grand Gulf prudence complaint, all of which are discussed in Note 2 to the financial statements in the Form 10-K, and updated above. They also include the proceedings concerning System Energy's return of excess accumulated deferred income taxes after the Tax Cuts and Jobs Act and the proceedings established to address System Energy's October 2020 and December 2020 Federal Power Act section 205 filings to provide credits to customers related to the IRS's decision as to the uncertain decommissioning tax position, also as all discussed in Note 2 to the financial statements in the Form 10-K. The settlement also resolves the MPSC's involvement in the formal challenge filed by the retail regulators of System Energy's customers in connection with the implementation of the Unit Power Sales Agreement annual formula rate protocols for the 2020 test year, which is discussed above.

The settlement provides for a black-box refund of \$235 million from System Energy to Entergy Mississippi, which will be paid within 120 days of the settlement's effective date (either the date of the FERC approval of the settlement without material modification, or the date that all settling parties agree to accept modifications or otherwise modify the settlement in response to a proposed material modification by the FERC). In addition, beginning with the July 2022 service month, the settlement provides for Entergy Mississippi's bills from System Energy to be adjusted to reflect: an authorized rate of return on equity of 9.65%, a capital structure not to exceed 52% equity, a rate base reduction for the advance collection of sale-leaseback rental costs, and the exclusion of certain long-term incentive plan performance unit costs from rates.

The settlement is expressly contingent upon the approval of the FERC and the MPSC. It was approved by the MPSC in June 2022. The remaining retail regulators of Entergy's utility operating company purchasers under the Unit Power Sales Agreement (the APSC, the LPSC, and the City Council) may elect to join the settlement. If all of them elect to do so under the terms of the settlement, then the total black-box refund payment by System Energy would be \$588.25 million, and the prospective rate adjustments would apply to all purchasers under the Unit Power Sales Agreement.

If the FERC approves the settlement in accordance with its terms, then it will become binding upon the Entergy parties and the MPSC even if no additional retail regulators elect to join the settlement. The settlement will have no effect on the rights of non-settling parties to the identified FERC proceedings.

System Energy previously recorded a provision and associated liability of \$37 million for elements of the applicable litigation. In June 2022, System Energy recorded a regulatory charge of \$551 million (\$413 million net-of-tax), increasing the regulatory liability to \$588 million, which consists of \$235 million for the settlement with the MPSC and \$353 million for potential future refunds to Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans. In August 2022 comments on the settlement were filed by the APSC, the LPSC, the City Council, and the FERC trial staff. The APSC, the LPSC, and the City Council do not intend to join the settlement, but they do not oppose its approval as between the MPSC and the Entergy parties. The FERC trial staff concludes that the settlement is fair, reasonable, and in the public interest. Reply comments were filed in August 2022. System Energy requested an order from the FERC by November 2022.

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, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. See “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the discussion of qualified pension and other postretirement benefits. The following is an update to that discussion.

In the third quarter 2022, System Energy recorded a revision to its estimated decommissioning cost liability for Grand Gulf as a result of a revised decommissioning cost study. The revised estimate resulted in a \$5.4 million reduction in its decommissioning cost liability, along with a corresponding reduction in the related asset retirement obligation cost asset that will be depreciated over the remaining life of the unit.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements in the Form 10-K for a discussion of new accounting pronouncements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$179,800	\$154,319	\$485,048	\$433,378
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	12,125	15,279	31,658	46,211
Nuclear refueling outage expenses	6,483	6,867	17,730	20,377
Other operation and maintenance	69,719	54,709	168,308	154,716
Decommissioning	10,117	9,721	30,050	28,875
Taxes other than income taxes	7,430	7,268	22,431	21,061
Depreciation and amortization	38,742	25,991	106,442	79,953
Other regulatory charges (credits) - net	(8,324)	(1,707)	510,667	(7,707)
TOTAL	136,292	118,128	887,286	343,486
OPERATING INCOME (LOSS)	43,508	36,191	(402,238)	89,892
OTHER INCOME (DEDUCTIONS)				
Allowance for equity funds used during construction	1,536	1,546	6,164	4,012
Interest and investment income (loss)	3,669	11,839	(58)	36,871
Miscellaneous - net	(9,028)	(4,372)	(13,408)	(14,282)
TOTAL	(3,823)	9,013	(7,302)	26,601
INTEREST EXPENSE				
Interest expense	9,189	9,513	27,782	28,627
Allowance for borrowed funds used during construction	(246)	(261)	(982)	(678)
TOTAL	8,943	9,252	26,800	27,949
INCOME (LOSS) BEFORE INCOME TAXES	30,742	35,952	(436,340)	88,544
Income taxes	3,385	8,453	(114,981)	6,851
NET INCOME (LOSS)	\$27,357	\$27,499	(\$321,359)	\$81,693
See Notes to Financial Statements.				

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SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	2022	2021
	(In Thousands)	
OPERATING ACTIVITIES		
Net income (loss)	(\$321,359)	\$81,693
Adjustments to reconcile net income (loss) to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	163,043	151,345
Deferred income taxes, investment tax credits, and non-current taxes accrued	(129,093)	17,233
Changes in assets and liabilities:		
Receivables	(29,703)	(5,216)
Accounts payable	(7,193)	(4,292)
Taxes accrued	9,106	(35,063)
Interest accrued	(972)	(1,557)
Other working capital accounts	(34,961)	5,133
Other regulatory assets	(23,107)	71,486
Other regulatory liabilities	282,463	31,909
Pension and other postretirement liabilities	(14,704)	(20,721)
Other assets and liabilities	284,219	(161,274)
Net cash flow provided by operating activities	177,739	130,676
INVESTING ACTIVITIES		
Construction expenditures	(132,100)	(64,196)
Allowance for equity funds used during construction	6,164	4,012
Nuclear fuel purchases	(77,707)	(27,958)
Proceeds from the sale of nuclear fuel	18,845	21,657
Proceeds from nuclear decommissioning trust fund sales	273,108	769,979
Investment in nuclear decommissioning trust funds	(277,916)	(770,763)
Changes in money pool receivable - net	70,943	(8,334)
Net cash flow used in investing activities	(118,663)	(75,603)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	955,587	565,610
Retirement of long-term debt	(908,629)	(626,010)
Common stock dividends and distributions paid	—	(74,000)
Net cash flow provided by (used in) financing activities	46,958	(134,400)
Net increase (decrease) in cash and cash equivalents	106,034	(79,327)
Cash and cash equivalents at beginning of period	89,201	242,469
Cash and cash equivalents at end of period	\$195,235	\$163,142
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$30,231	\$30,335
Income taxes	\$—	\$39,085

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$350	\$87
Temporary cash investments	194,885	89,114
Total cash and cash equivalents	195,235	89,201
Accounts receivable:		
Associated companies	78,528	118,977
Other	6,212	7,003
Total accounts receivable	84,740	125,980
Materials and supplies - at average cost	129,376	127,093
Deferred nuclear refueling outage costs	40,289	10,123
Prepayments and other	4,381	1,870
TOTAL	454,021	354,267
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	1,086,261	1,385,254
TOTAL	1,086,261	1,385,254
UTILITY PLANT		
Electric	5,413,884	5,362,494
Construction work in progress	94,303	97,968
Nuclear fuel	187,663	171,438
TOTAL UTILITY PLANT	5,695,850	5,631,900
Less - accumulated depreciation and amortization	3,419,437	3,396,136
UTILITY PLANT - NET	2,276,413	2,235,764
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	418,653	395,546
Other	1,773	1,793
TOTAL	420,426	397,339
TOTAL ASSETS	\$4,237,121	\$4,372,624

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	2022	2021
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$250,037	\$50,329
Accounts payable:		
Associated companies	25,922	23,682
Other	59,673	62,573
Taxes accrued	42,024	32,918
Interest accrued	10,742	11,714
Other	4,100	4,101
TOTAL	392,498	185,317
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	255,791	382,931
Accumulated deferred investment tax credits	43,614	43,003
Regulatory liability for income taxes - net	108,662	113,165
Other regulatory liabilities	1,031,910	744,944
Decommissioning	1,032,276	1,007,603
Pension and other postretirement liabilities	61,400	76,104
Long-term debt	538,924	690,967
Other	2,045	37,230
TOTAL	3,074,622	3,095,947
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2022 and 2021	951,850	951,850
Retained earnings (accumulated deficit)	(181,849)	139,510
TOTAL	770,001	1,091,360
TOTAL LIABILITIES AND EQUITY	\$4,237,121	\$4,372,624

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

	Common Equity		
	Common Stock	Retained Earnings (Accumulated Deficit)	Total
	(In Thousands)		
Balance at December 31, 2020	\$951,850	\$128,696	\$1,080,546
Net income	—	23,864	23,864
Common stock dividends and distributions	—	(21,000)	(21,000)
Balance at March 31, 2021	951,850	131,560	1,083,410
Net income	—	30,330	30,330
Common stock dividends and distributions	—	(5,000)	(5,000)
Balance at June 30, 2021	951,850	156,890	1,108,740
Net income	—	27,499	27,499
Common stock dividends and distributions	—	(48,000)	(48,000)
Balance at September 30, 2021	<u>\$951,850</u>	<u>\$136,389</u>	<u>\$1,088,239</u>
Balance at December 31, 2021	\$951,850	\$139,510	\$1,091,360
Net income	—	31,432	31,432
Balance at March 31, 2022	951,850	170,942	1,122,792
Net loss	—	(380,148)	(380,148)
Balance at June 30, 2022	951,850	(209,206)	742,644
Net income	—	27,357	27,357
Balance at September 30, 2022	<u>\$951,850</u>	<u>(\$181,849)</u>	<u>\$770,001</u>

See Notes to Financial Statements.

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 Notes 1 and 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

See the risk factors discussed in “**Part I, Item 1A. RISK FACTORS**” in the Form 10-K, which could materially affect Entergy's and its Registrant Subsidiaries' business, financial condition, or future results. The information set forth in this report, including the risk factors presented below, updates and should be read in conjunction with the risk factors and information disclosed in the Form 10-K.

The completion of capital projects, including the construction of power generation facilities, and other capital improvements involve substantial risks. Should such efforts be unsuccessful, the financial condition, results of operations, or liquidity of Entergy and the Utility operating companies could be materially affected.

Entergy's and the Utility operating companies' ability to complete capital projects, including the construction of power generation facilities, or make other capital improvements, in a timely manner and within budget is contingent upon many variables and subject to substantial risks. These variables include, but are not limited to, project management expertise, escalating costs for materials, labor, and environmental compliance, reliance on suppliers for timely and satisfactory performance, and pandemic-related delays and cost increases. Delays in obtaining permits, shortages in materials and qualified labor, levels of public support or opposition, suppliers and contractors not performing as expected or required under their contracts and/or experiencing financial problems that inhibit their ability to fulfill their obligations under contracts, changes in the scope and timing of projects, poor quality initial cost estimates from contractors, the inability to raise capital on favorable terms, changes in commodity prices affecting revenue, fuel costs, or materials costs, downward changes in the economy, changes in law or regulation, including environmental compliance requirements, trade and tariff issues associated with imported solar panels, supply chain delays or disruptions, and other events beyond the control of the Utility operating companies may occur that may materially affect the schedule, cost, and performance of these projects. If these projects or other capital improvements are significantly delayed or become subject to cost overruns or cancellation, Entergy and the Utility operating companies could incur additional costs and termination payments, or face increased risk of potential write-off of the investment in the project. In addition, the Utility operating companies could be exposed to higher costs and market volatility, which could affect cash flow and cost recovery, should their respective regulators decline to approve the construction of the project or new generation needed to meet the reliability needs of customers at the lowest reasonable cost.

For further information regarding capital expenditure plans and other uses of capital in connection with capital projects, including the potential construction and/or purchase of additional generation supply sources within the Utility operating companies' service territory, see the “**Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital**” section of Management's Financial Discussion and Analysis for Entergy herein and in the Form 10-K and the “**Liquidity and Capital Resources - Uses of Capital**” section of Management's Financial Discussion and Analysis in the Form 10-K and the “**Liquidity and Capital Resources - Uses and Sources of Capital**” section of Management's Financial Discussion and Analysis herein for each of the Registrant Subsidiaries.

Recent U.S. tax legislation may materially adversely affect Entergy's financial condition, results of operations, and cash flows.

The Tax Cuts and Jobs Act of 2017, CARES Act of 2020, and the Inflation Reduction Act of 2022 significantly changed the U.S. Internal Revenue Code, including taxation of U.S. corporations, by, among other things, reducing the federal corporate income tax rate, limiting interest deductions, altering the expensing of capital expenditures, enacting a new corporate alternative minimum tax, and expanding federal tax credits for clean energy production. The interpretive guidance issued by the IRS and state tax authorities may be inconsistent with Entergy's own interpretation and the legislation could be subject to amendments, which could lessen or increase certain impacts of the legislation. In addition, the retail regulatory treatment of the expanded tax credits and corporate alternative minimum tax could materially impact Entergy's future cash flows, and this legislation could result in unintended consequences not yet identified that could have a material adverse impact on Entergy's financial results and future cash flows.

The tax rate decrease included in the Tax Cuts and Jobs Act required Entergy to record a regulatory liability for income taxes payable to customers. Such regulatory liability for income taxes is described in Note 3 to the financial statements in the Form 10-K. Depending on the outcome of IRS examinations or tax positions and elections that Entergy may make, Entergy and the Registrant Subsidiaries may be required to record additional charges or credits to income tax expense.

Based on current information and forecasts, Entergy and the Registrant Subsidiaries may be subject to the corporate alternative minimum tax included in the Inflation Reduction Act of 2022 beginning in 2026.

See Note 3 to the financial statements in the Form 10-K for discussion of the effects of the Tax Cuts and Jobs Act on 2019, 2020, and 2021 results of operations and financial condition, the provisions of the Tax Cuts and Jobs Act, and the uncertainties associated with accounting for the Tax Cuts and Jobs Act, and Note 2 to the financial statements in the Form 10-K for discussion of the regulatory proceedings that have considered the effects of the Tax Cuts and Jobs Act. See the **"Income Tax Legislation"** section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the effects of the Inflation Reduction Act of 2022.

Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity.

Entergy and its subsidiaries make judgments regarding the potential tax effects of various transactions and results of operations to estimate their obligations to taxing authorities. These tax obligations include income, franchise, real estate, sales and use, and employment-related taxes. These judgments include provisions for potential adverse outcomes regarding tax positions that have been taken. Entergy and its subsidiaries also estimate their ability to utilize tax benefits, including those in the form of carryforwards for which the benefits have already been reflected in the financial statements. Changes in federal, state, or local tax laws, adverse tax audit results or adverse tax rulings on positions taken by Entergy and its subsidiaries could negatively affect Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity. The intended and unintended consequences of recently enacted legislation could have a material adverse impact on Entergy's financial results and future cash flows. For further information regarding Entergy's income taxes, see Note 10 to the financial statements herein and Note 3 to the financial statements 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)
7/01/2022-7/31/2022	—	\$—	—	\$350,052,918
8/01/2022-8/31/2022	—	\$—	—	\$350,052,918
9/01/2022-9/30/2022	—	\$—	—	\$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 2022, Entergy withheld 79,738 shares of its common stock at \$110.35 per share, 77,207 shares of its common stock at \$111.16 per share, 35,940 shares of its common stock at \$111.77 per share, 1,219 shares of its common stock at \$109.01 per share, 577 shares of its common stock at \$106.62 per share, 232 shares of its common stock at \$110.77 per share, 87 shares of its common stock at \$109.01 per share, and 82 shares of its common stock at \$111.47 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.
- (b) Maximum amount of shares that may yet be repurchased relates only to the \$500 million plan and does not include an estimate of the amount of shares that may be purchased to fund the exercise of grants under the stock-based compensation plans.

Item 5. Other Information

Regulation of the Nuclear Power Industry

Following is an update 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

In March 2022 filings with the NRC were made reporting on decommissioning funding for Palisades and the Big Rock Point dry fuel storage facility. Those reports showed that decommissioning funding for those facilities met the NRC’s financial assurance requirements.

NRC Reactor Oversight Process

In September 2022 the NRC placed Waterford 3 in Column 2 based on an error associated with a radiation monitor calibration. Entergy corrected the issue with the radiation monitor in February 2022; however, Waterford 3 is expected to remain in Column 2 until the NRC conducts a supplemental inspection of Waterford 3 in accordance with its inspection procedures for nuclear plants in Column 2.

Environmental Regulation

Following are updates to the “**Environmental Regulation**” section of Part I, Item 1 of the Form 10-K.

National Ambient Air Quality Standards

See the Form 10-K for discussion of the National Ambient Air Quality Standards (NAAQS) set by the EPA in accordance with the Clean Air Act. Following are updates to that discussion.

Hazardous Air Pollutants

The EPA released the final Mercury and Air Toxics Standard (MATS) rule in December 2011, which had a compliance date, with a widely granted one-year extension, of April 2016. The required controls have been installed and are operational at all affected Entergy units. In May 2020 the EPA finalized a rule that finds that it is not “appropriate and necessary” to regulate hazardous air pollutants from electric steam generating units under the provisions of section 112(n) of the Clean Air Act. This is a reversal of the EPA’s previous finding requiring such regulation. The final appropriate and necessary finding does not revise the underlying MATS rule. Several lawsuits have been filed challenging the appropriate and necessary finding. In February 2021 the D.C. Circuit granted the EPA’s motion to hold the litigation in abeyance pending the agency’s review of the appropriate and necessary rule. In February 2022 the EPA issued a proposed rule revoking the 2020 rule and determining, again, that it is “appropriate and necessary” to regulate hazardous air pollutants. The EPA is seeking additional information, which it could use to further tighten the standard. Entergy will continue to monitor this situation.

Cross-State Air Pollution

As discussed in the Form 10-K, the Cross-State Air Pollution Rule (CSAPR) has been remanded to and modified by the EPA on multiple occasions. In April 2022 the EPA published a rule to address interstate transport for the 2015 ozone NAAQS which will increase the stringency of the CSAPR program in all four of the states where the Utility operating companies operate. If finalized as proposed, the rule will significantly reduce emission allowances and would likely require the installation of post-combustion nitrogen oxides (NO_x) emissions controls on any coal or large legacy gas units that will operate beyond 2026 and are not currently equipped with such controls. Fifteen Entergy-owned units, totaling approximately 9,370 MW of total unit capacity, are identified by the EPA for selective catalytic reduction retrofits. If all of these units were retrofitted as proposed, the EPA estimates that the capital cost is expected to be approximately \$1.6 billion. Additionally, the EPA is proposing controls on certain non-electric generating NO_x sources. Since releasing the proposed rule, the price for Group 3 allowances has increased significantly, reaching \$40,000 per allowance in late June 2022. Comments on the proposed rule were due in June 2022. MISO, other impacted regional transmission organizations, and various state public service commissions all filed comments expressing reliability concerns if the rule is finalized as proposed. Entergy filed individual comments which assert, in addition to other issues, that the EPA’s proposal represents over-control of the Entergy units in Arkansas and Mississippi; the EPA should consider an alternative approach or provide flexibility for units with a limited remaining useful life; the EPA should consult with regional transmission organizations to determine the reliability impacts of the proposed rule; and the EPA should consider and incorporate current economic trends, including inflation, into any benefit-costs analysis supporting the rule.

Regional Haze

As discussed in the Form 10-K, the second planning period (2018-2028) for the regional haze program required states to examine sources for impacts on visibility and to prepare State Implementation Plans (SIPs) by July 31, 2021 which the Arkansas Department of Energy and Environment, Division of Environmental Quality (ADEQ) did not meet, but has since submitted it to the EPA for review. The ADEQ reviewed Entergy's Independence plant, but determined that additional air emission controls would not be cost-effective considering the facility's commitment to cease coal-fired combustion by December 31, 2030.

The Texas Commission on Environmental Quality has completed its second-planning period SIP and submitted it to the EPA for review. There were no Entergy sources selected for additional emission controls. The Mississippi Department of Environmental Quality continues to develop its SIP, but there are no Entergy sources that are expected to be impacted.

In August 2022 the EPA issued findings of failure to submit regional haze SIPs to 15 states, including Louisiana and Mississippi. These findings were effective September 2022 and start the two-year period for the EPA to either approve a SIP submitted by the state or issue a final federal plan.

Greenhouse Gas Emissions

As discussed in the Form 10-K, in July 2019 the EPA released the Affordable Clean Energy Rule (ACE), which applies only to existing coal-fired electric generating units. The ACE determines that heat rate improvements are the best system of emission reductions and lists six candidate technologies for consideration by states at each coal unit. The rule and associated rulemakings by the EPA replace the Obama administration's Clean Power Plan, which established national emissions performance rates for existing fossil-fuel fired steam electric generating units and combustion turbines. The ACE rule provides states discretion in determining how the best system for emission reductions applies to individual units, including through the consideration of technical feasibility and the remaining useful life of the facility. In January 2021 the U.S. Court of Appeals for the D.C. Circuit vacated ACE. The court held that ACE relied on an incorrect interpretation of the Clean Air Act that the statute expressly forecloses emission reduction approaches, such as emissions trading and generating shifting, that cannot be applied at and to the individual source. The court remanded ACE to the EPA for further consideration and also vacated the repeal of the Clean Power Plan. In March 2021 the D.C. Circuit issued a partial mandate vacating the ACE rule, but withheld the mandate vacating the repeal of the Clean Power Plan pending the EPA's new rulemaking to regulate greenhouse gas emissions. Thus, there currently is no regulation in place with respect to greenhouse gas emissions from existing electric generating units and states are not expected to take further action to develop and submit plans at this time. In October 2021 the United States Supreme Court agreed to hear a challenge to the already vacated ACE rule. In June 2022 the United States Supreme Court held that the EPA could not use generation shifting as the best system of emission reduction under Section 111(d) of the Clean Air Act. The EPA does still have the authority to regulate greenhouse gas emissions, but those emissions reductions must be technology based. The EPA has announced its intent to propose a rule for existing power plants pursuant to the Clean Air Act by March 2023. The ultimate impact of the United States Supreme Court's decision cannot be determined at this time.

Federal Jurisdiction of Waters of the United States

In June 2020 the EPA's revised definition of waters of the United States in the Navigable Waters Protection Rule (NWPR) became effective, narrowing the scope of Clean Water Act jurisdiction, as compared to a 2015 definition which had been stayed by several federal courts. In August 2021 a federal district court vacated and remanded the NWPR for further consideration. The EPA and the U.S. Army Corps of Engineers (Corps) subsequently issued a statement that the agencies would revert to pre-2015 regulations pending a new rulemaking. In December 2021, the EPA and the Corps proposed a revised definition of waters of the United States by repealing the NWPR and codifying a definition that reflects the pre-2015 regulatory regime as interpreted by several United States Supreme Court decisions. Comments on the proposed rule were due in February 2022. In January 2022, despite pending rulemaking, the United States Supreme Court agreed to hear a case regarding the proper test under

previous Supreme Court decisions for determining jurisdiction of waters of the United States. The EPA intends to complete the rulemaking in two phases: finalize the December 2021 proposal and then issue a subsequent rulemaking that refines the rule as necessary based on the United States Supreme Court's decision.

Retail Rate Regulation

The following replaces the information provided in footnote (b) to the table providing rate base and other information in the “**Retail Rate Regulation**” section of Part I, Item 1 of the Form 10-K relating to the Entergy Louisiana (electric) rate base amount of \$13.6 billion: (b) Based on December 31, 2020 test year and includes approximately \$800 million for the Lake Charles Power Station and excludes \$300 million for the Washington Parish Energy Center, included in the capacity rider, \$100 million of transmission plant investment, included in the transmission rider, and \$300 million of distribution investment, included in the distribution rider.

Item 6. Exhibits

- 4(a) - Ninety-seventh Supplemental Indenture, dated as of August 1, 2022, to Mortgage and Deed of Trust of Entergy Louisiana, dated as of April 1, 1944 (4.70 to Form 8-K filed August 24, 2022 in 1-32718).
- 4(b) - Ninety-sixth Supplemental Indenture, dated as of August 1, 2022, to Indenture of Mortgage of Entergy Louisiana (as successor to Entergy Gulf States Louisiana), dated September 1, 1926 (4.69 to Form 8-K filed August 24, 2022 in 1-32718).
- 4(c) - Eighteenth Supplemental Indenture, dated as of August 1, 2022, to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.68 to Form 8-K filed August 24, 2022 in 1-32718).
- 4(d) - Officer's Certificate No. 25-B-19, dated August 18, 2022, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015, establishing the terms of Entergy Louisiana's Collateral Trust Mortgage Bonds, 4.75% Series (4.67 to Form 8-K filed August 24, 2022 in 1-32718).
- 4(e) - Officer's Certificate No. 20-B-15, dated August 22, 2022, supplemental to Indenture, Deed of Trust and Security Agreement of Entergy Texas, dated as of October 1, 2008, establishing the terms of Entergy Texas's First Mortgage Bonds, 5.00% Series (4.74 to Form 8-K filed August 25, 2022 in 1-34360).
- *10(a) - First Amended and Restated Entergy Corporation Non-Employee Director Cash Deferral Plan effective July 29, 2022.
- *10(b) - Second Amended and Restated 2019 Entergy Corporation Non-Employee Director Stock Program effective as of June 1, 2022.
- *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) -	<u>Rule 13a-14(a)/15d-14(a) Certification for System Energy.</u>
*31(n) -	<u>Rule 13a-14(a)/15d-14(a) Certification for System Energy.</u>
**32(a) -	<u>Section 1350 Certification for Entergy Corporation.</u>
**32(b) -	<u>Section 1350 Certification for Entergy Corporation.</u>
**32(c) -	<u>Section 1350 Certification for Entergy Arkansas.</u>
**32(d) -	<u>Section 1350 Certification for Entergy Arkansas.</u>
**32(e) -	<u>Section 1350 Certification for Entergy Louisiana.</u>
**32(f) -	<u>Section 1350 Certification for Entergy Louisiana.</u>
**32(g) -	<u>Section 1350 Certification for Entergy Mississippi.</u>
**32(h) -	<u>Section 1350 Certification for Entergy Mississippi.</u>
**32(i) -	<u>Section 1350 Certification for Entergy New Orleans.</u>
**32(j) -	<u>Section 1350 Certification for Entergy New Orleans.</u>
**32(k) -	<u>Section 1350 Certification for Entergy Texas.</u>
**32(l) -	<u>Section 1350 Certification for Entergy Texas.</u>
**32(m) -	<u>Section 1350 Certification for System Energy.</u>
**32(n) -	<u>Section 1350 Certification for System Energy.</u>
*101 INS -	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101 SCH -	Inline XBRL Schema Document.
*101 PRE -	Inline XBRL Presentation Linkbase Document.
*101 LAB -	Inline XBRL Label Linkbase Document.
*101 CAL -	Inline XBRL Calculation Linkbase Document.
*101 DEF -	Inline XBRL Definition Linkbase Document.
*104 -	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibits 101).

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.

** Furnished, not filed, herewith.

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, LLC
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, LLC
ENTERGY NEW ORLEANS, LLC
ENTERGY TEXAS, INC.
SYSTEM ENERGY RESOURCES, INC.

/s/ Reginald T. Jackson

Reginald T. Jackson
Senior Vice President and Chief Accounting Officer
(For each Registrant and for each as
Principal Accounting Officer)

Date: November 3, 2022

**FIRST AMENDED AND RESTATED ENTERGY CORPORATION
NON-EMPLOYEE DIRECTOR CASH DEFERRAL PLAN**

This First Amended and Restated Non-Employee Director Cash Deferral Plan (the “Amended CDP”) effective as of July 29, 2022 (the “Effective Date”) hereby amends and restates the Entergy Corporation Non-Employee Director Cash Deferral Plan established by Entergy Corporation (the “Company”) pursuant to the terms of the Entergy Corporation 2019 Omnibus Incentive Plan (the “2019 OIP”); the terms of which are incorporated into this Amended CDP. References in this Amended CDP to any specific 2019 OIP provision do not limit the applicability of any other 2019 OIP provision. This Amended CDP shall subject to its terms apply to deferrals of cash fees payable in respect of the period after the Effective Date. Capitalized terms used in this Amended CDP that are not otherwise defined shall have the meanings assigned to them in the 2019 OIP.

1. Eligibility. The only persons eligible to participate in the Amended CDP are members of the Board of Directors of the Company (the “Board”) who are not employees of a System Company (each, a “Non-Employee Director”).

2. Participation.

(a) Time of Election. Before the beginning of a calendar year, each eligible Non-Employee Director may elect to participate in the Amended CDP by directing that all or any part of their cash compensation (including fees payable for services as chair, lead director, or similar position, Board committee chair or a member of a committee of the Board) which otherwise would have been earned currently for services rendered as a Non-Employee Director (“Compensation”) during such calendar year shall be credited to a deferred notional compensation account (such account severally with respect to each calendar year, the “Account”). Any such election shall be irrevocable as of the last day of the calendar year preceding the year for which it is made. Any person who shall become a Non-Employee Director during any calendar year, and who was not a Non-Employee Director of the Company before the beginning of such calendar year, may elect, within 30 days after the Non-Employee Director’s term begins, to defer payment of all or any part of their Compensation earned during the remainder of such calendar year from and after the date of such election. Equity awards granted to the Non-Employee Directors may not be deferred pursuant to the terms of this Amended CDP.

(b) Form and Duration of Election. An election to participate in the Amended CDP shall be made by written notice filed with the Board as provided in Section 2(a) hereof. Such election shall specify the amount (all or a portion) of the Non-Employee Director’s Compensation to be deferred and the form of its distribution in accordance with Section 4 hereof. An election made with respect to a calendar year shall continue in effect for later calendar years unless and until the Non-Employee Director changes or terminates the election by written notice timely filed with the Board. Any such change or termination shall become effective with respect to Compensation earned from and after the first day of the calendar year following the calendar year in which such notice is given.

(c) Renewal. A Non-Employee Director who has terminated his election to participate may thereafter file another election to participate for the calendar year

subsequent to the filing of such election in accordance with the requirements of Section 2(a) hereof.

3. The Non-Employee Director's Account.

(a) As of the date the Non-Employee Director's Compensation would otherwise be payable, the Non-Employee Director's Account will be credited with a notional amount equal to the amount of such Compensation which the Non-Employee Director elected to defer.

(b) A Non-Employee Director may from time to time direct the investment of the Non-Employee Director's Account in one or more hypothetical investment alternatives made available by the Board from time to time, and, except as otherwise provided in Section 3(c), earnings or losses thereon shall be credited to the Non-Employee Director's Account in accordance with the valuation procedures under such investment alternatives. The Non-Employee Director shall make his or her investment elections, and changes thereto, in accordance with procedures established by the Board. Unless the Board determines otherwise, the investment alternatives available under the Amended CDP (and corresponding valuation procedures) shall, to the extent administratively practicable, mirror the alternatives that are made available from time to time under the Savings Plan of Entergy Corporation and Subsidiaries (or any successor thereto), but in all events including an investment alternative denominated in shares of Common Stock and excluding any investment window alternative. The provisions of Section 5 of the 2019 OIP (Equitable Adjustments) shall apply in respect of deemed Common Stock investments under this Amended CDP.

(c) If the Company declares a cash dividend in respect of holders of Common Stock, each Non-Employee Director's Account, to the extent deemed invested in Common Stock, shall be credited on the dividend payment date with a dividend equivalent equal in value to the per-share cash dividend paid to a holder of record multiplied by the number of shares of Common Stock then deemed credited to the Non-Employee Director's Account, and such dividend equivalent shall then be deemed immediately invested in a number of shares of Common Stock equal to the quotient of such dividend equivalent amount divided by the Fair Market Value of a share of Common Stock on the dividend payment date.

4. Distribution from Accounts.

(a) Lump Sum Distribution. Unless a Non-Employee Director elects to receive the distribution of the value of the Non-Employee Director's Account in accordance with the provisions of Section 4(b), upon the Non-Employee Director's separation from service with the Board (within the meaning of Section 409A of the Code, a "Separation"), the Company shall pay to the Non-Employee Director (or, upon a Separation by reason of death, to the Non-Employee Director's designated beneficiary on file with the Company's Secretary or estate if none) the value of the Non-Employee Director's Account in a lump sum in cash as soon as administratively practicable following the Non-Employee Director's Separation.

(b) Installment Distribution. A Non-Employee Director may elect to receive distribution of the value of the Non-Employee Director's Account in annual installments. If such an election is made, commencing on the first day of the month next following the Non-Employee Director's Separation, and thereafter for the four consecutive anniversary dates of such date (each an "Annual Installment Date"), the Non-Employee Director shall receive an annual installment payment as follows:

i) Timing. Each annual installment shall be paid in cash within thirty (30) days after the applicable Annual Installment Date.

ii) Each annual installment represents a proportionate share of the remaining accumulated value in the Non-Employee Director's Account based on the number of remaining annual installments to be paid. Accordingly, at Separation, the first annual installment shall equal one-fifth of the aggregate value of the Account at the first Annual Installment Date. The second annual installment shall equal one-fourth of the aggregate value of the remaining Account at the second Annual Installment Date. The third annual installment shall equal one-third of the aggregate value of the remaining Account at the third Annual Installment Date. The fourth annual installment shall equal one-half of the aggregate value of the remaining Account at the fourth Annual Installment Date, and the fifth and final annual installment shall equal the remaining value of the Account at the fifth Annual Installment Date. Notwithstanding the foregoing, if a Non-Employee Director dies after Separation, but before all five annual installments have been paid, then the Non-Employee Director's remaining unpaid accumulated value in the Non-Employee Director's Account shall be distributed in a lump sum in cash to his or her designated beneficiary on file with the Company's Secretary or estate if none, as soon as administratively practicable following notice to the Company's Secretary of the Non-Employee Director's death.

5. Miscellaneous.

(a) The right of a Non-Employee Director to receive any amount in the Non-Employee Director's Account shall not be transferable or assignable by the Non-Employee Director other than by will or the laws of descent and distribution, and no part of such amount shall be subject to attachment or other legal process.

(b) The Amended CDP is intended to constitute an "unfunded" plan for incentive compensation. The Company shall not be required to reserve or otherwise set aside funds for the payment of its obligations hereunder. The establishment and maintenance of, or allocation and credits to, a Non-Employee Director's Account shall not vest in the Non-Employee Director or his beneficiary any right, title or interest in and to any specific assets of the Company. The rights of a Non-Employee Director to receive payments under this Amended CDP shall be no greater than the right of an unsecured general creditor of the Company.

(c) The Amended CDP shall be administered by the Board. The Board shall have the full discretion and power to interpret provisions of the Amended CDP, to prescribe, amend and rescind rules and regulations relating to the Amended CDP, to compute amounts to be credited to and distributed from Non-Employee Directors' Accounts, and to make all other determinations it deems necessary or advisable to administer the Amended CDP, with all such determinations being final and binding. The Board may delegate its rights and obligations hereunder as the Board shall determine.

(d) The Board may at any time terminate the Amended CDP or amend the Amended CDP in any manner it deems advisable and in the best interests of the Company; provided, however, that (i) no amendment or termination shall impair the rights of a Non-Employee Director with respect to amounts then credited to the Non-Employee Director's Account, and (ii) no amendment or termination shall accelerate or defer any payments or distributions that would have been made under the Amended CDP if it had not been amended or terminated, except to the extent that such acceleration or deferral could be made without subjecting the Non-Employee Directors to additional taxes under Section 409A of the Code.

(e) The Amended CDP shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state.

(f) The Amended CDP and the payments and benefits under the Amended CDP are intended to be exempt from or, to the extent subject thereto, to comply with Section 409A of the Code, and, accordingly, to the maximum extent permitted, the Amended CDP shall be interpreted in accordance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, a Non-Employee Director shall not be considered for purposes of the Amended CDP to have terminated service on the Board, and no payment shall be due to a Non-Employee Director under the Amended CDP, until the Non-Employee Director would be considered to have incurred a Separation from the Company and its affiliates within the meaning of Section 409A of the Code.

(g) If any provision of the Amended CDP is held to be invalid or unenforceable, the other provisions of the Amended CDP shall not be affected but shall be applied as if the invalid or unenforceable provision had not been included in the Amended CDP.

(h) The obligations of the Company under the Amended CDP shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

(i) The titles and headings of the sections in the Amended CDP are for convenience of reference only and do not form part of the Amended CDP.

**The Second Amended and Restated
2019 Entergy Corporation Non-Employee Director Stock Program**

1. General

This Second Amended and Restated 2019 Entergy Corporation Non-Employee Director Stock Program (the "Amended 2019 Stock Program") effective as of June 1, 2022 (the "Effective Date") hereby amends and restates the First Amended and Restated 2019 Entergy Corporation Non-Employee Director Stock Program established pursuant to Article 10 of the 2019 Entergy Corporation Omnibus Incentive Plan (the "2019 OIP"); the terms of which are incorporated into this Amended 2019 Stock Program. References in this Amended 2019 Stock Program to any specific 2019 OIP provision do not limit the applicability of any other 2019 OIP provision. This Amended 2019 Stock Program shall, along with the terms of the 2019 OIP, govern Awards granted after the Effective Date. Capitalized terms used in this Amended 2019 Stock Program that are not otherwise defined shall have the meanings assigned to them in the 2019 OIP. In the event of a conflict between the terms of the 2019 OIP and this Amended 2019 Stock Program, the terms of the 2019 OIP shall prevail.

2. Purpose

The purpose of the Amended 2019 Stock Program is to promote the interests of the Company and its shareholders by attracting and retaining Non-Employee Directors, as defined below, of outstanding ability and enabling Non-Employee Directors to participate in the long-term growth and financial success of the Company.

3. Eligibility

The only persons eligible to participate in this Amended 2019 Stock Program are members of the Board who are not employees of a System Company ("Non-Employee Directors").

4. Administration

Pursuant to Article 3 of the 2019 OIP, the Board shall administer the Amended 2019 Stock Program with respect to any Award granted to a Non-Employee Director; provided, however, that the Board may delegate its authority to administer the Amended 2019 Stock Program to any committee or subcommittee of the Board that is comprised solely of Non-Employee Directors.

5. Quarterly Stock Awards

5.1 Quarterly Stock Awards. Subject to the provisions of Section 4(a) and Article 10 of the 2019 OIP and Sections 6 and 7 of this Amended 2019 Stock Program, each Non-Employee Director shall receive on an Award Date (as defined in Section 5.3 below) a quarterly grant of shares of Common Stock equal in value to \$21,875 (the "Quarterly Stock Award") as of such Award Date for serving as a Non-Employee Director during the entire calendar quarter ending on, or immediately prior to, such Award Date. The number of shares of Common Stock granted on an Award Date shall be determined by dividing (a) \$21,875 by (b) the closing price of a share of Common Stock on the New York Stock Exchange ("NYSE") on such Award Date. Any fractional share that results from this determination shall be rounded up to the next whole share and shall be included in the applicable Quarterly Stock Award.

5.2 Consideration. Each Quarterly Stock Award is granted in exchange for services rendered during the calendar quarter ending on, or immediately prior to, the Award Date and does not require the payment of consideration.

5.3 Award Dates. Quarterly Stock Awards will be granted on the last day of May, August, November and February of each year or, if such date is a day on which the NYSE is not open for trading, the next succeeding NYSE trading day (each an "Award Date").

5.4 Proration. If a Non-Employee Director serves as a Non-Employee Director for less than the full calendar quarter ending on, or immediately prior to, an Award Date, the number of shares of Common Stock awarded to the Non-Employee Director on such Award Date shall be determined by multiplying the number of shares (including fractional shares) of Common Stock such Non-Employee Director would have received on such Award Date had he or she served as a Non-Employee Director for the full calendar quarter by a fraction, the numerator of which is the actual number of days (up to 90) the individual served as a Non-Employee Director during the applicable calendar quarter and the denominator of which is 90 days. Any fractional share that results from this determination shall be rounded up to the next whole share and shall be included in the pro-rated Quarterly Stock Award to the Non-Employee Director.

5.5 Employment by System Company. If a Non-Employee Director subsequently becomes an employee of a System Company while remaining a member of the Board, the former Non-Employee Director's participation in this Amended 2019 Stock Program will be terminated effective immediately upon his or her employment by the System Company. The change in the Non-Employee Director's employment status shall have no effect on Quarterly Stock Awards granted prior to his or her employment by a System Company; provided that the former Non-Employee Director shall be entitled to a pro-rated Quarterly Stock Award for the calendar quarter in which he or she becomes an employee of a System Company in accordance with Section 5.4 of the Amended 2019 Stock Program.

5.6 Taxes. If required by applicable law, the Non-Employee Director shall pay to the Company any amount necessary to satisfy applicable federal, state or local tax withholding requirements attributable to the Quarterly Stock Awards promptly upon notification of the amounts due. If required to pay withholding taxes, the Non-Employee Director may, to the extent consistent with the requirements of Code Section 409A and regulations thereunder, elect to pay such taxes from the shares of Common Stock that otherwise would be distributed to such Non-Employee Director, or from a combination of cash and shares of Common Stock. As provided in Section 4(b) of the 2019 OIP, Common Stock related to that portion of an Award utilized for the payment of withholding taxes shall not again be available for Awards under the 2019 OIP.

5.7 Delivery. The Company may deliver shares of Common Stock representing a Quarterly Stock Award by book-entry credit to the account of the Non-Employee Director or by the delivery of certificated shares. The Company may affix to these shares any legend that it determines to be necessary or advisable.

6 Deferral

In lieu of taking delivery of shares of Common Stock on an Award Date, a Non-Employee Director may elect to defer the receipt of such Quarterly Stock Award to a subsequent calendar year provided that he or she files an irrevocable written deferral election with the Board no later than the 31st day of December of the calendar year immediately preceding the calendar year in which the Non-Employee Director commences the services to which the Award Date relates. Accordingly, for those Quarterly Stock Awards granted with respect to the quarters ending on the last day of May, August and November, such deferral election must be filed by December 31 of the calendar year immediately preceding such Award Dates and, for those Quarterly Stock Awards granted with respect to quarters ending on the last day of February, such deferral election must be filed by December 31 of the second calendar year immediately preceding such Award Dates. Any person who shall become a Non-Employee Director during any calendar year, and who was not a Non-Employee Director of the Company before the beginning of such calendar year, may elect, within 30 days after the Non-Employee Director's term begins, to defer the receipt of the Quarterly Stock Awards earned during the remainder of such calendar year and the calendar quarter ending the last day of February of the succeeding calendar year from and after the date of such election Quarterly Stock Awards deferred pursuant to this Section 6 shall be deferred as equity units, each of which shall have the value, as of the Award Date, of one (1) share of Common Stock. Equity units do not represent actual shares of Common Stock and no shares of Common Stock will be purchased or acquired for the payout of any Quarterly Stock Award deferred under this Amended 2019 Stock Program. On each Award Date, the deferred equity units shall be credited to each Non-Employee Director's bookkeeping account maintained by the Company with respect to such Non-Employee Director's deferrals.

The Non-Employee Director's written deferral election must specify the date on which the deferred equity units will be paid ("Payment Date"), which Payment Date must be no earlier than January 2nd of the third calendar year immediately following the calendar year in which the applicable Award Date occurs. Quarterly Stock Awards deferred pursuant to this Section shall accrue dividend equivalents, which dividend equivalents will be paid on the Payment Date together with interest calculated at an annual rate based upon the 52-week U.S. Treasury Bill Rate as in effect on the first business day of each year. On each Payment Date, equity units deferred and elected to be paid out on such date shall be paid in cash in an amount equal to (a) the number of equity units outstanding on the Payment Date multiplied by the closing price of a share of Common Stock on the NYSE as of the close of business on the Payment Date or, if such Payment Date is a day on which the NYSE is not open for trading, the closing price of Common Stock on the next succeeding NYSE trading day, plus (b) the amount of all accrued dividend equivalents with respect to such equity units and (c) interest on the dividend equivalents through such Payment Date.

In the case of any Quarterly Stock Award deferred pursuant to this Section 6, no shares of Common Stock shall be purchased, distributed or contributed at the time of the deferral, and none of the Company, the 2019 OIP or this Amended 2019 Stock Program shall be required to set aside a fund or assets for the payment of any such deferred amount. No Non-Employee Director shall look to any other person or entity other than the Company for the payment of benefits under this Amended 2019 Stock Program. The Non-Employee Directors or any other person or entity having or claiming a right to payments hereunder shall rely solely on the unsecured obligation of the Company to the Non-Employee Director set forth herein. Nothing in this Amended 2019 Stock Program shall be construed to give a Non-Employee Director or any other person or entity any right, title, interest, or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever, owned by the Company or any of its Affiliates or in which the Company or any of its Affiliates may have any right, title or interest now or in the future. Each Non-Employee Director shall have the right to enforce his or her claim under the Amended 2019 Stock Program in the same manner as any other unsecured creditor of the Company and its Affiliates.

7. Miscellaneous

The Board reserves the right at any time to amend the terms and conditions set forth in this Amended 2019 Stock Program to the extent permitted under the 2019 OIP. Further, the Amended 2019 Stock Program is intended to comply with the requirements of Code Section 409A and the regulations thereunder and shall be administered in accordance with Code Section 409A and the regulations thereunder to the extent this Amended 2019 Stock Program is subject thereto. To the extent that any provision of the Amended 2019 Stock Program would conflict with the requirements of Code Section 409A and the regulations thereunder or would cause the administration of the 2019 Stock Program to fail to satisfy such requirements, such provision shall be deemed null and void to the extent permitted by applicable law. Each payment under this Amended 2019 Stock Program shall be deemed a separate payment for purposes of Code Section 409A.

The obligations of the Company under the Amended 2019 Stock Program shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

I have reviewed this quarterly report on Form 10-Q of Entergy Corporation;

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

Andrew S. Marsh
Chief Executive Officer
of Entergy Corporation

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

I have reviewed this quarterly report on Form 10-Q of Entergy Corporation;

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Corporation

Date: November 3, 2022

CERTIFICATIONS

I, Laura R. Landreaux, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Arkansas, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Laura R. Landreaux

Laura R. Landreaux

Chair of the Board, President, and

Chief Executive Officer of Entergy Arkansas, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Arkansas, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Arkansas, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Phillip R. May, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Louisiana, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Phillip R. May, Jr.

Phillip R. May, Jr.

Chairman of the Board, President, and Chief Executive
Officer of Entergy Louisiana, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Louisiana, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Louisiana, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Haley R. Fisackerly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Mississippi, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Haley R. Fisackerly

Haley R. Fisackerly

Chairman of the Board, President, and Chief Executive Officer
of Entergy Mississippi, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Mississippi, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Mississippi, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Deanna D. Rodriguez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy New Orleans, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Deanna D. Rodriguez

Deanna D. Rodriguez
Chair of the Board, President, and Chief Executive Officer
of Entergy New Orleans, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy New Orleans, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy New Orleans, LLC

Date: November 3, 2022

CERTIFICATIONS

I, Eliecer Viamontes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Texas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eliecer Viamontes

Eliecer Viamontes
Chairman of the Board, President, and Chief Executive Officer
of Entergy Texas, Inc.

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Entergy Texas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Texas, Inc.

Date: November 3, 2022

CERTIFICATIONS

I, Roderick K. West, certify that:

1. I have reviewed this quarterly report on Form 10-Q of System Energy Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Roderick K. West

Roderick K. West

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

Date: November 3, 2022

CERTIFICATIONS

I, Kimberly A. Fontan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of System Energy Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of System Energy Resources, Inc.

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Chief Executive Officer of Entergy Corporation (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

Andrew S. Marsh
Chief Executive Officer
of Entergy Corporation

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of Entergy Corporation (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Corporation

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Laura R. Landreaux, Chair of the Board, President, and Chief Executive Officer of Entergy Arkansas, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Laura R. Landreaux

Laura R. Landreaux
Chair of the Board, President, and Chief Executive
Officer of Entergy Arkansas, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of Entergy Arkansas, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Arkansas, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Phillip R. May, Jr., Chairman of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Phillip R. May, Jr.

Phillip R. May, Jr.

Chairman of the Board, President, and Chief Executive
Officer of Entergy Louisiana, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of Entergy Louisiana, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Louisiana, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Haley R. Fisackerly, Chairman of the Board, President, and Chief Executive Officer of Entergy Mississippi, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Haley R. Fisackerly

Haley R. Fisackerly
Chairman of the Board, President, and Chief Executive
Officer of Entergy Mississippi, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of Entergy Mississippi, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Mississippi, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Deanna D. Rodriguez, Chair of the Board, President, and Chief Executive Officer of Entergy New Orleans, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Deanna D. Rodriguez

Deanna D. Rodriguez
Chair of the Board, President, and Chief Executive
Officer of Entergy New Orleans, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of Entergy New Orleans, LLC (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy New Orleans, LLC

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eliecer Viamontes, Chairman of the Board, President, and Chief Executive Officer of Entergy Texas, Inc. (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Eliecer Viamontes

Eliecer Viamontes
Chairman of the Board, President, and Chief Executive Officer
of Entergy Texas, Inc.

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of Entergy Texas, Inc. (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial Officer
of Entergy Texas, Inc.

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Roderick K. West, Chairman of the Board, President, and Chief Executive Officer of System Energy Resources, Inc. (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Roderick K. West

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

Date: November 3, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kimberly A. Fontan, Executive Vice President and Chief Financial Officer of System Energy Resources, Inc. (the "Company"), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Kimberly A. Fontan

Kimberly A. Fontan
Executive Vice President and Chief Financial
Officer of System Energy Resources, Inc.

Date: November 3, 2022