

UNISYS CORP  
Form 10-Q  
November 01, 2013

**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, 2013**

**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 1-8729**

**UNISYS CORPORATION**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation or organization)**  
  
**801 Lakeview Drive, Suite 100**

**38-0387840**  
**(I.R.S. Employer**  
**Identification No.)**

**Blue Bell, Pennsylvania**  
**(Address of principal executive offices)**

**19422**  
**(Zip Code)**

**Registrant's telephone number, including area code: (215) 986-4011**

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Number of shares of Common Stock outstanding as of September 30, 2013: 43,912,250.

## Part I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

## UNISYS CORPORATION

## CONSOLIDATED BALANCE SHEETS (Unaudited)

(Millions)

	September 30, 2013	December 31, 2012
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 555.9	\$ 655.6
Accounts and notes receivable, net	572.7	670.2
Inventories:		
Parts and finished equipment	35.6	29.3
Work in process and materials	19.5	20.7
Deferred income taxes	17.0	21.6
Prepaid expenses and other current assets	126.6	115.0
Total	1,327.3	1,512.4
Properties		
Less-Accumulated depreciation and amortization	1,184.0	1,262.2
Properties, net	1,018.6	1,085.8
Properties, net		
	165.4	176.4
Outsourcing assets, net	119.2	126.3
Marketable software, net	125.1	124.2
Prepaid postretirement assets	27.7	3.3
Deferred income taxes	139.8	162.7
Goodwill	189.7	192.3
Other long-term assets	143.5	122.8
Total	\$ 2,237.7	\$ 2,420.4
<u>Liabilities and deficit</u>		
Current liabilities		
Current maturities of long-term debt	\$ .1	\$ .3
Accounts payable	218.6	228.6
Deferred revenue	343.1	389.5
Other accrued liabilities	353.9	411.9
Total	915.7	1,030.3

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Long-term debt	210.0	210.0
Long-term postretirement liabilities	2,404.8	2,553.5
Long-term deferred revenue	109.5	123.1
Other long-term liabilities	107.6	92.2
Commitments and contingencies		
<b>Deficit</b>		
6.25% mandatory convertible preferred stock, net of issuance costs, 2.6 shares issued	249.7	249.7
Common stock, shares issued: 2013; 44.9, 2012; 44.3	.4	.4
Accumulated deficit	(1,904.0)	(1,891.0)
Treasury stock, shares at cost: 2013; 1.0, 2012; .4	(61.3)	(48.8)
Paid-in capital	4,229.8	4,223.1
Accumulated other comprehensive loss	(4,045.8)	(4,133.6)
<b>Total Unisys stockholders' deficit</b>	<b>(1,531.2)</b>	<b>(1,600.2)</b>
<b>Noncontrolling interests</b>		
Entergy Louisiana, LLC	ü	
Entergy Mississippi, Inc.	ü	
Entergy New Orleans, LLC	ü	
Entergy Texas, Inc.	ü	
System Energy Resources, Inc.	ü	

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

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Common Stock Outstanding Outstanding at July 31, 2018

Entergy Corporation (\$0.01 par value) 180,855,032

Entergy Corporation, Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2017 and the Quarterly Report for Form 10-Q for the quarter ended March 31, 2018, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

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

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

- resolution of pending and future rate cases, formula rate proceedings and related negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs; long-term risks and uncertainties associated with the termination of the System Agreement in 2016, including the potential absence of federal authority to resolve certain issues among the Utility operating companies and their retail regulators;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ participation in MISO, including the benefits of continued MISO participation, the effect of current or projected MISO market rules and market and system conditions in the MISO markets, the allocation of MISO system transmission upgrade costs, and the effect of planning decisions that MISO makes with respect to future transmission investments by the Utility operating companies;
- changes in utility regulation, including with respect to retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC or the U.S. Department of Justice;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned, potential, or actual shutdown of nuclear generating facilities owned or operated by Entergy Wholesale Commodities, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications or other authorizations required of nuclear generating facilities and the effect of public and political opposition on these applications, regulatory proceedings, and litigation;
- the performance of and deliverability of power from Entergy’s generation resources, including the capacity factors at Entergy’s nuclear generating facilities;
- increases in costs and capital expenditures that could result from the commitment of substantial human and capital resources required for the operation and maintenance of Entergy’s nuclear generating facilities;
- Entergy’s ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- prices for power generated by Entergy’s merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants, especially in light of the planned shutdown or sale of

each of these nuclear plants;

• the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts;

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FORWARD-LOOKING INFORMATION (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

changes in inflation and interest rates;

the effect of litigation and government investigations or proceedings;

changes in technology, including (i) Entergy's ability to implement new technologies, (ii) the impact of changes relating to new, developing, or alternative sources of generation such as distributed energy and energy storage, energy efficiency, demand side management, and other measures that reduce load, and (iii) competition from other companies offering products and services to our customers based on new or emerging technologies;

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

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

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

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FORWARD-LOOKING INFORMATION (Concluded)

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

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

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

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

the ability to successfully complete strategic transactions Entergy may undertake, including mergers, acquisitions, divestitures, or restructurings, regulatory or other limitations imposed as a result of any such strategic transaction, and the success of the business following any such strategic transaction.

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## DEFINITIONS

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

Abbreviation or Acronym	Term
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana.
Entergy Louisiana	Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes.
Entergy Texas	Entergy Texas, Inc., a Texas corporation formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Wholesale Commodities	Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which was sold in March 2017
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2017 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
Grand Gulf GWh	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy
Independence	Gigawatt-hour(s), which equals one million kilowatt-hours
	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC



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## DEFINITIONS (Continued)

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



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DEFINITIONS (Concluded)

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

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## ENERGY CORPORATION AND SUBSIDIARIES

## MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

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

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

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

## Results of Operations

## Second Quarter 2018 Compared to Second Quarter 2017

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the second quarter 2018 to the second quarter 2017 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2nd Quarter 2017 Consolidated Net Income (Loss)	\$246,382	\$223,886	(\$56,900)	\$413,368
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	(179,032 )	22,121	(2 )	(156,913 )
Other operation and maintenance	31,127	8,895	5,114	45,136
Asset write-offs, impairments, and related charges	—	(124,628 )	—	(124,628 )
Taxes other than income taxes	1,796	3,465	22	5,283
Depreciation and amortization	13,564	(13,350 )	(57 )	157
Other income	(11,092 )	(3,715 )	(1,151 )	(15,958 )
Interest expense	5,208	2,410	7,174	14,792
Other expenses	(2,656 )	(2,963 )	—	(5,619 )
Income taxes	(371,175 )	424,800	2,891	56,516
2nd Quarter 2018 Consolidated Net Income (Loss)	\$378,394	(\$56,337 )	(\$73,197)	\$248,860

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

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

Second quarter 2018 results of operations includes impairment charges of \$69 million (\$54 million net-of-tax) due to costs being charged directly to expense as a result of the impaired value of the Entergy Wholesale Commodities

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Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet and a \$52 million income tax benefit recognized by Entergy Louisiana, as a result of the settlement of the 2012-2013 IRS audit, associated with the Hurricane Katrina and Hurricane Rita contingent sharing obligation associated with the Louisiana Act 55 financing. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See Note 10 to the financial statements herein for discussion of the IRS audit settlement.

Second quarter 2017 results of operations include a reduction of income tax expense, net of unrecognized tax benefits, of \$373 million as a result of a change in the tax classification of legal entities that own Entergy Wholesale Commodities nuclear power plants and \$194 million (\$126 million net-of-tax) of impairment charges due to costs being charged directly to expense as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See Note 3 to the financial statements in the Form 10-K for additional discussion of the tax elections and "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.

Net Revenue

Utility

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

	Amount (In Millions)
2017 net revenue	\$1,549
Return of unprotected excess accumulated deferred income taxes to customers	(278 )
Grand Gulf recovery	(17 )
Retail electric price	(2 )
Volume/weather	101
Other	17
2018 net revenue	\$1,370

The return of unprotected excess accumulated deferred income taxes to customers resulted from activity at Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and System Energy in response to the enactment of the Tax Cuts and Jobs Act. There is no effect on net income as the reductions in net revenue were offset by reductions in income tax expense. Entergy New Orleans will begin returning its unprotected excess accumulated deferred income taxes in the third quarter 2018 and Entergy Texas's proposal for the return of its unprotected excess accumulated deferred income taxes is pending. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

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

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The retail electric price variance is primarily due to regulatory charges recorded in the second quarter 2018 to reflect the effects of regulatory agreements to return the benefits of the lower income tax rate in 2018 to customers in Louisiana and New Orleans. The decrease was substantially offset by the following:

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

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 479 GWh, or 2%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and the effect of more favorable weather during the unbilled sales period.

## Entergy Wholesale Commodities

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

	Amount (In Millions)
2017 net revenue	\$250
Nuclear volume	61
Nuclear realized price changes (38 )	
Other (1 )	
2018 net revenue	\$272

As shown in the table above, net revenue for Entergy Wholesale Commodities increased by \$22 million in the second quarter 2018 as compared to the second quarter 2017 primarily due to higher volume in the Entergy Wholesale Commodities nuclear fleet resulting from fewer refueling outage days in the second quarter 2018 as compared to the second quarter 2017. The increase was partially offset by lower realized wholesale energy prices and the effect of rising forward power prices on electricity derivative instruments that are not designated as hedging instruments, partially offset by higher capacity prices.

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

	2018	2017
Owned capacity (MW)	3,962	3,962
GWh billed	7,281	6,019

## Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	86%	59%
GWh billed	6,713	5,393
Average energy and capacity revenue per MWh	\$41.82	\$51.76
Refueling outage days:		
Indian Point 2	20	—
Indian Point 3	—	47
Pilgrim	—	43
Palisades	—	27



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Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$598 million for the second quarter 2017 to \$629 million for the second quarter 2018 primarily due to:

- an increase of \$17 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed during outages in second quarter 2018 as compared to second quarter 2017;
- an increase of \$5 million in energy efficiency costs; and
- an increase of \$5 million in storm damage provisions, primarily at Entergy Mississippi. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of storm cost recovery.

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

Other income decreased primarily due to changes in decommissioning trust fund investment activity, including portfolio rebalancing of certain of the decommissioning trust funds in the second quarter 2017. The decrease was partially offset by an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2018, which included the St. Charles Power Station project.

Entergy Wholesale Commodities

The asset write-offs, impairments, and related charges variance is primarily due to impairment charges of \$69 million (\$54 million net-of-tax) in the second quarter 2018 compared to impairment charges of \$194 million (\$126 million net-of-tax) in the second quarter 2017. The impairment charges are due to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets being charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. The decrease in impairment charges in second quarter 2018 is primarily due to Palisades expenditures incurred after September 30, 2017 no longer being charged to expense as incurred but recorded as assets and depreciated or amortized and the timing of nuclear refueling outage spending at the remaining impaired Entergy Wholesale Commodities nuclear plants. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See Note 14 to the financial statements in the Form 10-K for a discussion of impairment of long-lived assets.

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

Income Taxes

The effective income tax rate was 884.2% for the second quarter 2018. The difference in the effective income tax rate for the second quarter 2018 versus the federal statutory rate of 21% was primarily due to amortization of excess accumulated deferred income taxes and an IRS audit settlement for the 2012-2013 tax returns. See Notes 2 and 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 and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 10 to the financial statements herein for a discussion of the IRS audit settlement.

The effective income tax rate was (442.1%) for the second quarter 2017. The difference in the effective income tax rate for the second quarter 2017 versus the federal statutory rate of 35% was primarily due to a change in the tax

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classification of legal entities that own Entergy Wholesale Commodities nuclear power plants, which resulted in both permanent and temporary differences under the income tax accounting standards. See Note 3 to the financial statements in the Form 10-K for further discussion of the change in tax classification.

## Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the six months ended June 30, 2018 to the six months ended June 30, 2017 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2017 Consolidated Net Income (Loss)	\$414,005	\$196,689	(\$111,274)	\$499,420
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	(123,626 )	(90,167 )	(12 )	(213,805 )
Other operation and maintenance	61,999	(85,218 )	5,081	(18,138 )
Asset write-offs, impairments, and related charges	—	(263,495 )	—	(263,495 )
Taxes other than income taxes	17,089	(3,112 )	172	14,149
Depreciation and amortization	27,672	(27,794 )	—	(122 )
Gain on sale of assets	—	(16,270 )	—	(16,270 )
Other income	458	(61,088 )	(1,839 )	(62,469 )
Interest expense	7,192	4,232	10,979	22,403
Other expenses	(2,005 )	(23,392 )	—	(25,397 )
Income taxes	(417,443 )	502,059	7,801	92,417
2018 Consolidated Net Income (Loss)	\$596,333	(\$74,116 )	(\$137,158)	\$385,059

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

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

Results of operations for the six months ended June 30, 2018 include impairment charges of \$142 million (\$112 million net-of-tax) due to costs being charged directly to expense as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants’ long-lived assets due to the significantly reduced remaining estimated operating lives associated with management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet and a \$52 million income tax benefit recognized by Entergy Louisiana, as a result of the settlement of the 2012-2013 IRS audit, associated with the Hurricane Katrina and Hurricane Rita contingent sharing obligation associated with the Louisiana Act 55 financing. See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business” below and in the Form 10-K for a discussion of management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet. See Note 10 to the financial statements herein for discussion of the IRS audit settlement.

Results of operations for the six months ended June 30, 2017 include impairment charges of \$405 million (\$263 million net-of-tax) due to costs being charged directly to expense as a result of the impaired value of the Entergy

Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet and a reduction of income tax expense, net of unrecognized tax benefits, of \$373 million as a result of a change in the

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tax classification of legal entities that own Entergy Wholesale Commodities nuclear power plants. See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business” below and in the Form 10-K for a discussion of management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet and Note 3 to the financial statements in the Form 10-K for additional discussion of the tax elections.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2018 to the six months ended June 30, 2017:

	Amount (In Millions)
2017 net revenue	\$2,954
Return of unprotected excess accumulated deferred income taxes to customers	(278 )
Grand Gulf recovery	(35 )
Retail electric price	5
Volume/weather	159
Other	25
2018 net revenue	\$2,830

The return of unprotected excess accumulated deferred income taxes to customers resulted from activity at Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and System Energy in response to the enactment of the Tax Cuts and Jobs Act. There is no effect on net income as the reductions in net revenue were offset by reductions in income tax expense. Entergy New Orleans will begin returning its unprotected excess accumulated deferred income taxes in the third quarter 2018 and Entergy Texas’s proposal for the return of its unprotected excess accumulated deferred income taxes is pending. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

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

The retail electric price variance is primarily due to:

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

The increase was partially offset by regulatory charges recorded in 2018 to reflect the effects of regulatory agreements to return the benefits of the lower income tax rate in 2018 to customers in Louisiana and New Orleans. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the regulatory proceedings discussed above.

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The volume/weather variance is primarily due to an increase of 2,725 GWh, or 5%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to a new customer in the primary metals industry.

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## Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2018 to the six months ended June 30, 2017:

	Amount (In Millions)
2017 net revenue	\$744
FitzPatrick reimbursement agreement (98 )	
Nuclear realized price changes (11 )	
Nuclear volume 35	
Other (16 )	
2018 net revenue	\$654

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$90 million in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 primarily due to:

a decrease resulting from the reimbursement agreement with Exelon pursuant to which Exelon reimbursed Entergy in the first quarter 2017 for specified out-of-pocket costs associated with preparing for the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017. Revenues received from Exelon under the reimbursement agreement were offset by other operation and maintenance expenses and taxes other than income taxes and had no effect on net income. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick and the reimbursement agreement with Exelon; and lower realized wholesale energy prices, partially offset by higher capacity prices.

The decrease was partially offset by higher volume in the Entergy Wholesale Commodities nuclear fleet resulting from fewer refueling outage days, partially offset by a larger exercise of resupply options, in the six months ended June 30, 2017, provided for in purchase power agreements where Entergy Wholesale Commodities may elect to supply power from another source when the plant is not running.

Following are key performance measures for Entergy Wholesale Commodities for the six months ended June 30, 2018 and 2017:

	2018	2017
Owned capacity (MW)	3,962	3,962
GWh billed	14,277	14,382

## Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	85%	71%
GWh billed	13,121	13,228
Average energy and capacity revenue per MWh	\$49.21	\$53.79
Refueling outage days:		
FitzPatrick	—	42
Indian Point 2	33	—
Indian Point 3	—	66
Pilgrim	—	43
Palisades	—	27



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Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$1,155 million for the six months ended June 30, 2017 to \$1,217 million for the six months ended June 30, 2018 primarily due to:

- an increase of \$23 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed during outages in 2018 as compared to 2017;
- an increase of \$13 million in nuclear generation expenses primarily due to a higher scope of work performed during plant outages in 2018 as compared to the same period in 2017 and higher nuclear labor costs, including contract labor, to position the nuclear fleet to meet its operational goals;
- an increase of \$13 million in energy efficiency costs;
- an increase of \$12 million in storm damage provisions, primarily at Entergy Mississippi. See Note 2 to the financial statements herein and in the Form 10-K for discussion of storm cost recovery; and
- an increase of \$8 million in vegetation maintenance costs.

The increase was partially offset by higher nuclear insurance refunds of \$15 million.

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

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

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$476 million for the six months ended June 30, 2017 to \$391 million for the six months ended June 30, 2018 primarily due to the absence of other operation and maintenance expenses from the FitzPatrick plant, which was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

The asset write-offs, impairments, and related charges variance is primarily due to impairment charges of \$142 million (\$112 million net-of-tax) in the six months ended June 30, 2018 compared to impairment charges of \$405 million (\$263 million net-of-tax) in the six months ended June 30, 2017. The impairment charges are due to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets being charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. The decrease in impairment charges in 2018 is primarily due to Palisades expenditures incurred after September 30, 2017 no longer being charged to expense as incurred but recorded as assets and depreciated or amortized and the timing of nuclear refueling outage spending and nuclear fuel spending at the remaining impaired Entergy Wholesale Commodities nuclear plants. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See Note 14 to the financial statements in the Form 10-K for a discussion of impairment of long-lived assets.



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

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

Other income decreased primarily due to losses on the decommissioning trust fund investments in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, including unrealized losses on equity investments, which, prior to 2018, were recorded to other comprehensive income. See Note 9 to the financial statements herein for discussion of the implementation of ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" effective January 1, 2018.

Other expenses decreased primarily due to the absence of decommissioning expense from the FitzPatrick plant after it was sold to Exelon in March 2017 and a reduction in deferred refueling outage amortization costs related to the impairments of the Indian Point 3, Indian Point 2, and Palisades plants and related assets. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick and impairments and related charges.

Income Taxes

The effective income tax rate was (160%) for the six months ended June 30, 2018. The difference in the effective income tax rate for the six months ended June 30, 2018 versus the federal statutory rate of 21% was primarily due to amortization of excess accumulated deferred income taxes and an IRS audit settlement for the 2012-2013 tax returns. See Notes 2 and 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 and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 10 to the financial statements herein for a discussion of the IRS audit settlement.

The effective income tax rate was (193.7%) for the six months ended June 30, 2017. The difference in the effective income tax rate for the six months ended June 30, 2017 versus the federal statutory rate of 35% was primarily due to a change in the tax classification of legal entities that own Entergy Wholesale Commodities nuclear power plants, which resulted in both permanent and temporary differences under the income tax accounting standards and the re-determined tax basis of the FitzPatrick plant as a result of its sale on March 31, 2017. See Note 3 to the financial statements in the Form 10-K for further discussion of the change in tax classification and the tax benefit associated with the sale of FitzPatrick.

Income Tax Legislation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Income Tax Legislation" in the Form 10-K for a discussion of the Tax Cuts and Jobs Act enacted in December 2017.

See Note 2 to the financial statements herein and in the Form 10-K for discussion of proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Entergy Wholesale Commodities Exit from the Merchant Power Business

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

Shutdown and Planned Sale of Vermont Yankee

As discussed in the Form 10-K, in December 2014 the Vermont Yankee plant ceased power production and entered its decommissioning phase, and in November 2016, Entergy entered into an agreement to sell 100% of the

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membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. In March 2018, Entergy and NorthStar entered into a settlement agreement and a Memorandum of Understanding with State of Vermont agencies and other interested parties that set forth the terms on which the agencies and parties support the Vermont Public Utility Commission's approval of the transaction. The agreements provide additional financial assurance for decommissioning, spent fuel management and site restoration, and detail the site restoration standards that will apply to protect the environment and the health and safety of workers and the public. The provisions of the agreements will become effective upon approval of the transaction by the Vermont Public Utility Commission consistent with the agreements' terms, the NRC's approval of the license transfer application, and the closing of the transaction. The Vermont Public Utility Commission and the NRC are expected to issue their decisions in the third or fourth quarter of 2018.

Entergy Nuclear Vermont Yankee has an outstanding credit facility with borrowing capacity of \$145 million to pay for dry fuel storage costs. This credit facility is guaranteed by Entergy Corporation. At or before closing, a subsidiary of Entergy will assume the obligations under the existing credit facility or enter into a new credit facility, and Entergy will guarantee the credit facility. At the closing of the sale transaction, NorthStar will pay \$1,000 for the membership interests in Entergy Nuclear Vermont Yankee, and NorthStar will cause Entergy Nuclear Vermont Yankee to issue a promissory note to an Entergy affiliate. The amount of the promissory note issued will be equal to the amount drawn under the credit facility or the amount drawn under the new credit facility, plus borrowing fees and costs incurred by Entergy in connection with such facility. The principal amount drawn under the outstanding credit facility was \$108 million as of June 30, 2018. The transaction is expected to result in a loss based on the difference between Entergy's net investment in Entergy Nuclear Vermont Yankee and the sale price plus any agreed adjustments. As of June 30, 2018, the adjusted net investment in Entergy Nuclear Vermont Yankee was \$245 million. The primary variables in the ultimate loss are the values of the nuclear decommissioning trusts and the asset retirement obligations at closing, financial results from the plant until the closing, and any changes in Entergy's investment in Entergy Nuclear Vermont Yankee before closing.

Planned Sales of Pilgrim and Palisades

On July 30, 2018, Entergy entered into purchase and sale agreements with Holtec International to sell to a Holtec subsidiary (i) 100% of the equity interests in Entergy Nuclear Generation Company, the owner of Pilgrim, and (ii) 100% of the equity interests in Entergy Nuclear Palisades, LLC, the owner of Palisades and the Big Rock Point Site. The sales of Entergy Nuclear Generation Company and Entergy Nuclear Palisades will include the transfer of each entity's nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. At the closing of each sale transaction, the Holtec subsidiary will pay \$1,000 each (subject to adjustment for net liabilities and other amounts) for the equity interests in Entergy Nuclear Generation Company and Entergy Nuclear Palisades.

The Pilgrim transaction is subject to certain closing conditions, including: the permanent shutdown of Pilgrim and the transfer of all nuclear fuel from the reactor vessel to the spent nuclear fuel pool; NRC approval for the transfer of the operating and the independent spent fuel storage installation licenses; FERC approval for the change in control of the switchyard; receipt of a favorable private letter ruling from the IRS; the market value of the nuclear decommissioning trust for Pilgrim, less the hypothetical income tax on the aggregate unrealized gain of such fund assets at closing, equals or exceeds a specified minimum amount; and, the Palisades purchase and sale agreement has not been terminated due to a breach by Holtec or its subsidiary.

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; the market value of the nuclear decommissioning trust for Palisades, less the hypothetical income tax on the aggregate unrealized gain of such fund assets at closing, equals or exceeds a specified minimum amount; and, the Pilgrim transaction has closed.

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Subject to the above conditions, the Pilgrim transaction is expected to close by the end of 2019 and the Palisades transaction is expected to close by the end of 2022. Each transaction is expected to result in a loss based on the difference between Entergy's net investment in each subsidiary and the sale price plus any agreed adjustments. As of June 30, 2018, the adjusted net investment in Entergy Nuclear Generation Company was \$557 million and the adjusted net investment in Entergy Nuclear Palisades was \$131 million. The primary variables in the ultimate loss are the values of the nuclear decommissioning trusts and the asset retirement obligations at closing, financial results from plant operations until the closing, and the level of any deferred tax balances at closing.

Costs Associated with Entergy Wholesale Commodities Strategic Transactions

Entergy expects to incur employee retention and severance expenses associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet of approximately \$155 million in 2018, of which \$60 million has been incurred as of June 30, 2018, and a total of approximately \$215 million from 2019 through mid-2022. In addition, Entergy Wholesale Commodities incurred impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets of \$69 million for the three months ended June 30, 2018 and \$142 million for the six months ended June 30, 2018. These costs were charged to expense as incurred as a result of the impaired value of certain of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. Entergy expects to continue to incur costs associated with nuclear fuel-related spending and expenditures for capital assets and, except for Palisades, expects to continue to charge these costs to expense as incurred because Entergy expects the value of the plants to continue to be impaired.

Entergy Wholesale Commodities Authorizations to Operate Indian Point

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

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

As discussed in the Form 10-K, operations may be extended up to four additional years for each unit by mutual agreement of Entergy and New York State based on an exigent reliability need for Indian Point generation. In accordance with the FERC-approved tariff of the New York Independent System Operator (NYISO), Entergy submitted to the NYISO a notice of generator deactivation based on the dates in the settlement (no later than April 30, 2020 for Indian Point 2 and April 30, 2021 for Indian Point 3). In December 2017 the NYISO issued a report stating there will not be a system reliability need following the deactivation of Indian Point. In April 2018 the NYISO issued a determination that the retirement of Indian Point was economically justified and, therefore, did not raise competition concerns.

Liquidity and Capital Resources

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

capital. Following are updates to that discussion.

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## Capital Structure

Entergy's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio for Entergy as of June 30, 2018 is primarily due to the net issuance of debt in 2018.

	June 30, 2018	December 31, 2017
Debt to capital	68.5%	67.1 %
Effect of excluding securitization bonds	(0.6 %)	(0.8 %)
Debt to capital, excluding securitization bonds (a)	67.9%	66.3 %
Effect of subtracting cash	(1.0 %)	(1.1 %)
Net debt to net capital, excluding securitization bonds (a)	66.9%	65.2 %

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

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in August 2022. The facility includes fronting commitments for the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the six months ended June 30, 2018 was 3.34% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of June 30, 2018:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$390	\$6	\$3,104

A covenant in Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio, as defined, of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility is different than the calculation of the debt to capital ratio above. One such difference is that it excludes the effects, among other things, of certain impairments related to the Entergy Wholesale Commodities nuclear generation assets. Entergy is currently in compliance with the covenant and expects to remain in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the



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

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of \$145 million that expires in November 2020. As of June 30, 2018, \$108 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the six months ended June 30, 2018 was

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3.26% on the drawn portion of the facility. See Note 4 to the financial statements herein for additional discussion of the Vermont Yankee facility.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of June 30, 2018, Entergy Corporation had approximately \$1,945 million of commercial paper outstanding. The weighted-average interest rate for the six months ended June 30, 2018 was 2.31%.

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 several counterparties. Settlement of the forward sale agreements is expected to occur on or prior to June 7, 2019. See Note 3 to the financial statements herein for discussion of the equity forwards.

Capital Expenditure Plans and Other Uses of Capital

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

New Orleans Power Station

As discussed in the Form 10-K, in June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 MW advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility. In July 2017, Entergy New Orleans submitted a supplemental and amending application to the City Council seeking approval to construct either the originally proposed 226 MW advanced combustion turbine, or alternatively, a 128 MW unit composed of natural gas-fired reciprocating engines and a related cost recovery plan. In March 2018 the City Council adopted a resolution approving construction of the 128 MW unit. The targeted commercial operation date is January 2020, subject to receipt of all necessary permits. In April 2018 intervenors opposing the construction of the New Orleans Power Station filed with the City Council a request for rehearing, which was subsequently denied, and a petition for judicial review of the City Council's decision, and also filed a lawsuit challenging the City Council's approval based on Louisiana's open meeting law. In May 2018 the City Council announced that it would initiate an investigation into allegations that Entergy New Orleans, Entergy, or some other entity paid or participated in paying certain attendees and speakers in support of the New Orleans Power Station to attend or speak at certain meetings organized by the City Council. In June 2018, Entergy New Orleans produced documents in response to a City Council resolution relating to this investigation. The City Council issued a request for qualifications for an investigator and in June 2018 selected two investigators and is in the process of contracting with them to conduct the investigation.

Washington Parish Energy Center

As discussed in the Form 10-K, in April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. In April 2018 the parties reached a settlement recommending certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy

Louisiana. The LPSC issued an order approving the settlement in May 2018.

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## 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 July 2018 meeting, the Board declared a dividend of \$0.89 per share, which is the same quarterly dividend per share that Entergy has paid since the fourth quarter 2017.

## Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the six months ended June 30, 2018 and 2017 were as follows:

	2018	2017
	(In Millions)	
Cash and cash equivalents at beginning of period	\$781	\$1,188
Cash flow provided by (used in):		
Operating activities	1,080	820
Investing activities	(1,929)	(1,770)
Financing activities	881	697
Net increase (decrease) in cash and cash equivalents	32	(253)
Cash and cash equivalents at end of period	\$813	\$935

## Operating Activities

Net cash flow provided by operating activities increased by \$260 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

- a decrease of \$126 million in spending on nuclear refueling outages in 2018 as compared to the same period in 2017; severance and retention payments of \$92 million in 2017. See Note 7 to the financial statements herein for a discussion of severance and retention costs in connection with management's strategy to manage and reduce the risk of the Entergy Wholesale Commodities business;
- a refund to customers in January 2017 of approximately \$71 million as a result of the settlement approved by the NRC related to the Waterford 3 replacement steam generator project. See Note 2 to the financial statements in the Form 10-K for discussion of the settlement and refund;
- the effect of favorable weather on billed Utility sales in 2018; and
- a decrease of \$16 million in pension contributions 2018 as compared to the same period in 2017. See MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - "Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

The increase was partially offset by:

- lower Entergy Wholesale Commodities net revenue in 2018 as compared to the same period in 2017 (except for the revenues resulting from the FitzPatrick reimbursement agreement with Exelon), as discussed above. See Note 14 to the financial statements in the Form 10-K for discussion of the reimbursement agreement;



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Entergy Corporation and Subsidiaries

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the return of unprotected excess accumulated deferred income taxes to Utility customers. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the regulatory activity regarding the Tax Cuts and Jobs Act;

an increase of \$28 million in interest paid in 2018 as compared to the same period in 2017 resulting from an increase in interest expense;

income tax payments of \$14 million in 2018 compared to income tax refunds of \$15 million in 2017. Entergy made income tax payments in 2018 for estimated federal income taxes. Entergy received income tax refunds in 2017 resulting from the carryback of net operating losses; and

proceeds of \$23 million received in 2017 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements in the Form 10-K for discussion of the spent nuclear fuel litigation.

Investing Activities

Net cash flow used in investing activities increased \$159 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

an increase of \$166 million in construction expenditures, primarily in the Utility business. The increase in construction expenditures in the Utility business is primarily due to an increase of \$123 million in fossil-fueled generation construction expenditures primarily due to higher spending in 2018 on the Lake Charles Power Station project and an increase of \$39 million in nuclear construction expenditures primarily due to a higher scope of work performed on Grand Gulf outage projects in 2018;

proceeds of \$100 million from the sale in March 2017 of the FitzPatrick plant to Exelon. See Note 14 to the financial statements in the Form 10-K for a discussion of the sale of FitzPatrick; and

proceeds of \$25 million received in 2017 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 8 to the financial statements in the Form 10-K for discussion of the DOE litigation.

The increase was partially offset by a decrease of \$119 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

Financing Activities

Net cash flow provided by financing activities increased \$184 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to long-term debt activity providing approximately \$790 million of cash in 2018 compared to providing approximately \$170 million in 2017. Borrowings and repayments of borrowings on Entergy's long-term credit facility are included in long-term debt activity. The increase was partially offset by a decrease of \$324 million in net issuances of commercial paper in 2018 compared to the same period in 2017 and a net decrease of \$104 million in 2018 in short-term borrowings by the nuclear fuel company variable interest entities. For the details of Entergy's commercial paper program, the nuclear fuel company variable interest entities' short-term borrowings, and long-term debt, see Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K.

Rate, Cost-recovery, and Other Regulation

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

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State and Local Rate Regulation and Fuel-Cost Recovery

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

Federal Regulation

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

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. Entergy Wholesale Commodities also sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of June 30, 2018 (2018 represents the remainder of the year):



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## Entergy Wholesale Commodities Nuclear Portfolio

	2018	2019	2020	2021	2022
<b>Energy</b>					
Percent of planned generation under contract (a):					
Unit-contingent (b)	98%	94%	81%	84%	67%
Firm LD (c)	9%	—%	—%	—%	—%
Offsetting positions (d)	(9%)	—%	—%	—%	—%
Total	98%	94%	81%	84%	67%
Planned generation (TWh) (e) (f)					
	14.1	25.5	17.8	9.7	2.8
Average revenue per MWh on contracted volumes:					
Expected based on market prices as of June 30, 2018	\$33.1	\$40.2	\$41.7	\$57.9	\$58.8
<b>Capacity</b>					
Percent of capacity sold forward (g):					
Bundled capacity and energy contracts (h)	22%	25%	37%	68%	97%
Capacity contracts (i)	45%	16%	—%	—%	—%
Total	67%	41%	37%	68%	97%
Planned net MW in operation (average) (f)					
	3,568	3,167	2,195	1,158	338
Average revenue under contract per kW per month (applies to capacity contracts only)					
	\$8.8	\$7.7	\$—	\$—	\$—
<b>Total Energy and Capacity Revenues (j)</b>					
Expected sold and market total revenue per MWh	\$45.8	\$46.5	\$47.3	\$56.3	\$47.6
Sensitivity: +/- \$10 per MWh market price change	\$45.8	\$45.9-\$47.0	\$45.8-\$48.9	\$54.6-\$57.9	\$44.3-\$50.9

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

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

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

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

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

(f) Assumes the planned shutdown of Pilgrim on May 31, 2019, planned shutdown of Indian Point 2 on April 30, 2020, planned shutdown of Indian Point 3 on April 30, 2021, and planned shutdown of Palisades on May 31, 2022.

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



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Entergy Corporation and Subsidiaries  
Management's Financial Discussion and Analysis

Indian Point 2 (September 2013 and now operating under its period of extended operations while its application is pending) and Indian Point 3 (December 2015 and now operating under its period of extended operations while its application is pending). For a discussion regarding the planned shutdown of the Pilgrim, Indian Point 2, Indian Point 3, and Palisades plants, see “Entergy Wholesale Commodities Exit from the Merchant Power Business” in the Form 10-K. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see “Entergy Wholesale Commodities Authorizations to Operate Indian Point” herein and in the Form 10-K.

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

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

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

Includes assumptions on converting a portion of the portfolio to contracted with fixed price cost or discount and  
(j) excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, mark-to-market activity, and service revenues.

Entergy estimates that a positive \$10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on June 30, 2018 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of \$34 thousand for the remainder of 2018. As of June 30, 2017, a positive \$10 per MWh change would have had a corresponding effect on pre-tax income of \$19 million for the remainder of 2017. A negative \$10 per MWh change in the annual average energy price in the markets based on June 30, 2018 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of (\$34) thousand for the remainder of 2018. As of June 30, 2017, a negative \$10 per MWh change would have had a corresponding effect on pre-tax income of (\$17) million for the remainder of 2017.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At June 30, 2018, based on power prices at that time, Entergy had liquidity exposure of \$117 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$17 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 June 30, 2018, Entergy would have been required to provide approximately \$48 million of additional cash or letters of credit under some of the agreements. As of June 30, 2018, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$339 million for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of June 30, 2018, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

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

ANO

See Note 8 to the financial statements in the Form 10-K for discussion of the NRC's decision in March 2015 to move ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix, and the resulting significant additional NRC inspection activities at the ANO site. In June 2018

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Entergy Corporation and Subsidiaries

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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. This action followed NRC inspections to review ANO 1’s and ANO 2’s performance in addressing issues that had previously resulted in classification in Column 4.

Grand Gulf

As discussed in the Form 10-K, in November 2016 the NRC placed Grand Gulf in the “regulatory response column,” or Column 2, of its Reactor Oversight Process Action Matrix. In August 2018 the NRC moved Grand Gulf into Column 1 of the NRC’s Reactor Oversight Process Action Matrix. This action followed NRC inspections to review Grand Gulf’s performance in addressing issues that had previously resulted in classification 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, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See Note 1 to the financial statements in the Form 10-K for discussion of new accounting pronouncements. The following is an update to that discussion.

In February 2016 the FASB issued ASU No. 2016-02, “Leases (Topic 842).” The ASU’s core principle is that “a lessee should recognize the assets and liabilities that arise from leases.” The ASU considers that “all leases create an asset and a liability,” and accordingly requires recording the assets and liabilities related to all leases with a term greater than 12 months. In January 2018 the FASB issued ASU No. 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842,” providing entities the option to elect not to evaluate existing land easements that are not currently accounted for under the previous lease standard. In July 2018 the FASB issued ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements,” which is intended to simplify the transition requirements giving entities the option to apply the transition provisions of the new standard at the date of adoption instead of at the earliest comparative period presented and provides a practical expedient for the separation of lease and nonlease components for lessors. Entergy plans to adopt ASU 2016-02 along with the practical expedients provided by ASU 2018-01 and 2018-11 when they become effective for Entergy in the first quarter 2019. Entergy expects that ASU 2016-02 will affect its financial position by increasing the assets and liabilities recorded relating to its operating leases. Entergy is evaluating ASU 2016-02 for other effects on its results of operations, financial position, cash flows, and financial statement disclosures, as well as the potential to elect various other practical expedients permitted by the standards.

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ENERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENTS  
For the Three and Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
	(In Thousands, Except Share Data)			
<b>OPERATING REVENUES</b>				
Electric	\$2,330,225	\$2,271,220	\$4,578,486	\$4,262,960
Natural gas	29,943	30,075	86,638	73,426
Competitive businesses	308,602	317,255	727,526	870,622
<b>TOTAL</b>	<b>2,668,770</b>	<b>2,618,550</b>	<b>5,392,650</b>	<b>5,207,008</b>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	465,802	395,947	909,098	813,513
Purchased power	417,034	416,497	813,058	774,264
Nuclear refueling outage expenses	35,360	38,288	78,120	80,853
Other operation and maintenance	840,103	794,967	1,623,687	1,641,825
Asset write-offs, impairments, and related charges	68,943	193,571	141,867	405,362
Decommissioning	97,605	100,296	192,005	214,669
Taxes other than income taxes	158,547	153,264	323,765	309,616
Depreciation and amortization	350,485	350,328	697,471	697,593
Other regulatory charges (credits)	143,294	6,553	186,319	(78,749 )
<b>TOTAL</b>	<b>2,577,173</b>	<b>2,449,711</b>	<b>4,965,390</b>	<b>4,858,946</b>
Gain on sale of assets	—	—	—	16,270
<b>OPERATING INCOME</b>	<b>91,597</b>	<b>168,839</b>	<b>427,260</b>	<b>364,332</b>
<b>OTHER INCOME</b>				
Allowance for equity funds used during construction	31,670	22,376	60,014	41,384
Interest and investment income	71,134	80,097	88,005	136,646
Miscellaneous - net	(48,491 )	(32,202 )	(79,849 )	(47,391 )
<b>TOTAL</b>	<b>54,313</b>	<b>70,271</b>	<b>68,170</b>	<b>130,639</b>
<b>INTEREST EXPENSE</b>				
Interest expense	192,314	173,377	375,237	344,466
Allowance for borrowed funds used during construction	(14,668 )	(10,523 )	(27,933 )	(19,565 )
<b>TOTAL</b>	<b>177,646</b>	<b>162,854</b>	<b>347,304</b>	<b>324,901</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(31,736 )</b>	<b>76,256</b>	<b>148,126</b>	<b>170,070</b>
Income taxes	(280,596 )	(337,112 )	(236,933 )	(329,350 )
<b>CONSOLIDATED NET INCOME</b>	<b>248,860</b>	<b>413,368</b>	<b>385,059</b>	<b>499,420</b>
Preferred dividend requirements of subsidiaries	3,439	3,446	6,878	6,892

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NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	\$245,421	\$409,922	\$378,181	\$492,528
Earnings per average common share:				
Basic	\$1.36	\$2.28	\$2.09	\$2.75
Diluted	\$1.34	\$2.27	\$2.08	\$2.74
Dividends declared per common share	\$0.89	\$0.87	\$1.78	\$1.74
Basic average number of common shares outstanding	180,823,203	179,475,346	180,765,708	179,405,592
Diluted average number of common shares outstanding	182,982,630	180,234,694	182,208,328	180,032,233

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three and Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
	(In Thousands)			
Net Income	\$248,860	\$413,368	\$385,059	\$499,420
Other comprehensive income (loss)				
Cash flow hedges net unrealized gain (loss) (net of tax expense (benefit) of (\$17,312), \$10,684, \$8,037, and \$10,325)	(65,068 )	19,949	30,359	19,421
Pension and other postretirement liabilities (net of tax expense of \$4,225, \$5,839, \$8,793, and \$12,216)	15,565	10,916	32,139	19,548
Net unrealized investment gain (loss) (net of tax expense (benefit) of (\$2,842), \$2,870, \$2,533, and \$42,164)	(2,641 )	11,696	(35,497 )	49,523
Foreign currency translation (net of tax benefit of \$-, \$403, \$-, and \$403)	—	(748 )	—	(748 )
Other comprehensive income (loss)	(52,144 )	41,813	27,001	87,744
Comprehensive Income	196,716	455,181	412,060	587,164
Preferred dividend requirements of subsidiaries	3,439	3,446	6,878	6,892
Comprehensive Income Attributable to Entergy Corporation	\$193,277	\$451,735	\$405,182	\$580,272

See Notes to Financial Statements.



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ENERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	2018	2017
	(In Thousands)	
<b>OPERATING ACTIVITIES</b>		
Consolidated net income	\$385,059	\$499,420
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	1,027,609	1,042,671
Deferred income taxes, investment tax credits, and non-current taxes accrued	88,732	(324,227 )
Asset write-offs, impairments, and related charges	51,503	220,828
Gain on sale of assets	—	(16,270 )
Changes in working capital:		
Receivables	(45,515 )	6,091
Fuel inventory	8,512	6,213
Accounts payable	97,464	9,687
Taxes accrued	(8,092 )	(2,202 )
Interest accrued	(2,056 )	(3,947 )
Deferred fuel costs	(132,263 )	(127,945 )
Other working capital accounts	(134,982 )	(91,505 )
Changes in provisions for estimated losses	27,443	(7,340 )
Changes in other regulatory assets	106,712	62,612
Changes in other regulatory liabilities	(247,239 )	(8,250 )
Changes in pensions and other postretirement liabilities	(181,278 )	(180,346 )
Other	38,314	(265,807 )
Net cash flow provided by operating activities	1,079,923	819,683
<b>INVESTING ACTIVITIES</b>		
Construction/capital expenditures	(1,885,419 )	(1,719,712 )
Allowance for equity funds used during construction	60,335	41,877
Nuclear fuel purchases	(90,321 )	(209,756 )
Proceeds from sale of assets	9,163	100,000
Insurance proceeds received for property damages	10,523	26,157
Changes in securitization account	4,754	10,028
Payments to storm reserve escrow account	(2,744 )	(1,124 )
Receipts from storm reserve escrow account	—	8,836
Decrease (increase) in other investments	(10,769 )	1,705
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	25,493
Proceeds from nuclear decommissioning trust fund sales	1,801,170	1,462,698
Investment in nuclear decommissioning trust funds	(1,826,384 )	(1,516,406 )
Net cash flow used in investing activities	(1,929,692 )	(1,770,204 )

See Notes to Financial Statements.

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ENERGY CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the Six Months Ended June 30, 2018 and 2017  
 (Unaudited)

	2018	2017
	(In Thousands)	
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of:		
Long-term debt	3,359,193	1,036,529
Treasury stock	3,691	7,819
Retirement of long-term debt	(2,569,131)	(866,337)
Changes in credit borrowings and commercial paper - net	405,795	833,957
Other	10,434	4,305
Dividends paid:		
Common stock	(321,821)	(312,209)
Preferred stock	(6,878)	(6,892)
Net cash flow provided by financing activities	881,283	697,172
Net increase (decrease) in cash and cash equivalents	31,514	(253,349)
Cash and cash equivalents at beginning of period	781,273	1,187,844
Cash and cash equivalents at end of period	\$812,787	\$934,495
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$362,629	\$334,555
Income taxes	\$14,145	(\$14,673)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

## ASSETS

June 30, 2018 and December 31, 2017

(Unaudited)

	2018	2017
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$55,197	\$56,629
Temporary cash investments	757,590	724,644
Total cash and cash equivalents	812,787	781,273
Accounts receivable:		
Customer	662,746	673,347
Allowance for doubtful accounts	(14,545	) (13,587
Other	150,084	169,377
Accrued unbilled revenues	460,181	383,813
Total accounts receivable	1,258,466	1,212,950
Deferred fuel costs	114,293	95,746
Fuel inventory - at average cost	174,131	182,643
Materials and supplies - at average cost	752,520	723,222
Deferred nuclear refueling outage costs	172,608	133,164
Prepayments and other	249,645	156,333
<b>TOTAL</b>	<b>3,534,450</b>	<b>3,285,331</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investment in affiliates - at equity	198	198
Decommissioning trust funds	7,217,298	7,211,993
Non-utility property - at cost (less accumulated depreciation)	294,548	260,980
Other	434,066	441,862
<b>TOTAL</b>	<b>7,946,110</b>	<b>7,915,033</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Electric	47,805,468	47,287,370
Property under capital lease	620,419	620,544
Natural gas	477,715	453,162
Construction work in progress	2,559,790	1,980,508
Nuclear fuel	866,229	923,200
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>52,329,621</b>	<b>51,264,784</b>
Less - accumulated depreciation and amortization	21,817,508	21,600,424
<b>PROPERTY, PLANT, AND EQUIPMENT - NET</b>	<b>30,512,113</b>	<b>29,664,360</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$427,427 as of June 30, 2018 and \$485,031 as of December 31, 2017)	4,828,973	4,935,689
Deferred fuel costs	239,397	239,298
Goodwill	377,172	377,172
Accumulated deferred income taxes	17,768	178,204

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Other	166,666	112,062
TOTAL	5,629,976	5,842,425
TOTAL ASSETS	\$47,622,649	\$46,707,149

See Notes to Financial Statements.

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ENERGY CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 LIABILITIES AND EQUITY

June 30, 2018 and December 31, 2017

(Unaudited)

	2018	2017
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$1,016,908	\$760,007
Notes payable and commercial paper	1,984,103	1,578,308
Accounts payable	1,459,432	1,452,216
Customer deposits	404,880	401,330
Taxes accrued	206,874	214,967
Interest accrued	185,916	187,972
Deferred fuel costs	32,904	146,522
Obligations under capital leases	1,442	1,502
Pension and other postretirement liabilities	61,580	71,612
Current portion of unprotected excess accumulated deferred income taxes	710,108	—
Other	167,926	221,771
<b>TOTAL</b>	<b>6,232,073</b>	<b>5,036,207</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	4,434,308	4,466,503
Accumulated deferred investment tax credits	215,369	219,634
Obligations under capital leases	21,263	22,015
Regulatory liability for income taxes-net	1,901,043	2,900,204
Other regulatory liabilities	1,630,335	1,588,520
Decommissioning and asset retirement cost liabilities	6,398,980	6,185,814
Accumulated provisions	505,764	478,273
Pension and other postretirement liabilities	2,739,407	2,910,654
Long-term debt (includes securitization bonds of \$483,242 as of June 30, 2018 and \$544,921 as of December 31, 2017)	14,857,686	14,315,259
Other	466,189	393,748
<b>TOTAL</b>	<b>33,170,344</b>	<b>33,480,624</b>
<b>Commitments and Contingencies</b>		
Subsidiaries' preferred stock without sinking fund	197,771	197,803
<b>COMMON EQUITY</b>		
Common stock, \$.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2018 and in 2017	2,548	2,548
Paid-in capital	5,429,404	5,433,433
Retained earnings	8,578,276	7,977,702
Accumulated other comprehensive loss	(613,642)	(23,531)
Less - treasury stock, at cost (73,911,771 shares in 2018 and 74,235,135 shares in 2017)	5,374,125	5,397,637
<b>TOTAL</b>	<b>8,022,461</b>	<b>7,992,515</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$47,622,649</b>	<b>\$46,707,149</b>

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	Common Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)	Total
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital		
	(In Thousands)					
Balance at December 31, 2016	\$—	\$2,548	(\$5,498,584)	\$5,417,245	\$8,195,571	(\$34,971 ) \$8,081,809
Consolidated net income (a)	6,892	—	—	—	492,528	— 499,420
Other comprehensive income	—	—	—	—	—	87,744 87,744
Common stock issuances related to stock plans	—	—	28,367	(7,383 )	—	— 20,984
Common stock dividends declared	—	—	—	—	(312,209 )	— (312,209 )
Preferred dividend requirements of subsidiaries (a)	(6,892)	—	—	—	—	— (6,892 )
Balance at June 30, 2017	\$—	\$2,548	(\$5,470,217)	\$5,409,862	\$8,375,890	\$52,773 \$8,370,856
Balance at December 31, 2017	\$—	\$2,548	(\$5,397,637)	\$5,433,433	\$7,977,702	(\$23,531 ) \$7,992,515
Implementation of accounting standards	—	—	—	—	576,257	(632,617 ) (56,360 )
Balance at January 1, 2018	\$—	\$2,548	(\$5,397,637)	\$5,433,433	\$8,553,959	(\$656,148 ) \$7,936,155
Consolidated net income (a)	6,878	—	—	—	378,181	— 385,059
Other comprehensive income	—	—	—	—	—	27,001 27,001
Common stock issuances related to stock plans	—	—	23,512	(4,029 )	—	— 19,483
Common stock dividends declared	—	—	—	—	(321,821 )	— (321,821 )
Preferred dividend requirements of subsidiaries (a)	(6,878)	—	—	—	—	— (6,878 )
Reclassification pursuant to ASU 2018-02	—	—	—	—	(32,043 )	15,505 (16,538 )
Balance at June 30, 2018	\$—	\$2,548	(\$5,374,125)	\$5,429,404	\$8,578,276	(\$613,642 ) \$8,022,461

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2018 and 2017 include \$6.9 million and \$6.9 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.





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## ENERGY CORPORATION AND SUBSIDIARIES

## SELECTED OPERATING RESULTS

For the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited)

Description	Three Months Ended		Increase/	
	2018	2017	(Decrease)	%
	(Dollars in Millions)			
Utility electric operating revenues:				
Residential	\$769	\$748	\$21	3
Commercial	582	604	(22)	(4)
Industrial	625	651	(26)	(4)
Governmental	57	57	—	—
Total billed retail	2,033	2,060	(27)	(1)
Sales for resale	69	46	23	50
Other	228	165	63	38
Total	\$2,330	\$2,271	\$59	3

## Utility billed electric energy sales (GWh):

Residential	7,749	7,340	409	6
Commercial	6,943	6,886	57	1
Industrial	12,219	12,209	10	—
Governmental	612	609	3	—
Total retail	27,523	27,044	479	2
Sales for resale	2,566	1,845	721	39
Total	30,089	28,889	1,200	4

## Entergy Wholesale Commodities:

Operating revenues	\$309	\$317	(\$8)	(3)
Billed electric energy sales (GWh)	7,281	6,019	1,262	21

Description	Six Months Ended		Increase/	
	2018	2017	(Decrease)	%
	(Dollars in Millions)			
Utility electric operating revenues:				
Residential	\$1,661	\$1,453	\$208	14
Commercial	1,178	1,140	38	3
Industrial	1,222	1,216	6	—
Governmental	113	110	3	3
Total billed retail	4,174	3,919	255	7
Sales for resale	139	124	15	12
Other	265	220	45	20
Total	\$4,578	\$4,263	\$315	7

## Utility billed electric energy sales (GWh):

Residential	17,036	14,977	2,059	14
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Commercial	13,675	13,325	350	3
Industrial	23,624	23,326	298	1
Governmental	1,220	1,202	18	1
Total retail	55,555	52,830	2,725	5
Sales for resale	5,810	4,867	943	19
Total	61,365	57,697	3,668	6

Entergy Wholesale Commodities:

Operating revenues	\$728	\$871	(\$143)	) (16)
Billed electric energy sales (GWh)	14,277	14,382	(105)	) (1 )

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ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

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

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

Vidalia Purchased Power Agreement

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

ANO Damage, Outage, and NRC Reviews

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident, subsequent NRC reviews, and the deferral of replacement power costs. 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. This action followed NRC inspections to review ANO 1's and ANO 2's performance in addressing issues that had previously resulted in classification in Column 4.

Pilgrim NRC Oversight and Planned Shutdown

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

Spent Nuclear Fuel Litigation

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

Nuclear Insurance

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

Non-Nuclear Property Insurance

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

Employment and Labor-related Proceedings

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

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

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.

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

Regulatory Assets and Regulatory Liabilities

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

Regulatory activity regarding the Tax Cuts and Jobs Act

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

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

Entergy Arkansas

See the Form 10-K for a discussion of the activity of the APSC and Entergy Arkansas after enactment of the Tax Act in December 2017. The APSC granted Entergy Arkansas’s request for clarification regarding the APSC’s order issued after enactment of the Tax Act. The APSC stated that its order was not a final determination and that the APSC had made no decision at that time on the appropriate final accounting or ratemaking treatment of the amounts in question. 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 existing formula rate plan rider for its customers to realize the remaining benefits of the Tax Act. In July 2018 the APSC issued an order agreeing with Entergy Arkansas’s proposal to have the effects on current income tax expense flow through Entergy Arkansas’s formula rate plan rider and its 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 below, 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.

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 associated with the Tax Act. For the residential customer class, the unprotected excess accumulated deferred income taxes will be returned to customers over a 21-month period from April 2018 through December 2019. For all other customer classes, the unprotected excess accumulated deferred income taxes will be returned to customers over a 9-month period from

April 2018 through December 2018. A true-up provision also was included, with any over- or under-returned unprotected excess accumulated deferred income taxes to be credited or billed to customers during the billing month of January 2020, with any residual amounts of over- or under-returned unprotected excess accumulated deferred income taxes to be flowed through Entergy Arkansas's energy cost recovery rider. In March 2018 the APSC approved the tax adjustment rider effective with the first billing cycle of April 2018.

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

Entergy Louisiana

See the Form 10-K for a discussion of the activity of the LPSC and Entergy Louisiana after enactment of the Tax Act in December 2017. In July 2018 the LPSC issued a proposed rule requiring utilities to adjust rates prospectively to reflect the lower tax rate (either through a formula rate plan or rate case), refund excess tax expense collected since January 1, 2018 until the lower tax rate is reflected in rates (with the refund occurring over one year), and refund excess accumulated deferred income taxes over two years. Entergy Louisiana believes that its formula rate plan settlement, approved in April 2018 and discussed below, addresses fully its obligations regarding the Tax Act and will seek such confirmation in its comments to the proposed rule.

In the formula rate plan settlement approved by the LPSC in April 2018 the parties agreed that Entergy Louisiana will return to customers one-half of its eligible unprotected excess deferred income taxes from May 2018 through December 2018 and return to customers the other half from January 2019 through August 2022. In addition, the parties agreed that in order to flow back to customers certain other tax benefits created by the Tax Act, Entergy Louisiana would establish a regulatory liability effective January 1, 2018 in the amount of \$9.1 million per month until new base rates under the formula rate plan are established, and this regulatory liability will be returned to customers over the next formula rate plan rate-effective period. Entergy Louisiana recorded a \$55 million regulatory liability thus far in 2018 pursuant to this provision of the settlement. The LPSC staff and intervenors in the settlement reserved the right to obtain data from Entergy Louisiana to confirm the determination of excess accumulated deferred income taxes resulting from the Tax Act and analysis thereof as part of the formula rate plan review proceeding for the 2017 test year filing, which, as discussed below, Entergy Louisiana filed in June 2018.

Entergy Mississippi

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

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

In June 2018, Entergy Mississippi and the Mississippi Public Utilities Staff entered into and filed a joint stipulation in Entergy Mississippi's formula rate plan filing that addressed Entergy Mississippi's 2018 formula rate plan evaluation report and the ratemaking effects of the Tax Act. In June 2018 the MPSC approved the stipulation, which provides for incorporating the reduction of the statutory federal income tax rate through the formula rate plan and the flow-back of protected excess accumulated deferred income taxes over approximately 40 years through the formula rate plan. The

stipulation also provides for the offset of unprotected excess accumulated deferred income taxes of \$127.2 million against net utility plant and \$2.2 million against other regulatory assets, and the return to customers of the remaining balance of unprotected excess accumulated deferred income taxes as recovery of a portion of fuel oil inventory and customer bill credits over a 3-month period from July 2018 through September 2018, with



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Entergy Corporation and Subsidiaries

Notes to Financial Statements

any true-up to be reflected in the November 2018 power management rider submittal. Entergy Mississippi recorded the reduction against net utility plant and other regulatory assets in June 2018.

Entergy New Orleans

As discussed in the Form 10-K, after enactment of the Tax Act the City Council passed a resolution ordering Entergy New Orleans to, effective January 1, 2018, record deferred regulatory liabilities to account for the Tax Act's effect on Entergy New Orleans's revenue requirement and to make a filing by mid-March 2018 regarding the Tax Act's effects on Entergy New Orleans's operating income and rate base and potential mechanisms for customers to receive benefits of the Tax Act. The City Council's resolution also directed Entergy New Orleans to request that Entergy Services file with the FERC for revisions of the Unit Power Sales Agreement and MSS-4 replacement tariffs to address the return of excess accumulated deferred income taxes. Entergy has submitted filings of this type to the FERC.

In March 2018, Entergy New Orleans filed its response to that resolution stating that the Tax Act reduced income tax expense from what is presently reflected in rates by approximately \$8.2 million annually for electric operations and by approximately \$1.3 million annually for gas operations. In the filing, Entergy New Orleans proposed to return to customers from June 2018 through August 2019 the benefits of the reduction in income tax expense and its unprotected excess accumulated deferred income taxes through a combination of bill credits and investments in energy efficiency programs, grid modernization, and Smart City projects. 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 starting 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 FERC. The agreement in principle was approved by the City Council in June 2018.

Entergy Texas

As discussed below, in May 2018, Entergy Texas filed its 2018 base rate case with the PUCT. Entergy Texas's proposed rates and revenues reflect the inclusion of the federal income tax reductions due to the Tax Act. In the rate case Entergy Texas proposed to return its unprotected excess accumulated deferred income taxes to customers over a two-year period following PUCT approval.

System Energy

In a filing made with the FERC in March 2018, Entergy proposed revisions to the Unit Power Sales Agreement, among other agreements, to reflect the effects of the Tax Act. In the filing System Energy proposed to return all of its 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 are ongoing.

Fuel and purchased power cost recovery

Entergy Arkansas

Energy Cost Recovery Rider

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01547 per kWh to \$0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Arkansas Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Act. Entergy Arkansas replied to the Arkansas Attorney

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Act are appropriately considered in the APSC's separate proceeding looking at potential implications of the new tax law. The APSC general staff filed a reply to the Arkansas Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. In April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation at this time of the issues suggested by the Attorney General in the proceeding. The redetermined rate became effective with the first billing cycle of April 2018. Discovery continues to be conducted by the parties with respect to the redetermined rate.

Entergy Mississippi

Mississippi Attorney General Complaint

As discussed in the Form 10-K the Mississippi Attorney General filed a complaint in state court in December 2008 against Entergy Corporation, Entergy Mississippi, Entergy Services, and Entergy Power alleging, among other things, violations of Mississippi statutes, fraud, and breach of good faith and fair dealing, and requesting an accounting and restitution. The defendants have denied the allegations. In June 2017 the District Court issued a case management order setting a trial date in November 2018. Discovery ended in May 2018. In June 2018, Entergy filed motions for summary judgment, which are currently pending before the District Court. In July 2018 the Mississippi Attorney General filed briefs opposing the summary judgment.

Entergy Texas

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

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

Retail Rate Proceedings

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

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Entergy Corporation and Subsidiaries  
Notes to Financial Statements

Filings with the APSC (Entergy Arkansas)

2018 Formula Rate Plan Filing

In July 2018, Entergy Arkansas filed with the APSC its 2018 formula rate plan filing to set its formula rate for the 2019 calendar year. The filing shows Entergy Arkansas's projected earned return on common equity for the twelve months ended December 31, 2019 test period to be below the formula rate plan bandwidth. Additionally, the filing includes the first netting adjustment under the current formula rate plan for the historical test year 2017, which is a comparison of projected costs and sales approved in the 2016 formula rate plan filing to actual 2017 costs and sales data. The filing includes a projected \$73.4 million revenue deficiency for 2019 and a \$95.6 million revenue deficiency for the 2017 historical test year, for a total revenue requirement of \$169 million for this filing. 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 exceeds the constraint, the resulting increase is limited to four percent of total revenue, which is \$65.4 million. Entergy Arkansas recommended that the parties to the proceeding support a hearing date in November 2018 and requested that the APSC issue an order approving the proposed formula rate plan adjustment in December 2018, with the proposed formula rate plan adjustment effective with the first billing cycle of January 2019.

Internal Restructuring

As discussed in the Form 10-K, in November 2017, Entergy Arkansas filed an application with the APSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Arkansas to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the APSC, the FERC, and the NRC. Entergy Arkansas also filed a notice with the Missouri Public Service Commission in December 2017 out of an abundance of caution, although Entergy Arkansas does not serve any retail customers in Missouri. In April 2018 the Missouri Public Service Commission approved Entergy Arkansas's filing. In July 2018, Entergy Arkansas filed a settlement, reached by all parties in the APSC proceeding, resolving all issues and seeking an APSC decision no later than September 1, 2018. If the appropriate approvals are obtained, Entergy Arkansas expects the restructuring will be consummated on or before December 1, 2018.

Filings with the LPSC (Entergy Louisiana)

Retail Rates - Electric

2016 Formula Rate Plan Filing

As discussed in the Form 10-K, in May 2017, Entergy Louisiana filed its formula rate plan evaluation report for its 2016 calendar year operations. Rates reflecting the adjustments included in the formula rate plan evaluation report were implemented with the first billing cycle of September 2017, subject to refund. In September 2017 the LPSC issued its report indicating that no changes to Entergy Louisiana's original formula rate plan evaluation report were required but reserved for several issues, including Entergy Louisiana's September 2017 update to its formula rate plan evaluation report. In July 2018, Entergy Louisiana and the LPSC staff filed an unopposed joint report setting forth a correction to the annualization calculation, the effect of which was a net \$3.5 million revenue requirement reduction, and indicating that there are no outstanding issues with the 2016 formula rate plan report, the supplemental report, or the interim updates. The LPSC voted to accept and approve the unopposed joint report in August 2018.

Formula Rate Plan Extension Request

In August 2017, Entergy Louisiana filed a request with the LPSC seeking to extend its formula rate plan for three years (2017-2019) with limited modifications of its terms. Those modifications include: a one-time resetting of base rates to the midpoint of the band at Entergy Louisiana's authorized return on equity of 9.95% for the 2017 test

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year; narrowing of the formula rate plan bandwidth from a total of 160 basis points to 80 basis points; and a forward-looking mechanism that would allow Entergy Louisiana to recover certain transmission-related costs contemporaneously with when those projects begin delivering benefits to customers. Several parties intervened in the proceeding and all parties participated in settlement discussions. In April 2018 the LPSC approved an unopposed joint motion filed by Entergy Louisiana and the LPSC staff that settles the matter. The settlement extends the formula rate plan for three years, providing for rates through at least August 2021. In addition to retaining the major features of the traditional formula rate plan, substantive features of the extended formula rate plan include:

- a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year and for the St. Charles Power Station when it enters commercial operation;
- a 9.8% target earned return on common equity for the 2018 and 2019 test years;
- narrowing of the common equity bandwidth to plus or minus 60 basis points around the target earned return on common equity;
- a cap on potential revenue increase of \$35 million for the 2018 evaluation period, and \$70 million for the cumulative 2018 and 2019 evaluation periods, on formula rate plan cost of service rate increases (the cap excludes rate changes associated with the transmission recovery mechanism described below and rate changes associated with additional capacity);
- a framework for the flow back of certain tax benefits created by the Tax Act to customers, as described in “Regulatory activity regarding the Tax Cuts and Jobs Act” above; and
- a transmission recovery mechanism providing for the opportunity to recover certain transmission related expenditures in excess of \$100 million annually for projects placed in service up to one month prior to rate change outside of sharing that is designed to operate in a manner similar to the additional capacity mechanism.

2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. As stated above under “Formula Rate Plan Extension Request” for the 2017 test year there will be a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year. As such, base rider formula rate plan revenue is to be adjusted prospectively to increase or decrease the earned return on equity fully to the approved cost of equity of 9.95%. 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 Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues will further increase 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. Results of the 2017 evaluation report filing will be implemented with the September 2018 billing month.

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 would be accomplished on a revenue neutral basis intended not to affect the rates of other customer classes.

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

As discussed in the Form 10-K, as a term of the LPSC-approved settlement authorizing the purchase of Power Blocks 3 and 4 of the Union Power Station, Entergy Louisiana agreed to make a filing with the LPSC to review its decisions to deactivate Ninemile 3 and Willow Glen 2 and 4 and its decision to retire Little Gypsy 1. In January 2016, Entergy

Louisiana made its compliance filing with the LPSC. Entergy Louisiana, LPSC staff, and intervenors participated in a technical conference in March 2016 where Entergy Louisiana presented information on its deactivation/retirement decisions for these four units in addition to information on the current deactivation decisions for the ten-year planning horizon. No party contests the prudence of the decision to deactivate Willow Glen 2 and 4 or suggests reactivation of these units; however, issues have been raised related to Entergy Louisiana's decision to give up its



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transmission service rights in MISO for Willow Glen 2 and 4 rather than placing the units into suspended status for the three-year term permitted by MISO. In March 2018 the LPSC adopted the ALJ's recommended order finding that Entergy Louisiana did not demonstrate that its decision to permanently surrender transmission rights for the mothballed (not retired) Willow Glen 2 and 4 units was reasonable and that Entergy Louisiana should hold customers harmless from increased transmission expenses should those units be reactivated. Because no party or the LPSC suggested that Willow Glen 2 and 4 should be reactivated and because the cost to return those units to service far exceeds the revenue the units were expected to generate in MISO, Entergy Louisiana retired Willow Glen 2 and 4 in March 2018. Entergy Louisiana submitted a compliance filing regarding retirement of Willow Glen 2 and 4, and the LPSC closed the proceeding.

Retail Rates - Gas

2017 Rate Stabilization Plan Filing

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

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan

In March 2018, Entergy Mississippi submitted its formula rate plan 2018 test year filing and 2017 look-back filing showing Entergy Mississippi's earned return for the historical 2017 calendar year and projected earned return for the 2018 calendar year, in large part as a result of the lower federal corporate income tax rate effective in 2018, to be within the formula rate plan bandwidth, resulting in no change in rates. In June 2018, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a stipulation that confirmed that Entergy Mississippi's earned returns for both the 2017 look-back filing and 2018 test year were within the respective formula rate plan bandwidths. In June 2018 the MPSC approved the stipulation, which resulted in no change in rates. See "Regulatory activity regarding the Tax Cuts and Jobs Act" above for additional discussion regarding the proposed treatment of the effects of the lower federal corporate income tax rate.

Internal Restructuring

In March 2018, Entergy Mississippi filed an application with the MPSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Mississippi to

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

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

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

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

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

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

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

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

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

Filings with the City Council (Entergy New Orleans)

Energy Smart Programs

As discussed in the Form 10-K, in September 2017, Entergy New Orleans filed a supplemental plan and proposed several options for an interim cost recovery mechanism necessary to recover program costs during the period between when existing funds directed to Energy Smart programs were depleted and when new rates from the anticipated 2018 combined rate case, which will include a cost recovery mechanism for Energy Smart funding, take effect (estimated to be August 2019). In December 2017 the City Council approved an energy efficiency cost recovery rider as an interim funding mechanism for Energy Smart, subject to verification that no additional funding sources exist. In June 2018 the City Council also approved a resolution recommending that Entergy New Orleans allocate approximately \$13.5 million of benefits resulting from the Tax Act to Energy Smart. Entergy New Orleans is seeking approval of a permanent and stable source of funding for Energy Smart as part of its base rate case filed in July 2018.

Base Rate Case

In July 2018, Entergy New Orleans filed its 2018 base rate case with the City Council. Entergy New Orleans's application supports a \$20 million decrease in total revenue requirement. Entergy New Orleans's rates reflect the inclusion of federal income tax reductions due to the Tax Act and the provisions of a previously approved agreement in principle determining how the benefits of the Tax Act would flow. Entergy New Orleans included cost of service studies for electric and gas operations for the twelve months ending December 31, 2017 and the projected twelve months ending December 31, 2018. In addition, Entergy New Orleans included capital additions expected to be placed into service for the period through December 31, 2019. Entergy New Orleans's request for a change in rates is based on the projected twelve months ending December 31, 2018. For electric rates, that results in a proposed decrease of total revenue requirement of approximately \$20 million. For gas rates, that results in a proposed decrease

of \$129 thousand.

Entergy New Orleans has requested to restructure electric rates to take into account the addition of electric operations in Algiers, such that a single set of rates will be charged in the City of New Orleans, including an increase

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in its electric customer charges. Entergy New Orleans's request also includes: a 10.75% return on equity; a three-year formula rate plan for electric (with decoupling) and gas operations, each with a 100 basis point bandwidth (i.e., 10.75% +/- 50 basis points); realignment of capacity and long-term service agreement expense from riders to base rates; implementation of riders for 1) contemporaneous recovery of net cost of advanced metering infrastructure, 2) contemporaneous true-up for existing capacity and long-term service agreement expense, as well as new capacity such as power purchase agreements and battery storage (through the purchased power capacity and acquisition cost recovery rider), 3) recovery of distribution grid modernization, gas infrastructure replacement program, and interim energy efficiency, and 4) permanent recovery mechanism for demand-side management activities, including putting into rate base the costs of demand side management activities and contemporaneous recovery of lost contribution to fixed costs; new depreciation rates for electric and gas assets; and proposed implementation of new voluntary customer offerings (such as green power, fixed bill, community solar, pre-pay electric and gas service, and electric vehicle charging infrastructure options).

Filings with the PUCT (Entergy Texas)

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 is associated with moving costs currently being collected through riders into base rates such that the total incremental revenue requirement increase is approximately \$118 million. Entergy Texas's proposed rates and revenues reflect the inclusion of federal income tax reductions due to the Tax Act as well as a rider designed to return approximately \$202 million of unprotected excess accumulated deferred federal income taxes over a period of two years following PUCT approval. The base rate case is 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. A hearing on the merits is scheduled in August 2018.

Advanced Metering Infrastructure (AMI) Filings

Entergy Mississippi

See the Form 10-K for discussion of the MPSC order finding that Entergy Mississippi's deployment of AMI is in the public interest and granting a certificate of public convenience and necessity. In June 2018, as part of the order approving the joint stipulation between the Mississippi Public Utilities Staff and Entergy Mississippi addressing Entergy Mississippi's 2018 formula rate plan evaluation report and the ratemaking effects of the Tax Act, the MPSC approved the acceleration of the recovery of substantially all of Entergy Mississippi's existing customer meters in anticipation of AMI deployment.

Entergy New Orleans

As discussed in the Form 10-K, in February 2018 the City Council approved Entergy New Orleans's application seeking a finding that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. Deployment of the information technology infrastructure began in 2017 and deployment of the communications network is expected to begin later in 2018. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to explore the options for accelerating the deployment of AMI. In June 2018 the City Council approved a one year acceleration of AMI in its service area for an incremental \$4.4 million, bringing the total capital spending related to AMI for Entergy New Orleans to \$79.4 million.

System Agreement Cost Equalization Proceedings

As discussed in the Form 10-K, in August 2017 the D.C. Circuit issued a decision denying the LPSC's appeal of the FERC's October 2011 and February 2014 orders, but also granting the request by all parties to the appeal for

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remand and agency reconsideration on the issue of whether the operating companies should be required to issue refunds for the 20-month period from September 2001 to May 2003. The matter was remanded back to the FERC and, in March 2018, the LPSC filed its brief arguing that the FERC should require the Utility operating companies to issue refunds for the 20-month refund period from September 2001 to May 2003. In May 2018, Entergy filed its brief arguing that the FERC should not require the Utility operating companies to issue refunds for the 20-month refund period from September 2001 to May 2003.

Also as discussed in the Form 10-K, the hearing on the bandwidth calculation for the seven months June 1, 2005 through December 31, 2005 occurred in July 2016. The presiding judge issued an initial decision in November 2016. In May 2018 the FERC issued an order affirming the initial decision and ordered a comprehensive recalculation of the bandwidth payments/receipts for the seven months June 1, 2005 through December 31, 2005 and a recalculation of the 2006 and 2007 test years as a result of limited revisions. Entergy filed the comprehensive recalculation of the bandwidth payments/receipts for the seven months June 1, 2005 through December 31, 2005 and the 2006 and 2007 test years in July 2018. The filing shows the additional following payments and receipts among the Utility operating companies:

	Payments (Receipts) (In Millions)
Entergy Arkansas	(\$4)
Entergy Louisiana	(\$23)
Entergy Mississippi	\$16
Entergy New Orleans	\$5
Entergy Texas	\$6

## Rough Production Cost Equalization Rates

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

As discussed in the Form 10-K, in December 2014 the FERC consolidated the 2011, 2012, 2013, and 2014 rate filings for settlement and hearing procedures. In May 2015, Entergy filed direct testimony in the consolidated rate filings and the LPSC filed direct testimony concerning its complaint proceeding that is consolidated with the rate filings, challenging certain components of the pending bandwidth calculations for prior years. Hearings occurred in November 2015, and the ALJ issued an initial decision in July 2016. In the initial decision, the ALJ generally agreed with Entergy's bandwidth calculations with one exception on the accounting related to the Waterford 3 sale/leaseback. In March 2018 the FERC issued an order affirming the initial decision. In April 2018 the LPSC requested rehearing of the FERC's March 2018 order affirming the ALJ's initial decision. Entergy filed in May 2018 the bandwidth true-up payments and receipts for the 2011-2014 rate filings (table does not net to zero due to rounding):

	Payments (Receipts) (In Millions)
Entergy Arkansas	\$3
Entergy Louisiana	\$3
Entergy Mississippi	(\$1)
Entergy New Orleans	\$1
Entergy Texas	(\$5)





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Interruptible Load Proceedings

See the Form 10-K for a discussion of the interruptible load proceedings. As discussed in the Form 10-K, the LPSC appealed the April and September 2016 orders to the D.C. Circuit. In March 2018 the D.C. Circuit issued an order denying the LPSC's appeal and affirming the FERC's decision that it would be inequitable to award refunds in the proceeding. In April 2018 the LPSC sought rehearing en banc of the D.C. Circuit's order denying the LPSC's appeal. In May 2018 the D.C. Circuit denied the LPSC's rehearing request. In August 2018 the LPSC filed with the Supreme Court of the United States a petition for a writ of certiorari to review the judgment of the D.C. Circuit.

Complaints Against System Energy

Return on Equity Complaints

As discussed in the Form 10-K, 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 current capital market and other considerations indicate that it is excessive. The complaint requests the FERC to institute 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. System Energy is recording a provision against revenue for the potential outcome of this proceeding. In September 2017 the FERC established a refund effective date of January 23, 2017, consolidated the return on equity complaint with the proceeding described in Unit Power Sales Agreement below, and directed the parties to engage in settlement proceedings before an ALJ. The parties have been unable to settle the return on equity issue and a FERC hearing judge was assigned in July 2018. A prehearing conference is scheduled for August 21, 2018. The 15-month refund effective date in connection with the APSC/MPSC complaint expired on April 23, 2018.

In April 2018 the LPSC filed a complaint with the FERC against System Energy seeking an additional fifteen-month refund period. The LPSC complaint requests similar relief from the FERC with respect to System Energy's return on equity and also requests the FERC to investigate System Energy's capital structure. 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 July 2018 the LPSC answered System Energy's motion to dismiss.

Grand Gulf Sale-leaseback Renewal Complaint

In May 2018, the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal in 2015 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

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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 have intervened in the proceeding.

In June 2018, System Energy and Entergy Services filed a motion to dismiss and 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 asked that the FERC dismiss and reject the LPSC complaint without further action, investigation, or hearing, but 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.

Unit Power Sales Agreement

As discussed in the Form 10-K, in August 2017, System Energy submitted to the FERC proposed limited amendments to the Unit Power Sales Agreement to adopt (1) updated rates for use in calculating Grand Gulf plant depreciation and amortization expenses and (2) updated nuclear decommissioning cost annual revenue requirements, both of which are recovered through the Unit Power Sales Agreement rate formula. The proposed amendments would result in lower charges to the Utility operating companies that buy capacity and energy from System Energy under the Unit Power Sales Agreement. In June 2018, System Energy filed with the FERC an uncontested settlement relating to the updated depreciation rates and nuclear decommissioning cost annual revenue requirements.

Storm Cost Recovery Filings with Retail Regulators

Entergy Mississippi

As discussed in the Form 10-K, 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. As of June 30, 2018, Entergy Mississippi's storm damage provision balance exceeded \$15 million. Accordingly the storm damage provision will reset to zero beginning with August 2018 bills.

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## NOTE 3. EQUITY (Entergy Corporation and Entergy Louisiana)

## Common Stock

## Earnings per Share

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

	For the Three Months Ended June 30,					
	2018		2017			
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	\$/share	Income	Shares	\$/share
Net income attributable to Entergy Corporation	\$245.4	180.8	\$1.36	\$409.9	179.5	\$2.28
Average dilutive effect of:						
Stock options	0.3	—		0.2	—	
Other equity plans	0.7	(0.01 )		0.5	(0.01 )	
Equity forwards	1.2	(0.01 )		—	—	
Diluted earnings per share	\$245.4	183.0	\$1.34	\$409.9	180.2	\$2.27

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 1.1 million for the three months ended June 30, 2018 and approximately 2.5 million for the three months ended June 30, 2017.

	For the Six Months Ended June 30,					
	2018		2017			
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	\$/share	Income	Shares	\$/share
Net income attributable to Entergy Corporation	\$378.2	180.8	\$2.09	\$492.5	179.4	\$2.75
Average dilutive effect of:						
Stock options	0.3	—		0.2	—	
Other equity plans	0.5	—		0.4	(0.01 )	
Equity forwards	0.6	(0.01 )		—	—	
Diluted earnings per share	\$378.2	182.2	\$2.08	\$492.5	180.0	\$2.74

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 1.1 million for the six months ended June 30, 2018 and approximately 3.7 million for the six months ended June 30, 2017.

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

## 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. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forwards occur. The equity forwards require 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

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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 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.

If Entergy elects physical settlement of the forward sale agreements, it expects to use the net proceeds for general corporate purposes, which may include repayment of commercial paper, outstanding loans under Entergy's revolving credit facility, or other debt.

Until settlement of the equity forwards, 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. If Entergy had elected to net share settle the forward sale agreements as of June 30, 2018, Entergy would have been required to deliver 1.2 million shares.

Treasury Stock

During the six months ended June 30, 2018, Entergy Corporation issued 323,364 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 six months ended June 30, 2018.

Retained Earnings

On July 27, 2018, Entergy Corporation's Board of Directors declared a common stock dividend of \$0.89 per share, payable on September 4, 2018, to holders of record as of August 9, 2018.

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

Entergy implemented ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" effective January 1, 2018. The ASU requires entities to recognize the income tax consequences of intra-entity asset transfers, other than inventory, at the time the transfer occurs. Entergy implemented this standard using a modified retrospective method, and recorded an adjustment decreasing retained earnings by \$56 million as of January 1, 2018 for the cumulative effect of recording deferred tax assets on previously-recognized intra-entity asset transfers.

Entergy adopted ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," in the first quarter 2018. The ASU allows a one-time reclassification from accumulated other comprehensive income to retained earnings for certain tax effects resulting from the Tax Cuts and Jobs Act that would otherwise be stranded in accumulated other comprehensive income. Entergy's policy for releasing income tax effects from accumulated other comprehensive

income for available-for-sale securities is to use the portfolio approach. Entergy elected to reclassify the \$15.5 million of stranded tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act to retained earnings (\$32 million decrease) or the regulatory liability for income taxes (\$16.5 million increase). Entergy's reclassification only includes the effect of the change in the federal corporate income tax rate on accumulated other comprehensive income.

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## 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 June 30, 2018 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, April 1, 2018	\$50,194	(\$605,491 )	(\$6,201 )	(\$561,498 )
Other comprehensive income (loss) before reclassifications	(62,981 )	—	(7,509 )	(70,490 )
Amounts reclassified from accumulated other comprehensive income (loss)	(2,087 )	15,565	4,868	18,346
Net other comprehensive income (loss) for the period	(65,068 )	15,565	(2,641 )	(52,144 )
Ending balance, June 30, 2018	(\$14,874)	(\$589,926 )	(\$8,842 )	(\$613,642 )

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended June 30, 2017 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
	(In Thousands)				
Beginning balance, April 1, 2017	\$3,465	(\$460,814 )	\$467,561	\$748	\$10,960
Other comprehensive income (loss) before reclassifications	28,057	—	33,870	(748 )	61,179
Amounts reclassified from accumulated other comprehensive income (loss)	(8,108 )	10,916	(22,174 )	—	(19,366 )
Net other comprehensive income (loss) for the period	19,949	10,916	11,696	(748 )	41,813
Ending balance, June 30, 2017	\$23,414	(\$449,898 )	\$479,257	\$—	\$52,773



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The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the six months ended June 30, 2018 by component:

	Cash flow hedges net unrealized gain (loss) (In Thousands)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Total Accumulated Other Comprehensive Income (Loss)
Ending balance, December 31, 2017	(\$37,477)	(\$531,099 )	\$545,045	(\$23,531 )
Implementation of accounting standards	—	—	(632,617 )	(632,617 )
Beginning balance, January 1, 2018	(\$37,477)	(\$531,099 )	(\$87,572 )	(\$656,148 )
Other comprehensive income (loss) before reclassifications	8,585	—	(43,785 )	(35,200 )
Amounts reclassified from accumulated other comprehensive income (loss)	21,774	32,139	8,288	62,201
Net other comprehensive income (loss) for the period	30,359	32,139	(35,497 )	27,001
Reclassification pursuant to ASU 2018-02	(7,756 )	(90,966 )	114,227	15,505
Ending balance, June 30, 2018	(\$14,874)	(\$589,926 )	(\$8,842 )	(\$613,642 )

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the six months ended June 30, 2017 by component:

	Cash flow hedges net unrealized gain (loss) (In Thousands)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2017	\$3,993	(\$469,446 )	\$429,734	\$748	(\$34,971 )
Other comprehensive income (loss) before reclassifications	60,665	—	73,742	(748 )	133,659
Amounts reclassified from accumulated other comprehensive income (loss)	(41,244 )	19,548	(24,219 )	—	(45,915 )
Net other comprehensive income (loss) for the period	19,421	19,548	49,523	(748 )	87,744
Ending balance, June 30, 2017	\$23,414	(\$449,898 )	\$479,257	\$—	\$52,773

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The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the three months ended June 30, 2018 and 2017:

	Pension and Other Postretirement Liabilities	
	2018	2017
	(In Thousands)	
Beginning balance, April 1,	(\$56,950)	(\$48,812)
Amounts reclassified from accumulated other comprehensive income (loss)	(501 )	(310 )
Net other comprehensive income (loss) for the period	(501 )	(310 )
Ending balance, June 30,	(\$57,451)	(\$49,122)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the six months ended June 30, 2018 and 2017:

	Pension and Other Postretirement Liabilities	
	2018	2017
	(In Thousands)	
Beginning balance, January 1,	(\$46,400)	(\$48,442)
Amounts reclassified from accumulated other comprehensive income (loss)	(1,002 )	(680 )
Net other comprehensive income (loss) for the period	(1,002 )	(680 )
Reclassification pursuant to ASU 2018-02	(10,049 )	—
Ending balance, June 30,	(\$57,451)	(\$49,122)

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy for the three months ended June 30, 2018 and 2017 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2018	2017	
	(In Thousands)		
Cash flow hedges net unrealized gain (loss)			
Power contracts	\$2,735	\$12,695	Competitive business operating revenues
Interest rate swaps	(93 )	(219 )	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	2,642	12,476	
	(555 )	(4,368 )	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	\$2,087	\$8,108	
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$5,424	\$6,564	(a)
Amortization of loss	(24,808 )	(21,554 )	(a)
Settlement loss	(406 )	(1,765 )	(a)
Total amortization	(19,790 )	(16,755 )	
	4,225	5,839	Income taxes
Total amortization (net of tax)	(\$15,565)	(\$10,916)	
Net unrealized investment gain (loss)			
Realized gain (loss)	(\$7,702 )	\$43,479	Interest and investment income
	2,834	(21,305 )	Income taxes
Total realized investment gain (loss) (net of tax)	(\$4,868 )	\$22,174	
Total reclassifications for the period (net of tax)	(\$18,346)	\$19,366	

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

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy for the six months ended June 30, 2018 and 2017 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2018	2017	
	(In Thousands)		
Cash flow hedges net unrealized gain (loss)			
Power contracts	(\$27,347)	\$63,922	Competitive business operating revenues
Interest rate swaps	(215 )	(469 )	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	(27,562 )	63,453	
	5,788	(22,209 )	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	(\$21,774)	\$41,244	
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$10,850	\$13,126	(a)
Amortization of loss	(49,760 )	(43,125 )	(a)
Settlement loss	(2,022 )	(1,765 )	(a)
Total amortization	(40,932 )	(31,764 )	
	8,793	12,216	Income taxes
Total amortization (net of tax)	(\$32,139)	(\$19,548)	
Net unrealized investment gain (loss)			
Realized gain (loss)	(\$13,114)	\$47,489	Interest and investment income
	4,826	(23,270 )	Income taxes
Total realized investment gain (loss) (net of tax)	(\$8,288 )	\$24,219	
Total reclassifications for the period (net of tax)	(\$62,201)	\$45,915	

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

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy Louisiana for the three months ended June 30, 2018 and 2017 are as follows:

	Amounts		Income Statement Location
	reclassified from AOCI		
	2018	2017	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$1,934	\$1,934	(a)
Amortization of loss	(1,256)	(1,332)	(a)
Total amortization	678	602	
	(177)	(292)	Income taxes
Total amortization (net of tax)	501	310	
Total reclassifications for the period (net of tax)	\$501	\$310	

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

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy Louisiana for the six months ended June 30, 2018 and 2017 are as follows:

	Amounts		Income Statement Location
	reclassified from AOCI		
	2018	2017	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service credit	\$3,868	\$3,868	(a)
Amortization of loss	(2,513)	(2,664)	(a)
Total amortization	1,355	1,204	
	(353)	(524)	Income taxes
Total amortization (net of tax)	1,002	680	
Total reclassifications for the period (net of tax)	\$1,002	\$680	

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

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in August 2022. The facility includes fronting commitments for the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior

unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the six months ended June 30, 2018 was 3.34% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of June 30, 2018.

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Capacity Borrowings	Letters of Credit	Capacity Available
(In Millions)		
\$3,500 \$390	\$6	\$3,104

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

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. At June 30, 2018, Entergy Corporation had approximately \$1,945 million of commercial paper outstanding. The weighted-average interest rate for the six months ended June 30, 2018 was 2.31%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of June 30, 2018 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of June 30, 2018	Letters of Credit Outstanding as of June 30, 2018
Entergy Arkansas	April 2019	\$20 million (b)	3.34%	\$—	\$—
Entergy Arkansas	August 2022	\$150 million (c)	3.34%	\$—	\$—
Entergy Louisiana	August 2022	\$350 million (c)	3.34%	\$—	\$9.1 million
Entergy Mississippi	May 2019	\$37.5 million (d)	3.59%	\$—	\$—
Entergy Mississippi	May 2019	\$35 million (d)	3.59%	\$—	\$—
Entergy Mississippi	May 2019	\$10 million (d)	3.59%	\$—	\$—
Entergy New Orleans	November 2018	\$25 million (c)	3.57%	\$—	\$0.8 million
Entergy Texas	August 2022	\$150 million (c)	3.59%	\$—	\$24.4 million

(a) For credit facilities with no borrowings as of June 30, 2018, the interest rate is the estimated interest rate as of June 30, 2018 that would have been applied to outstanding borrowings under the facility.

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

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

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into uncommitted standby letter of credit facilities as a means to post collateral to support its obligations

to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of June 30, 2018:

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Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of June 30, 2018 (a)
Entergy Arkansas	\$25 million	0.70%	\$1 million
Entergy Louisiana	\$125 million	0.70%	\$37.8 million
Entergy Mississippi	\$40 million	0.70%	\$20.2 million
Entergy New Orleans	\$15 million	1.00%	\$7.4 million
Entergy Texas	\$50 million	0.70%	\$12.5 million

As of June 30, 2018, letters of credit posted with MISO covered financial transmission rights exposure of \$0.6 (a) million for Entergy Arkansas and \$0.2 million for Entergy Mississippi. See Note 8 to the financial statements herein for discussion of financial transmission rights.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through October 31, 2019. In addition to borrowings from commercial banks, these companies may also borrow from the Entergy System money pool and from other internal short-term borrowing arrangements. The money pool and the other internal borrowing arrangements are inter-company borrowing arrangements designed to reduce the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short term borrowings combined may not exceed the FERC-authorized limits. The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of June 30, 2018 (aggregating both internal and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized Borrowings (In Millions)	
Entergy Arkansas	\$250	\$—
Entergy Louisiana	\$450	\$—
Entergy Mississippi	\$175	\$63
Entergy New Orleans	\$150	\$23
Entergy Texas	\$200	\$—
System Energy	\$200	\$—

#### Entergy Nuclear Vermont Yankee Credit Facility

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of \$145 million that expires in November 2020. Entergy Nuclear Vermont Yankee does not have the ability to issue letters of credit against the credit facility. This facility provides working capital to Entergy Nuclear Vermont Yankee for general business purposes including, without limitation, the decommissioning of Vermont Yankee. The commitment fee is currently 0.20% of the undrawn commitment amount. As of June 30, 2018, \$108 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the six months ended June 30, 2018 was 3.26% on the drawn portion of the facility.

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

See Note 17 to the financial statements in the Form 10-K for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIEs). To finance the acquisition and ownership of nuclear fuel, the nuclear fuel company VIEs have credit facilities and three of the four VIEs also issued commercial paper as of June 30, 2018 as follows:



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Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of June 30, 2018
		(Dollars in Millions)		
Entergy Arkansas VIE	May 2019	\$80	3.08%	\$41.7
Entergy Louisiana River Bend VIE	May 2019	\$105	3.09%	\$44.8
Entergy Louisiana Waterford VIE	May 2019	\$85	3.07%	\$45.4
System Energy VIE	May 2019	\$120	3.79%	\$38.9 (b)

(a) Includes letter of credit fees and bank fronting fees on commercial paper issuances by the nuclear fuel company variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy. The nuclear fuel company variable interest entity for Entergy Louisiana River Bend does not issue commercial paper, but borrows directly on its bank credit facility.

(b) The total amount outstanding as of June 30, 2018 is commercial paper, and is classified as a current liability.

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

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of June 30, 2018 as follows:

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

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

## Debt Issuances and Retirements

(Entergy Arkansas)

In May 2018, Entergy Arkansas issued \$250 million of 4.00% Series first mortgage bonds due June 2028. Entergy Arkansas expects to use the proceeds, together with other funds, to redeem \$9.4 million of its 4.72% Series preferred stock, \$7 million of its 4.32% Series preferred stock, and \$15 million of its 4.56% Series preferred stock; and for general corporate purposes.

(Entergy Louisiana)

In March 2018, Entergy Louisiana issued \$750 million of 4.00% collateral trust mortgage bonds due March 2033. Entergy Louisiana used a portion of the proceeds to repay at maturity its \$375 million of 6.0% Series first mortgage bonds due May 2018; to repay borrowings from the money pool; and to repay borrowings under its \$350

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million credit facility. The remaining proceeds, together with other funds, are being used to finance the construction of the Lake Charles Power Station and St. Charles Power Station; and for general corporate purposes.

(System Energy)

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

## Fair Value

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of June 30, 2018 are as follows:

	Book Value of Long-Term Debt (In Thousands)	Fair Value of Long-Term Debt (a) (b)
Entergy	\$15,874,594	\$15,521,205
Entergy Arkansas	\$3,212,424	\$2,991,503
Entergy Louisiana	\$6,491,723	\$6,406,225
Entergy Mississippi	\$1,270,559	\$1,240,643
Entergy New Orleans	\$431,795	\$441,342
Entergy Texas	\$1,548,180	\$1,581,882
System Energy	\$601,662	\$571,461

(a) The values exclude lease obligations of \$34 million at System Energy and long-term DOE obligations of \$185 million at Entergy Arkansas, and include debt due within one year.

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

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

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

(a)

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

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

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Entergy Corporation and Subsidiaries

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## 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 687,400 shares of its common stock under the 2015 Equity Ownership Plan during the first quarter 2018 with a fair value of \$6.99 per option. As of June 30, 2018, there were options on 4,370,733 shares of common stock outstanding with a weighted-average exercise price of \$74.40. 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 June 30, 2018. The aggregate intrinsic value of the stock options outstanding as of June 30, 2018 was \$27.9 million.

The following table includes financial information for outstanding stock options for the three months ended June 30, 2018 and 2017:

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

The following table includes financial information for outstanding stock options for the six months ended June 30, 2018 and 2017:

	2018	2017
	(In Millions)	
Compensation expense included in Entergy's net income	\$2.2	\$2.2
Tax benefit recognized in Entergy's net income	\$0.6	\$0.8
Compensation cost capitalized as part of fixed assets and inventory	\$0.4	\$0.4

## Other Equity Awards

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

description of the Long-Term Performance Unit Program. Shares of restricted stock have the same dividend and voting rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period. Performance units have the same dividend rights as shares of Entergy common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period.



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The following table includes financial information for other outstanding equity awards for the three months ended June 30, 2018 and 2017:

	2018	2017
	(In Millions)	
Compensation expense included in Entergy's net income	\$8.7	\$8.2
Tax benefit recognized in Entergy's net income	\$2.2	\$3.2
Compensation cost capitalized as part of fixed assets and inventory	\$2.5	\$2.2

The following table includes financial information for other outstanding equity awards for the six months ended June 30, 2018 and 2017:

	2018	2017
	(In Millions)	
Compensation expense included in Entergy's net income	\$17.5	\$16.4
Tax benefit recognized in Entergy's net income	\$4.4	\$6.3
Compensation cost capitalized as part of fixed assets and inventory	\$4.8	\$4.2

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

Entergy implemented ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" effective January 1, 2018. The ASU requires entities to report the service cost component of defined benefit pension cost and postretirement benefit cost (net benefit cost) in the same line item as other compensation costs arising from services rendered during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations and are presented by Entergy in miscellaneous - net in other income. The amendment regarding the presentation of net benefit cost was required to be applied retrospectively for all periods presented. In addition, the ASU allows only the service cost component of net benefit cost to be eligible for capitalization on a prospective basis. In accordance with the regulatory treatment of net benefit cost of the Registrant Subsidiaries, a regulatory asset/liability will be recorded in other regulatory assets/liabilities for the non-service cost components of net benefit cost that would have been capitalized. The retroactive presentation changes resulted in decreases (increases) in other operation and maintenance expenses and decreases (increases) in other income for the three months ended June 30, 2017, with no change in net income, of \$25 million for Entergy, \$3.6 million for Entergy Arkansas, \$6.2 million for Entergy Louisiana, \$0.5 million for Entergy Mississippi, \$0.2 million for Entergy New Orleans, \$14 thousand for Entergy Texas, and \$2.3 million for System Energy. The retroactive presentation changes resulted in decreases (increases) in other operation and maintenance expenses and decreases (increases) in other income for the six months ended June 30, 2017, with no change in net income, of \$46 million for Entergy, \$6.4 million for Entergy Arkansas, \$12.3 million for Entergy Louisiana, \$1.1 million for Entergy Mississippi, \$0.4 million for Entergy New Orleans, (\$0.2) million for Entergy Texas, and \$3.3 million for System Energy. The retroactive effect of the change for the year ended December 31, 2017 would be decreases in other operation and maintenance expenses and decreases in other income, with no change in net income, of \$108 million for Entergy, \$13.7 million for Entergy Arkansas, \$27.8 million for Entergy Louisiana, \$2.7 million for Entergy Mississippi, \$1.3 million for Entergy New Orleans, \$0.2 million for Entergy Texas, and \$6.2 million for System Energy. The retroactive effect of the change for the year ended December 31, 2016 would be decreases

(increases) in other operation and maintenance expenses and decreases (increases) in other income, with no change in net income, of \$71 million for Entergy, \$13.4 million for Entergy Arkansas, \$26.1 million for Entergy Louisiana, \$2.4 million for Entergy Mississippi, \$1 million for Entergy New Orleans, (\$1.1) million for Entergy Texas, and \$5.1 million for System Energy. The retroactive effect of the change for the year ended December 31, 2015 would be decreases in other operation and maintenance expenses and decreases in other income, with no change in net income, of \$148 million for Entergy, \$30.7

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million for Entergy Arkansas, \$50.7 million for Entergy Louisiana, \$6.3 million for Entergy Mississippi, \$4 million for Entergy New Orleans, \$4 million for Entergy Texas, and \$10.2 million for System Energy.

## Components of Qualified Net Pension Cost

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

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

Entergy's qualified pension cost, including amounts capitalized, for the six months ended June 30, 2018 and 2017, included the following components:

	2018	2017
	(In Thousands)	
Service cost - benefits earned during the period	\$77,504	\$66,820
Interest cost on projected benefit obligation	133,708	130,412
Expected return on assets	(221,070)	(204,112)
Amortization of prior service cost	198	130
Amortization of loss	137,052	113,860
Net pension costs	\$127,392	\$107,110

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

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$6,189	\$8,446	\$1,822	\$673	\$1,589	\$1,776
Interest cost on projected benefit obligation	13,004	14,940	3,769	1,813	3,348	3,227
Expected return on assets	(21,851)	(24,809)	(6,502)	(2,993)	(6,523)	(4,991)
Amortization of loss	13,412	14,450	3,610	1,954	2,626	3,715
Net pension cost	\$10,754	\$13,027	\$2,699	\$1,447	\$1,040	\$3,727

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2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$5,090	\$6,925	\$1,472	\$625	\$1,364	\$1,536
Interest cost on projected benefit obligation	12,944	14,809	3,732	1,791	3,392	3,091
Expected return on assets	(20,427)	(23,017)	(6,131)	(2,800)	(6,180)	(4,663)
Amortization of loss	11,640	12,354	3,053	1,658	2,310	2,964
Net pension cost	\$9,247	\$11,071	\$2,126	\$1,274	\$886	\$2,928

The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for their employees for the six months ended June 30, 2018 and 2017, included the following components:

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$12,378	\$16,892	\$3,644	\$1,346	\$3,178	\$3,552
Interest cost on projects benefit obligation	26,008	29,880	7,538	3,626	6,696	6,454
Expected return on assets	(43,702)	(49,618)	(13,004)	(5,986)	(13,046)	(9,982)
Amortization of loss	26,824	28,900	7,220	3,908	5,252	7,430
Net pension cost	\$21,508	\$26,054	\$5,398	\$2,894	\$2,080	\$7,454
2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$10,180	\$13,850	\$2,944	\$1,250	\$2,728	\$3,072
Interest cost on projected benefit obligation	25,888	29,618	7,464	3,582	6,784	6,182
Expected return on assets	(40,854)	(46,034)	(12,262)	(5,600)	(12,360)	(9,326)
Amortization of loss	23,280	24,708	6,106	3,316	4,620	5,928
Net pension cost	\$18,494	\$22,142	\$4,252	\$2,548	\$1,772	\$5,856

## Non-Qualified Net Pension Cost

Entergy recognized \$6.6 million and \$8.5 million in pension cost for its non-qualified pension plans in the second quarters of 2018 and 2017, respectively. Reflected in the pension cost for non-qualified pension plans in the second quarters of 2018 and 2017 were settlement charges of \$2.4 million and \$4 million, respectively, related to the payment of lump sum benefits out of the plan. Entergy recognized \$15.5 million and \$13.1 million in pension cost for its non-qualified pension plans for the six months ended June 30, 2018 and 2017, respectively. Reflected in the pension cost for non-qualified pension plans for the six months ended June 30, 2018 and 2017 were settlement charges of \$6.8 million and \$4 million, respectively, related to the payment of lump sum benefits out of this plan.

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

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2018	\$122	\$46	\$77	\$21	\$270
2017	\$267	\$47	\$63	\$18	\$126

Reflected in Entergy Arkansas's non-qualified pension costs in the second quarters of 2018 and 2017, were settlement charges of \$10 thousand and \$163 thousand, respectively, related to the payment of lump sum benefits out of the plan. Reflected in Entergy Texas's non-qualified pension costs in the second quarter of 2018 were settlement charges of \$139 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 six months ended June 30, 2018 and 2017:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2018	\$254	\$96	\$157	\$42	\$407
2017	\$372	\$96	\$127	\$36	\$253

Reflected in Entergy Arkansas's non-qualified pension costs for the six months ended June 30, 2018 and 2017, were settlement charges of \$22 thousand and \$163 thousand, respectively, related to the payment of lump sum benefits out of the plan. Reflected in Entergy Texas's non-qualified pension costs for the six months ended June 30, 2018 were settlement charges of \$139 thousand related to the payment of lump sum benefits out of the plan.

## Components of Net Other Postretirement Benefit Cost

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

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

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Entergy's other postretirement benefit cost, including amounts capitalized, for the six months ended June 30, 2018 and 2017, included the following components:

	2018	2017
	(In Thousands)	
Service cost - benefits earned during the period	\$13,564	\$13,458
Interest cost on accumulated postretirement benefit obligation (APBO)	25,362	27,920
Expected return on assets	(20,746 )	(18,816 )
Amortization of prior service credit	(18,502 )	(20,712 )
Amortization of loss	6,864	10,952
Net other postretirement benefit cost	\$6,542	\$12,802

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

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$793	\$1,556	\$321	\$129	\$330	\$306
Interest cost on APBO	1,997	2,789	683	417	939	500
Expected return on assets	(4,342 )	—	(1,303 )	(1,313 )	(2,446 )	(783 )
Amortization of prior service credit	(1,278 )	(1,934 )	(456 )	(186 )	(579 )	(378 )
Amortization of loss	289	388	377	34	206	233
Net other postretirement benefit cost	(\$2,541)	\$2,799	(\$378 )	(\$919 )	(\$1,550)	(\$122 )
2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$863	\$1,593	\$290	\$142	\$372	\$320
Interest cost on APBO	2,255	3,025	690	469	1,124	559
Expected return on assets	(3,959 )	—	(1,200 )	(1,159 )	(2,180 )	(717 )
Amortization of prior service credit	(1,278 )	(1,934 )	(456 )	(186 )	(579 )	(378 )
Amortization of loss	1,115	465	419	105	826	390
Net other postretirement benefit cost	(\$1,004)	\$3,149	(\$257 )	(\$629 )	(\$437 )	\$174

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The Registrant Subsidiaries' other postretirement benefit cost, including amounts capitalized, for their employees for the six months ended June 30, 2018 and 2017, included the following components:

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$1,586	\$3,112	\$642	\$258	\$660	\$612
Interest cost on APBO	3,994	5,578	1,366	834	1,878	1,000
Expected return on assets	(8,684 )	—	(2,606 )	(2,626 )	(4,892 )	(1,566 )
Amortization of prior service credit	(2,556 )	(3,868 )	(912 )	(372 )	(1,158 )	(756 )
Amortization of loss	578	776	754	68	412	466
Net other postretirement benefit cost	(\$5,082)	\$5,598	(\$756 )	(\$1,838)	(\$3,100)	(\$244 )
2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$1,726	\$3,186	\$580	\$284	\$744	\$640
Interest cost on APBO	4,510	6,050	1,380	938	2,248	1,118
Expected return on assets	(7,918 )	—	(2,400 )	(2,318 )	(4,360 )	(1,434)
Amortization of prior service credit	(2,556 )	(3,868 )	(912 )	(372 )	(1,158 )	(756 )
Amortization of loss	2,230	930	838	210	1,652	780
Net other postretirement benefit cost	(\$2,008)	\$6,298	(\$514 )	(\$1,258)	(\$874 )	\$348

## 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 second quarters of 2018 and 2017:

2018	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service (cost)/credit	(\$99 )	\$5,594	(\$71 )	\$5,424
Amortization of loss	(21,957 )	(1,933 )	(918 )	(24,808 )
Settlement loss	—	—	(406 )	(406 )
	(\$22,056)	\$3,661	(\$1,395 )	(\$19,790)
Entergy Louisiana				
Amortization of prior service credit	\$—	\$1,934	\$—	\$1,934
Amortization of loss	(867 )	(387 )	(2 )	(1,256 )
	(\$867 )	\$1,547	(\$2 )	\$678

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2017	Qualified Pension Costs (In Thousands)	Other Postretirement Costs	Non-Qualified Pension Costs	Total
Entergy				
Amortization of prior service (cost)/credit	(\$65 )	\$6,718	(\$89 )	\$6,564
Amortization of loss	(18,450 )	(2,202 )	(902 )	(21,554 )
Settlement loss	—	—	(1,765 )	(1,765 )
	(\$18,515)	\$4,516	(\$2,756)	(\$16,755)
Entergy Louisiana				
Amortization of prior service credit	\$—	\$1,934	\$—	\$1,934
Amortization of loss	(865 )	(465 )	(2 )	(1,332 )
	(\$865 )	\$1,469	(\$2 )	\$602

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) for the six months ended June 30, 2018 and 2017:

2018	Qualified Pension Costs (In Thousands)	Other Postretirement Costs	Non-Qualified Pension Costs	Total
Entergy				
Amortization of prior service (cost)/credit	(\$198 )	\$11,189	(\$141 )	\$10,850
Amortization of loss	(43,914 )	(3,865 )	(1,981 )	(49,760 )
Settlement loss	—	—	(2,022 )	(2,022 )
	(\$44,112)	\$7,324	(\$4,144)	(\$40,932)
Entergy Louisiana				
Amortization of prior service credit	\$—	\$3,868	\$—	\$3,868
Amortization of loss	(1,734 )	(775 )	(4 )	(2,513 )
	(\$1,734 )	\$3,093	(\$4 )	\$1,355
2017				
Entergy				
Amortization of prior service (cost)/credit	(\$130 )	\$13,435	(\$179 )	\$13,126
Amortization of loss	(36,899 )	(4,404 )	(1,822 )	(43,125 )
Settlement loss	—	—	(1,765 )	(1,765 )
	(\$37,029)	\$9,031	(\$3,766)	(\$31,764)
Entergy Louisiana				
Amortization of prior service credit	\$—	\$3,868	\$—	\$3,868
Amortization of loss	(1,730 )	(930 )	(4 )	(2,664 )
	(\$1,730 )	\$2,938	(\$4 )	\$1,204



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## Employer Contributions

Based on current assumptions, Entergy expects to contribute \$352.1 million to its qualified pension plans in 2018. As of June 30, 2018, Entergy had contributed \$159.7 million to its pension plans. Based on current assumptions, the Registrant Subsidiaries expect to contribute the following to qualified pension plans for their employees in 2018:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Expected 2018 pension contributions	\$64,062	\$71,917	\$14,933	\$7,250	\$10,883	\$13,786
Pension contributions made through June 2018	\$29,453	\$33,066	\$6,924	\$3,373	\$5,433	\$6,349
Remaining estimated pension contributions to be made in 2018	\$34,609	\$38,851	\$8,009	\$3,877	\$5,450	\$7,437

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

## Entergy Corporation

Entergy's reportable segments as of June 30, 2018 are Utility and Entergy Wholesale Commodities. Utility includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business. Entergy Wholesale Commodities includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity.

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

	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Entergy
	(In Thousands)				
2018					
Operating revenues	\$2,360,208	\$308,602	\$—	(\$40 )	\$2,668,770
Income taxes	(\$240,324 )	(\$30,144 )	(\$10,128)	\$—	(\$280,596 )
Consolidated net income (loss)	\$378,394	(\$56,337 )	(\$41,299)	(\$31,898 )	\$248,860
2017					
Operating revenues	\$2,301,332	\$317,255	\$—	(\$37 )	\$2,618,550
Income taxes	\$130,851	(\$454,944 )	(\$13,019)	\$—	(\$337,112 )
Consolidated net income (loss)	\$246,382	\$223,886	(\$25,001)	(\$31,899 )	\$413,368

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Entergy's segment financial information for the six months ended June 30, 2018 and 2017 is as follows:

	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Entergy
	(In Thousands)				
2018					
Operating revenues	\$4,665,197	\$727,526	\$—	(\$73 )	\$5,392,650
Income taxes	(\$188,100 )	(\$31,222 )	(\$17,611 )	\$—	(\$236,933 )
Consolidated net income (loss)	\$596,333	(\$74,116 )	(\$73,361 )	(\$63,797 )	\$385,059
Total assets as of June 30, 2018	\$44,117,784	\$5,433,618	\$1,240,106	(\$3,168,859)	\$47,622,649
2017					
Operating revenues	\$4,336,444	\$870,622	\$—	(\$58)	\$5,207,008
Income taxes	\$229,343	(\$533,281)	(\$25,412)	\$—	(\$329,350)
Consolidated net income (loss)	\$414,005	\$196,689	(\$47,477 )	(\$63,797 )	\$499,420
Total assets as of December 31, 2017	\$42,978,669	\$5,638,009	\$1,011,612	(\$2,921,141)	\$46,707,149

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

As discussed in Note 13 to the financial statements in the Form 10-K, Entergy management has undertaken a strategy to manage and reduce the risk of the Entergy Wholesale Commodities business, which includes taking actions to reduce the size of the merchant fleet. These decisions and transactions resulted in asset impairments; employee retention and severance expenses and other benefits-related costs; and contracted economic development contributions.

Total restructuring charges for the second quarters of 2018 and 2017 were comprised of the following:

	2018		2017		
	Employee retention and severance expenses and other benefits-related costs	Contracted economic development and costs	Employee retention and severance expenses and other benefits-related costs	Contracted economic development and costs	Total
	(In Millions)				
Balance as of April 1,	\$109	\$14	\$123	\$94	\$21
Restructuring costs accrued	34	—	34	42	—
Cash paid out	—	—	—	100	—
Balance as of June 30,	\$143	\$14	\$157	\$36	\$21
					\$57

In addition, Entergy incurred \$69 million in the second quarter 2018 and \$194 million in the second quarter 2017 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets. These costs are charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.



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Total restructuring charges for the six months ended June 30, 2018 and 2017 were comprised of the following:

	2018		2017			
	Employee	Contracted	Employee	Contracted		
	retention	economic	retention	economic		
	and	development	and	development		
	severance	and	severance	and		
	expenses	other	expenses	other		
	and	benefits-related	and	benefits-related		
	costs	costs	costs	costs		
	(In Millions)					
			Total			Total
Balance as of January 1,	\$83	\$14	\$97	\$70	\$21	\$91
Restructuring costs accrued	60	—	60	66	—	66
Cash paid out	—	—	—	100	—	100
Balance as of June 30,	\$143	\$14	\$157	\$36	\$21	\$57

In addition, Entergy incurred \$142 million in the six months ended June 30, 2018 and \$405 million in the six months ended June 30, 2017 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets.

Going forward, Entergy Wholesale Commodities expects to incur employee retention and severance expenses associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet of approximately \$155 million in 2018, of which \$60 million has been incurred as of June 30, 2018, and a total of approximately \$215 million from 2019 through mid-2022.

#### Registrant Subsidiaries

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

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

#### Market Risk

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

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

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

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

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

Derivatives

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

Entergy enters into derivatives to manage natural risks inherent in its physical or financial assets or liabilities. Electricity over-the-counter instruments and futures contracts that financially settle against day-ahead power pool prices are used to manage price exposure for Entergy Wholesale Commodities generation. The maximum length of time over which Entergy Wholesale Commodities is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at June 30, 2018 is approximately 2.5 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 98% for the remainder of 2018, of which approximately 82% is sold under financial derivatives and the remainder under normal purchase/normal sale contracts. Total planned generation for the remainder of 2018 is 14.1 TWh.

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

Certain of the agreements to sell the power produced by Entergy Wholesale Commodities power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations depending on the mark-to-market values of the contracts. The primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. As of June 30, 2018, derivative contracts with seven counterparties were in a liability position (approximately \$30 million total). In addition to the corporate guarantee, \$5 million in cash collateral was required

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to be posted by the Entergy subsidiary to its counterparties and \$3 million in cash collateral and \$3 million in letters of credit were required to be posted by its counterparties to the Entergy subsidiary. As of December 31, 2017, derivative contracts with eight counterparties were in a liability position (approximately \$65 million total). In addition to the corporate guarantee, \$1 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and \$4 million in cash collateral and \$34 million in letters of credit were required to be posted by its counterparties to the Entergy subsidiary. If the Entergy Corporation credit rating falls below investment grade, Entergy would have to post collateral equal to the estimated outstanding liability under the contract at the applicable date.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Louisiana and Entergy New Orleans) and Entergy Mississippi through the purchase of short-term natural gas swaps that financially settle against NYMEX futures. These swaps are marked-to-market through fuel expense with offsetting regulatory assets or liabilities. All benefits or costs of the program are recorded in fuel costs. The notional volumes of these swaps are based on a portion of projected annual exposure to gas for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy Louisiana and Entergy New Orleans. The total volume of natural gas swaps outstanding as of June 30, 2018 is 39,670,000 MMBtu for Entergy, including 32,100,000 MMBtu for Entergy Louisiana and 7,570,000 MMBtu for Entergy Mississippi. Credit support for these natural gas swaps is covered by master agreements that do not require collateral based on mark-to-market value, but do carry adequate assurance language that may lead to requests for collateral.

During the second quarter 2018, Entergy participated in the annual financial transmission rights auction process for the MISO planning year of June 1, 2018 through May 31, 2019. Financial transmission rights are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Entergy's customer load. They are not designated as hedging instruments. Entergy initially records financial transmission rights at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period prior to settlement. Unrealized gains or losses on financial transmission rights held by Entergy Wholesale Commodities are included in operating revenues. The Utility operating companies recognize regulatory liabilities or assets for unrealized gains or losses on financial transmission rights. The total volume of financial transmission rights outstanding as of June 30, 2018 is 108,294 GWh for Entergy, including 24,646 GWh for Entergy Arkansas, 46,135 GWh for Entergy Louisiana, 14,368 GWh for Entergy Mississippi, 5,184 GWh for Entergy New Orleans, and 17,512 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 June 30, 2018 and December 31, 2017. Letters of credit posted with MISO covered the financial transmission rights exposure for Entergy Arkansas and Entergy Mississippi as of June 30, 2018 and Entergy Arkansas, Entergy Mississippi, and Entergy Texas as of December 31, 2017.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of June 30, 2018 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.



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Instrument	Balance Sheet Location	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Business
		(In Millions)			
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	\$29	(\$21)	\$8	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	\$11	(\$11)	\$—	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	\$34	(\$21)	\$13	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	\$30	(\$10)	\$20	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	\$2	(\$2)	\$—	Entergy Wholesale Commodities
Natural gas swaps	Prepayments and other	\$3	\$—	\$3	Utility
Financial transmission rights	Prepayments and other	\$42	\$1	\$41	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	\$2	(\$2)	\$—	Entergy Wholesale Commodities

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

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

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

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

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

(d) Excludes cash collateral in the amount of \$5 million posted and \$3 million held as of June 30, 2018 and \$1 million posted and \$4 million held as of December 31, 2017. Also excludes letters of credit in the amount of \$1 million posted and \$3 million held as of June 30, 2018 and \$34 million in letters of credit held as of December 31, 2017.

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The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the three months ended June 30, 2018 and 2017 are as follows:

Instrument	Amount of gain (loss) recognized in other comprehensive income (In Millions)	Income Statement location	Amount of gain reclassified from accumulated other comprehensive income into income (a) (In Millions)
2018			
Electricity swaps and options	(\$80)	Competitive businesses operating revenues	\$3
2017			
Electricity swaps and options	\$43	Competitive businesses operating revenues	\$13

(a) Before taxes of \$1 million and \$4 million for the three months ended June 30, 2018 and 2017, respectively

The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the six months ended June 30, 2018 and 2017 are as follows:

Instrument	Amount of gain recognized in other comprehensive income (In Millions)	Income Statement location	Amount of gain (loss) reclassified from accumulated other comprehensive income into income (a) (In Millions)
2018			
Electricity swaps and options	\$11	Competitive businesses operating revenues	(\$27)
2017			
Electricity swaps and options	\$93	Competitive businesses operating revenues	\$64

(a) Before taxes of (\$6) million and \$22 million for the six months ended June 30, 2018 and 2017, respectively

At each reporting period, Entergy measures its hedges for ineffectiveness. Any ineffectiveness is recognized in earnings during the period. The ineffective portion of cash flow hedges is recorded in competitive business operating revenues. The change in fair value of Entergy's cash flow hedges due to ineffectiveness during the three months ended June 30, 2018 and 2017 was (\$15) million and \$5 million, respectively. The change in fair value of Entergy's cash flow hedges due to ineffectiveness during the six months ended June 30, 2018 and 2017 was (\$2) million and \$4 million, respectively.

Based on market prices as of June 30, 2018, unrealized gains (losses) recorded in accumulated other comprehensive income on cash flow hedges relating to power sales totaled (\$17) million of net unrealized losses. Approximately (\$2) million is expected to be reclassified from accumulated other comprehensive income to



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operating revenues in the next twelve months. The actual amount reclassified from accumulated other comprehensive income, however, could vary due to future changes in market prices.

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

The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the three months ended June 30, 2018 and 2017 are as follows:

Instrument	Amount of loss recognized in accumulated other comprehensive income  (In Millions)	Income Statement location	Amount of gain (loss) recorded in the income statement (In Millions)
2018			
Natural gas swaps	\$—	Fuel, fuel-related expenses, and gas purchased for resale	(a) \$6
Financial transmission rights	\$—	Purchased power expense	(b) \$41
Electricity swaps and options	\$—	(c) Competitive business operating revenues	\$1
2017			
Natural gas swaps	\$—	Fuel, fuel-related expenses, and gas purchased for resale	(a) (\$9)
Financial transmission rights	\$—	Purchased power expense	(b) \$44
Electricity swaps and options	(\$5)	(c) Competitive business operating revenues	\$—

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The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the six months ended June 30, 2018 and 2017 are as follows:

Instrument	Amount of gain recognized in accumulated other comprehensive income (In Millions)	Income Statement location	Amount of gain (loss) recorded in the income statement (In Millions)
<b>2018</b>			
Natural gas swaps	\$—	Fuel, fuel-related expenses, and gas purchased for resale	(a) \$6
Financial transmission rights	\$—	Purchased power expense	(b) \$73
Electricity swaps and options	\$—	(c) Competitive business operating revenues	\$1
<b>2017</b>			
Natural gas swaps	\$—	Fuel, fuel-related expenses, and gas purchased for resale	(a) (\$16)
Financial transmission rights	\$—	Purchased power expense	(b) \$75
Electricity swaps and options	\$4	(c) Competitive business operating revenues	\$—

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

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

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

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The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of June 30, 2018 are shown in the table below. Certain investments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with accounting guidance for derivatives and hedging.

Instrument	Balance Sheet Location	Gross Fair Value (a) (In Millions)	Offsetting Position (b)	Net Fair Value (c) (d)	Registrant
Assets:					
Natural gas swaps	Prepayments and other	\$2.7	\$—	\$2.7	Entergy Louisiana
Natural gas swaps	Prepayments and other	\$0.5	\$—	\$0.5	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$11.1	(\$0.6)	\$10.5	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$18.5	(\$0.3)	\$18.2	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$4.4	\$—	\$4.4	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$3.0	\$—	\$3.0	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$5.3	(\$0.6)	\$4.7	Entergy Texas

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

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

Other current  
liabilities

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 June 30, 2018, letters of credit posted with MISO covered financial transmission rights exposure of \$0.6 million for Entergy Arkansas and \$0.2 million for Entergy Mississippi. As of December 31, 2017, letters of



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credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Arkansas, \$0.1 million for Entergy Mississippi, and \$0.05 million for Entergy Texas.

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the three months ended June 30, 2018 and 2017 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement (In Millions)	Registrant
2018			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$4.9	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$0.9	(a) Entergy Mississippi
Financial transmission rights	Purchased power expense	\$2.1	(b) Entergy Arkansas
Financial transmission rights	Purchased power expense	\$25.8	(b) Entergy Louisiana
Financial transmission rights	Purchased power expense	\$9.8	(b) Entergy Mississippi
Financial transmission rights	Purchased power expense	\$5.2	(b) Entergy New Orleans
Financial transmission rights	Purchased power expense	(\$1.8)	(b) Entergy Texas
2017			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$7.6)	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$1.4)	(a) Entergy Mississippi
Financial transmission rights	Purchased power expense	\$10.5	(b) Entergy Arkansas
Financial transmission rights	Purchased power expense	\$14.3	(b) Entergy Louisiana
Financial transmission rights	Purchased power expense	\$8.5	(b) Entergy Mississippi
Financial transmission rights	Purchased power expense	\$3.4	(b) Entergy New Orleans
Financial transmission rights	Purchased power expense	\$6.9	(b) Entergy Texas



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The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the six months ended June 30, 2018 and 2017 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement (In Millions)	Registrant
2018			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$4.9	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$0.7	(a) Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.1)	(a) Entergy New Orleans
Financial transmission rights	Purchased power expense	\$10.1	(b) Entergy Arkansas
Financial transmission rights	Purchased power expense	\$43.4	(b) Entergy Louisiana
Financial transmission rights	Purchased power expense	\$17.6	(b) Entergy Mississippi
Financial transmission rights	Purchased power expense	\$8.4	(b) Entergy New Orleans
Financial transmission rights	Purchased power expense	(\$5.3)	(b) Entergy Texas
2017			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$13.7)	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$2.5)	(a) Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.1)	(a) Entergy New Orleans
Financial transmission rights	Purchased power expense	\$15.1	(b) Entergy Arkansas
Financial transmission rights	Purchased power expense	\$29.5	(b) Entergy Louisiana
Financial transmission rights	Purchased power expense	\$11.6	(b) Entergy Mississippi
Financial transmission rights	Purchased power expense	\$5.7	(b) Entergy New Orleans
Financial transmission rights	Purchased power expense	\$12.1	(b) Entergy Texas

(a)

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

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 (b)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

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of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments other than those instruments held by the Entergy Wholesale Commodities business are reflected in future rates and therefore do not affect net income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

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

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

The three levels of the fair value hierarchy are:

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

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

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

Level 2 consists primarily of individually-owned debt instruments.

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

The values for power contract assets or liabilities are based on both observable inputs including public market prices and interest rates, and unobservable inputs such as implied volatilities, unit contingent discounts, expected basis

differences, and credit adjusted counterparty interest rates. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Business Unit Risk Control group and the Accounting Policy and Energy Wholesale Commodities Accounting group. The primary functions of the Business Unit Risk

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Control group include: gathering, validating and reporting market data, providing market risk analyses and valuations in support of Entergy Wholesale Commodities' commercial transactions, developing and administering protocols for the management of market risks, and implementing and maintaining controls around changes to market data in the energy trading and risk management system. The Business Unit Risk Control group is also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Accounting Policy and Entergy Wholesale Commodities Accounting group performs functions related to market and counterparty settlements, revenue reporting and analysis and financial accounting. The Business Unit Risk Control group reports to the Vice President and Treasurer while the Accounting Policy and Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

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

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

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

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

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



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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 June 30, 2018 and December 31, 2017. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

2018	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$758	\$—	\$—	\$758
Decommissioning trust funds (a):				
Equity securities	562	—	—	562
Debt securities	1,064	1,556	—	2,620
Common trusts (b)				4,035
Power contracts	—	—	8	8
Securitization recovery trust account	40	—	—	40
Escrow accounts	399	—	—	399
Gas hedge contracts	3	—	—	3
Financial transmission rights	—	—	41	41
	\$2,826	\$1,556	\$49	\$8,466
Liabilities:				
Power contracts	\$—	\$—	\$33	\$33
2017	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$725	\$—	\$—	\$725
Decommissioning trust funds (a):				
Equity securities	526	—	—	526
Debt securities	1,125	1,425	—	2,550
Common trusts (b)				4,136
Power contracts	—	—	5	5
Securitization recovery trust account	45	—	—	45
Escrow accounts	406	—	—	406
Financial transmission rights	—	—	21	21
	\$2,827	\$1,425	\$26	\$8,414
Liabilities:				
Power contracts	\$—	\$—	\$70	\$70
Gas hedge contracts	6	—	—	6
	\$6	\$—	\$70	\$76

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

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



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The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended June 30, 2018 and 2017:

	2018		2017	
	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights
	(In Millions)			
Balance as of April 1,	\$75	\$8	\$5	\$8
Total gains (losses) for the period (a)				
Included in earnings	(15 )	—	4	—
Included in other comprehensive income	(80 )	—	43	—
Included as a regulatory liability/asset	—	28	—	31
Issuances of financial transmission rights	—	46	—	62
Settlements	(5 )	(41 )	(14 )	(44 )
Balance as of June 30,	(\$25)	\$41	\$38	\$57

Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the (a)reporting period is (\$0.8) million for the three months ended June 30, 2018 and (\$0.1) million for the three months ended June 30, 2017.

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 six months ended June 30, 2018 and 2017:

	2018		2017	
	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights
	(In Millions)			
Balance as of January 1,	(\$65)	\$21	\$5	\$21
Total gains (losses) for the period (a)				
Included in earnings	(1 )	(1 )	4	—
Included in other comprehensive income	11	—	93	—
Included as a regulatory liability/asset	—	48	—	48
Issuances of financial transmission rights	—	46	—	62
Settlements	30	(73 )	(64 )	(74 )
Balance as of June 30,	(\$25)	\$41	\$38	\$57

Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the (a)reporting period is (\$0.7) million for the six months ended June 30, 2018 and \$0.3 million for the six months ended June 30, 2017.

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The following table sets forth a description of the types of transactions classified as Level 3 in the fair value hierarchy and significant unobservable inputs to each which cause that classification as of June 30, 2018:

Transaction Type	Fair Value as of June 30, 2018  (In Millions)	Significant Unobservable Inputs	Range from Average %	Effect on Fair Value  (In Millions)
Power contracts - electricity swaps	(\$25)	Unit contingent discount	+/- 4% - 4.75%	(\$3)

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 June 30, 2018 and December 31, 2017. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

Entergy Arkansas

2018	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$232.8	\$—	\$—	\$232.8
Decommissioning trust funds (a):				
Equity securities	\$11.3	\$—	\$—	\$11.3
Debt securities	89.1	252.6	—	341.7
Common trusts (b)				601.4
Securitization recovery trust account	4.1	—	—	4.1
Financial transmission rights	—	—	10.5	10.5
	\$337.3	\$252.6	\$10.5	\$1,201.8

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



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## Entergy Louisiana

2018	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$28.8	\$—	\$—	\$28.8
Decommissioning trust funds (a):				
Equity securities	18.1	—	—	18.1
Debt securities	141.5	372.3	—	513.8
Common trusts (b)				803.0
Escrow accounts	286.7	—	—	286.7
Securitization recovery trust account	3.4	—	—	3.4
Gas hedge contracts	2.7	—	—	2.7
Financial transmission rights	—	—	18.2	18.2
	\$481.2	\$372.3	\$18.2	\$1,674.7

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

## Liabilities:

Gas hedge contracts	\$5.0	\$—	\$—	\$5.0
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## Entergy Mississippi

2018	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Escrow accounts	\$32.2	\$—	\$—	\$32.2
Gas hedge contracts	0.5	—	—	0.5
Financial transmission rights	—	—	4.4	4.4
	\$32.7	\$—	\$4.4	\$37.1

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## Entergy Corporation and Subsidiaries

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2017	Level 1	Level 2	Level 3	Total
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(In Millions)

## Assets:

Temporary cash investments	\$4.5	\$—	\$—	\$4.5
Escrow accounts	32.0	—	—	32.0
Financial transmission rights	—	—	2.1	2.1
	\$36.5	\$—	\$2.1	\$38.6

## Liabilities:

Gas hedge contracts	\$1.2	\$—	\$—	\$1.2
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## Entergy New Orleans

2018	Level 1	Level 2	Level 3	Total
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(In Millions)

## Assets:

Securitization recovery trust account	\$1.5	\$—	\$—	\$1.5
Escrow accounts	80.1	—	—	80.1
Financial transmission rights	—	—	3.0	3.0
	\$81.6	\$—	\$3.0	\$84.6

2017	Level 1	Level 2	Level 3	Total
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(In Millions)

## Assets:

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

## Liabilities:

Gas hedge contracts	\$0.2	\$—	\$—	\$0.2
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## Entergy Texas

2018	Level 1	Level 2	Level 3	Total
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(In Millions)

## Assets:

Temporary cash investments	\$40.4	\$—	\$—	\$40.4
Securitization recovery trust account	31.2	—	—	31.2
Financial transmission rights	—	—	4.7	4.7
	\$71.6	\$—	\$4.7	\$76.3





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2017	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$115.5	\$—	\$—	\$115.5
Securitization recovery trust account	37.7	—	—	37.7
Financial transmission rights	—	—	3.4	3.4
	\$153.2	\$—	\$3.4	\$156.6

## System Energy

2018	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$258.7	\$—	\$—	\$258.7
Decommissioning trust funds (a):				
Equity securities	5.0	—	—	5.0
Debt securities	178.7	145.5	—	324.2
Common trusts (b)				585.2
	\$442.4	\$145.5	\$—	\$1,173.1

2017	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	\$287.1	\$—	\$—	\$287.1
Decommissioning trust funds (a):				
Equity securities	3.1	—	—	3.1
Debt securities	187.2	143.3	—	330.5
Common trusts (b)				572.1
	\$477.4	\$143.3	\$—	\$1,192.8

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

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

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The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended June 30, 2018.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)				
Balance as of April 1, 2018	\$1.8	\$3.4	\$0.9	\$0.7	\$1.4
Issuances of financial transmission rights	11.8	20.0	4.5	3.7	6.1
Gains included as a regulatory liability/asset	(1.0 )	20.6	8.8	3.8	(4.6 )
Settlements	(2.1 )	(25.8 )	(9.8 )	(5.2 )	1.8
Balance as of June 30, 2018	\$10.5	\$18.2	\$4.4	\$3.0	\$4.7

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 June 30, 2017.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)				
Balance as of April 1, 2017	\$0.9	\$4.1	\$1.3	\$0.5	\$1.0
Issuances of financial transmission rights	8.9	31.0	9.6	5.0	7.1
Gains included as a regulatory liability/asset	9.0	7.5	6.7	3.1	4.3
Settlements	(10.5 )	(14.3 )	(8.5 )	(3.4 )	(6.9 )
Balance as of June 30, 2017	\$8.3	\$28.3	\$9.1	\$5.2	\$5.5

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 six months ended June 30, 2018.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)				
Balance as of January 1, 2018	\$3.0	\$10.2	\$2.1	\$2.2	\$3.4
Issuances of financial transmission rights	11.8	20.0	4.5	3.7	6.1
Gains included as a regulatory liability/asset	5.8	31.4	15.4	5.5	(10.1 )
Settlements	(10.1 )	(43.4 )	(17.6 )	(8.4 )	5.3
Balance as of June 30, 2018	\$10.5	\$18.2	\$4.4	\$3.0	\$4.7

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The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the six months ended June 30, 2017.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)				
Balance as of January 1, 2017	\$5.4	\$8.5	\$3.2	\$1.1	\$3.1
Issuances of financial transmission rights	8.9	31.0	9.6	5.0	7.1
Gains (losses) included as a regulatory liability/asset	9.1	18.3	7.9	4.8	7.4
Settlements	(15.1)	(29.5)	(11.6)	(5.7)	(12.1)
Balance as of June 30, 2017	\$8.3	\$28.3	\$9.1	\$5.2	\$5.5

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

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

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

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

than temporary and therefore recorded in earnings. Generally, Entergy records gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

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The unrealized gains/(losses) recognized during the three and six months ended June 30, 2018 on equity securities still held as of June 30, 2018 were \$100 million and \$33 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 available-for-sale securities held as of June 30, 2018 and December 31, 2017 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
(In Millions)			
2018			
Debt Securities	\$2,620	\$20	\$53
2017			
Equity Securities	\$4,662	\$2,131	\$1
Debt Securities	2,550	44	16
Total	\$7,212	\$2,175	\$17

The unrealized gains/(losses) above are reported before deferred taxes of \$472 million as of December 31, 2017 for equity securities, and (\$5) million as of June 30, 2018 and \$7 million as of December 31, 2017 for debt securities. The amortized cost of debt securities was \$2,653 million as of June 30, 2018 and \$2,539 million as of December 31, 2017. As of June 30, 2018, the debt securities have an average coupon rate of approximately 3.31%, an average duration of approximately 6.77 years, and an average maturity of approximately 10.06 years.

The fair value and gross unrealized losses of the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2018:

	Fair Value	Gross Unrealized Losses
(In Millions)		
Less than 12 months	\$1,624	\$40
More than 12 months	229	13
Total	\$1,853	\$53

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

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



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The fair value of debt securities, summarized by contractual maturities, as of June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
	(In Millions)	
less than 1 year	\$131	\$74
1 year - 5 years	963	902
5 years - 10 years	693	812
10 years - 15 years	148	147
15 years - 20 years	105	100
20 years+	580	515
Total	\$2,620	\$2,550

During the three months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$710 million and \$949 million, respectively. During the three months ended June 30, 2018 and 2017, gross gains of \$1 million and \$61 million, respectively, and gross losses of \$15 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 six months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$1,801 million and \$1,463 million, respectively. During the six months ended June 30, 2018 and 2017, gross gains of \$2 million and \$70 million, respectively, and gross losses of \$22 million and \$7 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of June 30, 2018 are \$491 million for Indian Point 1, \$621 million for Indian Point 2, \$801 million for Indian Point 3, \$460 million for Palisades, \$1,055 million for Pilgrim, and \$585 million for Vermont Yankee. The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of December 31, 2017 are \$491 million for Indian Point 1, \$621 million for Indian Point 2, \$798 million for Indian Point 3, \$458 million for Palisades, \$1,068 million for Pilgrim, and \$613 million for Vermont Yankee. The fair values of the decommissioning trust funds for the Registrant Subsidiaries' nuclear plants are detailed below.

## Entergy Arkansas

Entergy Arkansas holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of June 30, 2018 and December 31, 2017 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2018			
Debt Securities	\$341.7	\$0.4	\$9.9
2017			
Equity Securities	\$596.7	\$354.9	\$—
Debt Securities	348.2	2.1	3.0

Total	\$944.9	\$357.0	\$3.0
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The amortized cost of debt securities was \$351.2 million as of June 30, 2018 and \$349.1 million as of December 31, 2017. As of June 30, 2018, the debt securities have an average coupon rate of approximately 2.64%, an average duration of approximately 4.72 years, and an average maturity of approximately 6.38 years.

The unrealized gains/(losses) recognized during the three and six months ended June 30, 2018 on equity securities still held as of June 30, 2018 were \$16.8 million and \$8.9 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 the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2018:

	Debt Securities	
	Fair Value	Gross Unrealized Losses
	(In Millions)	
Less than 12 months	\$266.6	\$7.9
More than 12 months	34.4	2.0
Total	\$301.0	\$9.9

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

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

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
	(In Millions)	
less than 1 year	\$29.5	\$13.0
1 year - 5 years	161.6	123.4
5 years - 10 years	115.4	180.6
10 years - 15 years	3.4	4.8
15 years - 20 years	5.9	3.4
20 years+	25.9	23.0
Total	\$341.7	\$348.2

During the three months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$86.5 million and \$131.3 million, respectively. During the three months ended June 30, 2018 and 2017, gross gains of \$0.01 million and \$11.2 million, respectively, and gross losses of \$2.3 million and \$0.1 million, respectively, related

to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

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During the six months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$121.4 million and \$167.3 million, respectively. During the six months ended June 30, 2018 and 2017, gross gains of \$0.1 million and \$11.7 million, respectively, and gross losses of \$2.4 million and \$0.2 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 June 30, 2018 and December 31, 2017 are summarized as follows:

	Fair Value (In Millions)	Total Unrealized Gains	Total Unrealized Losses
2018			
Debt Securities	\$513.8	\$4.7	\$10.3
2017			
Equity Securities	\$818.3	\$461.2	\$—
Debt Securities	493.8	10.9	3.6
Total	\$1,312.1	\$472.1	\$3.6

The amortized cost of debt securities was \$519.3 million as of June 30, 2018 and \$490 million as of December 31, 2017. As of June 30, 2018, the debt securities have an average coupon rate of approximately 3.79%, an average duration of approximately 5.86 years, and an average maturity of approximately 11.64 years.

The unrealized gains/(losses) recognized during the three and six months ended June 30, 2018 on equity securities still held as of June 30, 2018 were \$22.2 million and \$11.5 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 the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2018:

	Debt Securities	
	Fair Value	Gross Unrealized Losses
	(In Millions)	
Less than 12 months	\$287.6	\$6.3
More than 12 months	75.5	4.0
Total	\$363.1	\$10.3

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

	Equity	Debt Securities	
	Securities	Fair Value	Gross Unrealized Losses
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)		
Less than 12 months	\$-\$—	\$135.3	\$1.1
More than 12 months	—	84.4	2.5
Total	\$-\$—	\$219.7	\$3.6

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
	(In Millions)	
less than 1 year	\$29.5	\$23.2
1 year - 5 years	140.5	122.8
5 years - 10 years	101.7	109.3
10 years - 15 years	53.7	52.7
15 years - 20 years	45.0	50.7
20 years+	143.4	135.1
Total	\$513.8	\$493.8

During the three months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$43.9 million and \$85 million, respectively. During the three months ended June 30, 2018 and 2017, gross gains of \$0.01 million and \$5 million, respectively, and gross losses of \$0.4 million and 0.1 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$169.4 million and \$125.6 million, respectively. During the six months ended June 30, 2018 and 2017, gross gains of \$0.5 million and \$5 million, respectively, and gross losses of \$1.2 million and \$0.3 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

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## 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 June 30, 2018 and December 31, 2017 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
(In Millions)			
2018			
Debt Securities	\$324.2	\$1.6	\$5.7
2017			
Equity Securities	\$575.2	\$308.6	\$—
Debt Securities	330.5	4.2	1.2
Total	\$905.7	\$312.8	\$1.2

The amortized cost of debt securities was \$328.3 million as of June 30, 2018 and \$327.5 million as of December 31, 2017. As of June 30, 2018, the debt securities have an average coupon rate of approximately 2.93%, an average duration of approximately 6.22 years, and an average maturity of approximately 9.12 years.

The unrealized gains/(losses) recognized during the three and six months ended June 30, 2018 on equity securities still held as of June 30, 2018 were \$16.3 million and \$8.5 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 the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2018:

	Fair Value	Gross Unrealized Losses
Debt Securities		
(In Millions)		
Less than 12 months	\$187.0	\$5.1
More than 12 months	9.2	0.6
Total	\$196.2	\$5.7

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

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

Total                    \$ —                    \$207.3 \$1.2

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The fair value of debt securities, summarized by contractual maturities, as of June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
	(In Millions)	
less than 1 year	\$9.7	\$4.1
1 year - 5 years	169.2	173.0
5 years - 10 years	71.6	78.5
10 years - 15 years	2.7	1.0
15 years - 20 years	11.3	6.9
20 years+	59.7	67.0
Total	\$324.2	\$330.5

During the three months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$145.2 million and \$177.7 million, respectively. During the three months ended June 30, 2018 and 2017, gross gains of \$0.2 million and \$0.4 million, respectively, and gross losses of \$3.9 million and \$0.6 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2018 and 2017, proceeds from the dispositions of securities amounted to \$199.4 million and \$253.5 million, respectively. During the six months ended June 30, 2018 and 2017, gross gains of \$0.3 million and \$0.5 million, respectively, and gross losses of \$4.5 million and \$1.3 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

#### Other-than-temporary impairments and unrealized gains and losses

Entergy evaluates the available-for-sale debt securities in the Entergy Wholesale Commodities' nuclear decommissioning trust funds with unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the three and six months ended June 30, 2018 and 2017. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments.

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

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

#### 2012-2013 IRS Audit

The IRS has completed its examination of the 2012 and 2013 tax years and issued its 2012-2013 Revenue Agent Report (RAR) in June 2018. Entergy has agreed to all proposed adjustments contained in the RAR. Entergy and the Registrant Subsidiaries recorded the effects of these adjustments in June 2018.



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As a result of the issuance of the RAR, Entergy Louisiana was able to recognize previously unrecognized tax benefits of \$52 million related to the Hurricane Katrina and Hurricane Rita contingent sharing obligation associated with the Louisiana Act 55 financing.

The settlement of the above-described item, along with other minor recorded adjustments, decreased Entergy Louisiana's balance of unrecognized tax benefits from \$926 million as of December 31, 2017 to \$856 million as of June 30, 2018, net of carryovers for losses and credits.

Tax Cuts and Jobs Act

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

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

During the second quarter 2018, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and System Energy 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 each operating company's respective regulatory commission. 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 has a significant effect on the effective tax rate for the period as compared to the statutory tax rate. In the second quarter 2018 the return of unprotected excess accumulated deferred income taxes reduced the Registrant Subsidiaries' regulatory liability for income taxes as follows: Entergy Arkansas, \$108 million; Entergy Louisiana, \$31 million; Entergy Mississippi, \$129 million; and System Energy, \$11 million.

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 June 30, 2018 are \$280 million for Entergy, \$30.3 million for Entergy Arkansas, \$113.5 million for Entergy Louisiana, \$15.2 million for Entergy Mississippi, \$4.8 million for Entergy New Orleans, \$7.1 million for Entergy Texas, and \$53 million for System Energy. Construction expenditures included in accounts payable at December 31, 2017 are \$368 million for Entergy, \$58.8 million for Entergy Arkansas, \$160.4 million for Entergy Louisiana, \$17.1 million for Entergy Mississippi, \$2.5 million for Entergy New Orleans, \$32.8 million for Entergy Texas, and \$33.9 million for System Energy.

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

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

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System Energy is considered to hold a variable interest in the lessor from which it leases an undivided interest representing approximately 11.5% of the Grand Gulf nuclear plant. System Energy is the lessee under this arrangement, which is described in more detail in Note 10 to the financial statements in the Form 10-K. System Energy made payments on its lease, including interest, of \$8.6 million in the six months ended June 30, 2018 and \$8.6 million in the six months ended June 30, 2017.

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

Revenue Recognition

Entergy implemented ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," effective January 1, 2018. Topic 606 requires entities to "recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU details a five-step model that should be followed to achieve the core principle. This accounting was applied to all contracts using the modified retrospective method, which requires an adjustment to retained earnings for the cumulative effect of adopting the standard as of the effective date. Because the standard did not result in any material change in how Entergy recognizes revenue, however, no adjustment to retained earnings was required. Similarly, there was no effect on revenues recognized under Topic 606 for the three or six months ended June 30, 2018.

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

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

Entergy's total revenues for the three and six months ended June 30, 2018 were as follows:

	2018	
	Three Months Ended	Six Months Ended
	(In Thousands)	
Utility:		
Residential	\$768,710	\$1,660,795
Commercial	581,899	1,177,620
Industrial	624,818	1,222,004
Governmental	56,823	113,301
Total billed retail	2,032,250	4,173,720
Sales for resale (a)	69,212	138,738
Other electric revenues (b)	219,391	246,822
Non-customer revenues (c)	9,372	19,206
Total electric revenues	2,330,225	4,578,486
Natural gas	29,943	86,638
Entergy Wholesale Commodities:		
Competitive businesses sales (a)	331,562	740,697
Non-customer revenues (c)	(22,960)	(13,171)
Total competitive businesses	308,602	727,526
Total operating revenues	\$2,668,770	\$5,392,650

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Notes to Financial Statements

The Registrant Subsidiaries' total revenues for the three months ended June 30, 2018 were as follows:

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Residential	\$159,130	\$267,915	\$132,730	\$58,232	\$150,703
Commercial	93,741	221,740	117,351	54,524	94,544
Industrial	97,973	368,678	46,129	9,267	102,771
Governmental	3,766	16,705	11,452	18,448	6,452
Total billed retail	354,610	875,038	307,662	140,471	354,470
Sales for resale (a)	53,195	111,801	11,776	6,190	25,177
Other electric revenues (b)	84,102	70,027	31,696	11,623	23,468
Non-customer revenues (c)	2,698	4,823	2,555	1,318	371
Total electric revenues	494,605	1,061,689	353,689	159,602	403,486
Natural gas	—	11,099	—	18,844	—
Total operating revenues	\$494,605	\$1,072,788	\$353,689	\$178,446	\$403,486

The Registrant Subsidiaries' total revenues for the six months ended June 30, 2018 were as follows:

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Residential	\$394,654	\$563,433	\$281,073	\$122,807	\$298,828
Commercial	214,375	446,667	227,811	108,796	179,971
Industrial	209,450	721,014	88,629	16,838	186,073
Governmental	8,414	34,015	22,300	36,139	12,433
Total billed retail	826,893	1,765,129	619,813	284,580	677,305
Sales for resale (a)	119,299	201,056	13,769	19,527	48,538
Other electric revenues (b)	94,125	90,529	30,977	8,511	25,733
Non-customer revenues (c)	5,312	10,081	4,873	2,802	850
Total electric revenues	1,045,629	2,066,795	669,432	315,420	752,426
Natural gas	—	35,337	—	51,301	—
Total operating revenues	\$1,045,629	\$2,102,132	\$669,432	\$366,721	\$752,426

Sales for resale and competitive businesses sales include day-ahead sales of energy in a market administered by an (a)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



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Entergy Corporation and Subsidiaries

Notes to Financial Statements

duration of these transactions, Entergy does not consider them to be derivatives subject to fair value adjustments, and includes them as part of customer revenues.

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

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

Electric Revenues

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

To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies record an estimate for energy delivered since the latest billings. The Utility operating companies calculate the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and market prices of power in the respective jurisdiction. The inputs are revised as needed to approximate actual usage and cost. Each month, estimated unbilled amounts are recorded as unbilled revenue and accounts receivable, and the prior month's estimate is reversed. Price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the other. This may result in variability of reported revenues from one period to the next as prior estimates are reversed and new estimates recorded.

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

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

Entergy's Utility operating companies also sell excess power not needed for its own customers, primarily through transactions with MISO, a regional transmission organization that maintains functional control over the combined transmission systems of its members and manages one of the largest energy markets in the U.S. In the MISO market, Entergy offers its generation and bids its load into the market. MISO settles these offers and bids based on locational marginal prices. These represent pricing for energy at a given location based on a market clearing price that takes into account physical limitations on the transmission system, generation, and demand throughout the MISO region. MISO evaluates each market participant's energy offers and demand bids to economically and reliably dispatch the entire MISO system. Entergy nets purchases and sales within the MISO market and reports in operating revenues when in a net selling position and in operating expenses when in a net purchasing position.

Natural Gas

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

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Competitive Businesses Revenues

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

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

Practical Expedients and Exceptions

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

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.



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

See Note 9 to the financial statements in the Form 10-K for a discussion of asset retirement obligations. The following is an update to that discussion.

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

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

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

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

Part I, Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of June 30, 2018, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) management, including their respective Principal Executive Officers (PEO) and Principal Financial Officers (PFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, each PEO and PFO has concluded that, as to the Registrant or Registrants for which they serve as PEO or PFO, the Registrant’s or Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant’s or Registrants’ disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant’s or Registrants’ management, including their respective PEOs and PFOs, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrants’ management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended June 30, 2018 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Second Quarter 2018 Compared to Second Quarter 2017

Net income increased \$44 million primarily due to higher net revenue, after excluding the effect of the return of unprotected excess accumulated deferred income taxes to customers which is offset in income taxes, and a lower effective income tax rate, partially offset by lower other income and higher other operation and maintenance expenses.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income increased \$66 million primarily due to higher net revenue and a lower effective income tax rate, partially offset by higher other operation and maintenance expenses, lower other income, and higher depreciation and amortization expenses.

Net Revenue

Second Quarter 2018 Compared to Second Quarter 2017

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

	Amount (In Millions)
2017 net revenue	\$366.5
Return of unprotected excess accumulated deferred income taxes to customers	(107.6 )
Retail electric price	20.1
Volume/weather	46.7
Other	9.9
2018 net revenue	\$335.6

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. There is no effect on net income as the reduction in net revenue was offset by a reduction in income tax expense. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

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



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The volume/weather variance is primarily due to an increase of 331 GWh, or 7%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to a new customer in the primary metals industry.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the six months ended June 30, 2018 to the six months ended June 30, 2017:

	Amount (In Millions)
2017 net revenue	\$696.8
Volume/weather	67.1
Retail electric price	42.5
Return of unprotected excess accumulated deferred income taxes to customers	(107.6 )
Other	10.8
2018 net revenue	\$709.6

The volume/weather variance is primarily due to an increase of 930 GWh, or 10%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to a new customer in the primary metals industry.

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

The 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. There is no effect on net income as the reduction in net revenue was offset by a reduction in income tax expense. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

#### Other Income Statement Variances

Second Quarter 2018 Compared to Second Quarter 2017

Other operation and maintenance expenses increased primarily due to:

an increase of \$5.7 million in fossil-fueled generation expenses primarily due to a higher scope of work performed during plant outages in 2018 as compared to the same period in 2017; higher energy efficiency expenses of \$3.8 million due to the timing of recovery from customers in 2017; and an increase of \$1.4 million in nuclear generation expenses primarily due to higher labor costs, including contract labor, to position the nuclear fleet to meet its operational goals. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters" in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals.

The increase was partially offset by higher nuclear insurance refunds of \$2.9 million.

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

Other income decreased primarily due to changes in decommissioning trust fund investment activity, including portfolio rebalancing for the ANO 1 decommissioning trust fund in second quarter 2017.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

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

Other operation and maintenance expenses increased primarily due to:

an increase of \$8 million in nuclear generation expenses primarily due to higher labor costs, including contract labor, to position the nuclear fleet to meet its operational goals. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters" in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals;  
higher energy efficiency expenses of \$7.9 million due to the timing of recovery from customers; and  
an increase of \$4.2 million in fossil-fueled generation expenses primarily due to a higher scope of work performed during plant outages in 2018 as compared to the same period in 2017.

The increase was partially offset by higher nuclear insurance refunds of \$6.5 million.

Taxes other than income taxes increased primarily due to an increase in payroll taxes and an increase in ad valorem taxes. Ad valorem taxes increased primarily due to higher assessments and higher millage rates.

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

Other income decreased primarily due to changes in decommissioning trust fund investment activity, including portfolio rebalancing for the ANO 1 decommissioning trust fund in 2017.

Interest expense increased primarily due to the issuance of \$220 million of 3.5% Series first mortgage bonds in May 2017 and the issuance of \$250 million of 4.0% Series first mortgage bonds in May 2018.

Income Taxes

The effective income tax rate was (10,762.6%) for the second quarter 2018. The difference in the effective income tax rate for the second quarter 2018 versus the federal statutory rate of 21% was primarily due to the amortization of excess accumulated deferred income taxes, certain book and tax differences related to utility plant items, and book and tax differences related to the allowance for equity funds used during construction, partially offset by an IRS audit settlement for the 2012-2013 tax returns. See Notes 2 and 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 and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 10 to the financial statements herein for a discussion of the IRS audit settlement.

The effective income tax rate was (155.6%) for the six months ended June 30, 2018. The difference in the effective income tax rate for the six months ended June 30, 2018 versus the federal statutory rate of 21% was primarily due to the amortization of excess accumulated deferred income taxes, and certain book and tax differences related to utility plant items. See Notes 2 and 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 and regulatory activity regarding the Tax Cuts and Jobs Act.

The effective income tax rate was 38.4% for the second quarter 2017. The difference in the effective income tax rate for the second quarter 2017 versus the federal statutory rate of 35% was primarily due to state income taxes

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

and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 40.2% for the six months ended June 30, 2017. The difference in the effective income tax rate for the six months ended June 30, 2017 versus the federal statutory rate of 35% was primarily due to state income taxes, a write-off of a stock-based compensation deferred tax asset, and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

## Income Tax Legislation

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

## Liquidity and Capital Resources

## Cash Flow

Cash flows for the six months ended June 30, 2018 and 2017 were as follows:

	2018	2017
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$6,216	\$20,509
Cash flow provided by (used in):		
Operating activities	226,595	191,161
Investing activities	(392,234 )	(418,321)
Financing activities	392,491	209,728
Net increase (decrease) in cash and cash equivalents	226,852	(17,432 )
Cash and cash equivalents at end of period	\$233,068	\$3,077

## Operating Activities

Net cash flow provided by operating activities increased \$35.4 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to the timing of recovery of fuel and purchased power costs and a decrease of \$20.5 million in spending on nuclear refueling outages in 2018. The increase was partially offset by the return of unprotected excess accumulated deferred income taxes to customers and the timing of collection of receivables from customers. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.



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

Investing Activities

Net cash flow used in investing activities decreased \$26.1 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

- a decrease of \$49.5 million as a result of the fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle;
- a decrease of \$16.3 million in storm spending;
- a decrease of \$11.7 million in nuclear construction expenditures primarily due to a lower scope of work performed on various nuclear projects in 2018 as compared to the same period in 2017;
- a decrease of \$9.4 million in transmission construction expenditures due to a decrease in spending on various transmission projects in 2018 as compared to the same period in 2017; and
- a decrease of \$9.1 million in fossil-fueled generation construction expenditures due to a decrease in spending on various fossil-fueled generation projects in 2018 as compared to the same period in 2017.

The decrease was partially offset by money pool activity and an increase of \$10.5 million in information technology construction expenditures primarily due to increased spending on various technology projects.

Increases in Entergy Arkansas's receivable from the money pool are a use of cash flow, and Entergy Arkansas's receivable from the money pool increased by \$57.7 million for the six months ended June 30, 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy Arkansas's cash provided by financing activities increased \$182.8 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

- a \$350 million capital contribution from Entergy Corporation in 2018 in anticipation of the return of unprotected excess accumulated deferred income taxes to customers and upcoming planned capital investments; and
- net borrowings of \$16.8 million in 2018 on the Entergy Arkansas nuclear fuel company variable interest entity.

The increase was partially offset by:

- money pool activity; and
- net repayments of short-term borrowings of \$50 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2018 as compared to net short-term borrowings of \$31.4 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2017.

Decreases in Entergy Arkansas's payable to the money pool are a use of cash flow, and Entergy Arkansas's payable to the money pool decreased by \$166.1 million in 2018 compared to decreasing by \$37.6 million in 2017.

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.



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

## Capital Structure

Entergy Arkansas's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio for Entergy Arkansas is primarily due to the \$350 million capital contribution from Entergy Corporation in 2018.

	June 30, 2018	December 31, 2017
Debt to capital	52.8%	55.5%
Effect of excluding the securitization bonds	(0.3%)	(0.3%)
Debt to capital, excluding securitization bonds (a)	52.5%	55.2%
Effect of subtracting cash	(1.9%)	—%
Net debt to net capital, excluding securitization bonds (a)	50.6%	55.2%

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

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

## Uses and Sources of Capital

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

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

June 30, 2018	December 31, 2017	June 30, 2017	December 31, 2016
\$57,708	(\$166,137)	(\$13,669)	(\$51,232)

(In Thousands)

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

Entergy Arkansas has a credit facility in the amount of \$150 million scheduled to expire in August 2022. Entergy Arkansas also has a \$20 million credit facility scheduled to expire in April 2019. The \$150 million credit facility includes fronting commitments for the issuance of letters of credit against \$5 million of the borrowing capacity of the facility. As of June 30, 2018, no cash borrowings and no letters of credit were outstanding under the credit facilities. In addition, Entergy Arkansas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2018, a \$1 million letter of credit was outstanding under Entergy

Arkansas's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.



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

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of \$80 million scheduled to expire in May 2019. As of June 30, 2018, \$41.7 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 herein for additional discussion of the nuclear fuel company variable interest entity credit facility.

State and Local Rate Regulation and Fuel-Cost Recovery

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

Retail Rates

2018 Formula Rate Plan Filing

In July 2018, Entergy Arkansas filed with the APSC its 2018 formula rate plan filing to set its formula rate for the 2019 calendar year. The filing shows Entergy Arkansas’s projected earned return on common equity for the twelve months ended December 31, 2019 test period to be below the formula rate plan bandwidth. Additionally, the filing includes the first netting adjustment under the current formula rate plan for the historical test year 2017, which is a comparison of projected costs and sales approved in the 2016 formula rate plan filing to actual 2017 costs and sales data. The filing includes a projected \$73.4 million revenue deficiency for 2019 and a \$95.6 million revenue deficiency for the 2017 historical test year, for a total revenue requirement of \$169 million for this filing. 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 exceeds the constraint, the resulting increase is limited to four percent of total revenue, which is \$65.4 million. Entergy Arkansas recommended that the parties to the proceeding support a hearing date in November 2018 and requested that the APSC issue an order approving the proposed formula rate plan adjustment in December 2018, with the proposed formula rate plan adjustment effective with the first billing cycle of January 2019.

Internal Restructuring

As discussed in the Form 10-K, in November 2017, Entergy Arkansas filed an application with the APSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Arkansas to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the APSC, the FERC, and the NRC. Entergy Arkansas also filed a notice with the Missouri Public Service Commission in December 2017 out of an abundance of caution, although Entergy Arkansas does not serve any retail customers in Missouri. In April 2018 the Missouri Public Service Commission approved Entergy Arkansas’s filing. In July 2018, Entergy Arkansas filed a settlement, reached by all parties in the APSC proceeding, resolving all issues and seeking an APSC decision no later than September 1, 2018. If the appropriate approvals are obtained, Entergy Arkansas expects the restructuring will be consummated on or before December 1, 2018.

Energy Cost Recovery Rider

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01547 per kWh to \$0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas’s annual redetermination filing requesting that the APSC

suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Arkansas Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Cuts and Jobs Act. Entergy Arkansas replied to the Arkansas Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination.

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

Entergy Arkansas also stated that potential effects of the Tax Cuts and Job Act are appropriately considered in the APSC's separate proceeding looking at potential implications of the new tax law. The APSC general staff filed a reply to the Arkansas Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. In April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation of the issues suggested by the Attorney General in the proceeding at this time. The redetermined rate became effective with the first billing cycle of April 2018. Discovery continues to be conducted by the parties with respect to that redetermined rate.

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. The following is an update to that discussion.

ANO

See Note 8 to the financial statements in the Form 10-K for discussion of the NRC's decision in March 2015 to move ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix, and the resulting significant additional NRC inspection activities at the ANO site. 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. This action followed NRC inspections to review ANO 1's and ANO 2's performance in addressing issues that had previously resulted in classification in the "multiple/repetitive degraded cornerstone column," or Column 4.

Environmental Risks

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

Critical Accounting Estimates

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

New Accounting Pronouncements

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



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**ENERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

 For the Three and Six Months Ended June 30, 2018 and 2017  
 (Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
	(In Thousands)		(In Thousands)	
<b>OPERATING REVENUES</b>				
Electric	\$494,605	\$496,662	\$1,045,629	\$971,013
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	106,496	50,691	214,802	150,100
Purchased power	64,839	74,552	136,811	129,685
Nuclear refueling outage expenses	19,159	17,335	42,561	36,954
Other operation and maintenance	177,792	168,190	347,150	331,198
Decommissioning	14,985	14,106	29,745	28,001
Taxes other than income taxes	24,445	25,128	52,350	49,179
Depreciation and amortization	72,701	69,087	144,682	136,153
Other regulatory charges (credits) - net	(12,313 )	4,948	(15,620 )	(5,578 )
<b>TOTAL</b>	<b>468,104</b>	<b>424,037</b>	<b>952,481</b>	<b>855,692</b>
<b>OPERATING INCOME</b>	<b>26,501</b>	<b>72,625</b>	<b>93,148</b>	<b>115,321</b>
<b>OTHER INCOME</b>				
Allowance for equity funds used during construction	4,471	5,432	8,479	9,782
Interest and investment income	2,478	14,195	9,292	21,127
Miscellaneous - net	(3,881 )	(3,688 )	(7,752 )	(6,644 )
<b>TOTAL</b>	<b>3,068</b>	<b>15,939</b>	<b>10,019</b>	<b>24,265</b>
<b>INTEREST EXPENSE</b>				
Interest expense	30,917	28,514	60,683	55,766
Allowance for borrowed funds used during construction	(2,108 )	(2,552 )	(3,998 )	(4,514 )
<b>TOTAL</b>	<b>28,809</b>	<b>25,962</b>	<b>56,685</b>	<b>51,252</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>760</b>	<b>62,602</b>	<b>46,482</b>	<b>88,334</b>
Income taxes	(81,796 )	24,052	(72,329 )	35,480
<b>NET INCOME</b>	<b>82,556</b>	<b>38,550</b>	<b>118,811</b>	<b>52,854</b>
Preferred dividend requirements	357	357	714	714
<b>EARNINGS APPLICABLE TO COMMON STOCK</b>	<b>\$82,199</b>	<b>\$38,193</b>	<b>\$118,097</b>	<b>\$52,140</b>

See Notes to Financial Statements.



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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the Six Months Ended June 30, 2018 and 2017  
 (Unaudited)

	2018	2017
	(In Thousands)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$118,811	\$52,854
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	221,935	198,082
Deferred income taxes, investment tax credits, and non-current taxes accrued	(32,906 )	38,005
Changes in assets and liabilities:		
Receivables	(6,091 )	12,092
Fuel inventory	12,289	(1,602 )
Accounts payable	(25,035 )	(29,109 )
Taxes accrued	66,500	937
Interest accrued	1,260	1,816
Deferred fuel costs	(5,896 )	(48,442 )
Other working capital accounts	(8,750 )	(32,055 )
Provisions for estimated losses	12,453	7,457
Other regulatory assets	8,587	(5,592 )
Other regulatory liabilities	(111,600 )	24,890
Pension and other postretirement liabilities	(37,601 )	(40,637 )
Other assets and liabilities	12,639	12,465
Net cash flow provided by operating activities	226,595	191,161
<b>INVESTING ACTIVITIES</b>		
Construction expenditures	(350,429 )	(381,197)
Allowance for equity funds used during construction	8,732	10,198
Nuclear fuel purchases	(23,342 )	(92,927 )
Proceeds from sale of nuclear fuel	30,907	51,029
Proceeds from nuclear decommissioning trust fund sales	121,440	167,329
Investment in nuclear decommissioning trust funds	(128,598 )	(173,324)
Change in money pool receivable - net	(57,708 )	—
Changes in securitization account	(279 )	571
Insurance proceeds	7,043	—
Net cash flow used in investing activities	(392,234 )	(418,321)
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	464,544	222,937
Retirement of long-term debt	(206,843 )	(6,799 )
Capital contribution from parent	350,000	—
Changes in short-term borrowings - net	(49,974 )	31,436
Changes in money pool payable - net	(166,137 )	(37,563 )
Dividends paid:		
Preferred stock	(714 )	(714 )
Other	1,615	431
Net cash flow provided by financing activities	392,491	209,728



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Net increase (decrease) in cash and cash equivalents	226,852	(17,432 )
Cash and cash equivalents at beginning of period	6,216	20,509
Cash and cash equivalents at end of period	\$233,068	\$3,077

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest - net of amount capitalized	\$56,900	\$51,232
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See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

## ASSETS

June 30, 2018 and December 31, 2017

(Unaudited)

	2018	2017
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$239	\$6,184
Temporary cash investments	232,829	32
Total cash and cash equivalents	233,068	6,216
Securitization recovery trust account	4,027	3,748
Accounts receivable:		
Customer	108,351	110,016
Allowance for doubtful accounts	(1,086	) (1,063
Associated companies	93,367	38,765
Other	44,978	65,209
Accrued unbilled revenues	136,236	105,120
Total accounts receivable	381,846	318,047
Deferred fuel costs	69,099	63,302
Fuel inventory - at average cost	17,069	29,358
Materials and supplies - at average cost	193,849	192,853
Deferred nuclear refueling outage costs	61,618	56,485
Prepayments and other	22,112	12,108
<b>TOTAL</b>	<b>982,688</b>	<b>682,117</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Decommissioning trust funds	954,400	944,890
Other	785	3,160
<b>TOTAL</b>	<b>955,185</b>	<b>948,050</b>
<b>UTILITY PLANT</b>		
Electric	11,252,167	11,059,538
Construction work in progress	331,715	280,888
Nuclear fuel	219,762	277,345
<b>TOTAL UTILITY PLANT</b>	<b>11,803,644</b>	<b>11,617,771</b>
Less - accumulated depreciation and amortization	4,848,505	4,762,352
<b>UTILITY PLANT - NET</b>	<b>6,955,139</b>	<b>6,855,419</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$21,480 as of June 30, 2018 and \$28,583 as of December 31, 2017)	1,558,850	1,567,437
Deferred fuel costs	67,195	67,096
Other	16,263	13,910
<b>TOTAL</b>	<b>1,642,308</b>	<b>1,648,443</b>
<b>TOTAL ASSETS</b>	<b>\$10,535,320</b>	<b>\$10,134,029</b>

See Notes to Financial Statements.

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

June 30, 2018 and December 31, 2017

(Unaudited)

	2018	2017
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$41,700	\$—
Short-term borrowings	—	49,974
Accounts payable:		
Associated companies	187,846	365,915
Other	174,639	215,942
Customer deposits	98,551	97,687
Taxes accrued	113,821	47,321
Interest accrued	19,475	18,215
Current portion of unprotected excess accumulated deferred income taxes	305,697	—
Other	34,052	29,922
<b>TOTAL</b>	<b>975,781</b>	<b>824,976</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	1,165,690	1,190,669
Accumulated deferred investment tax credits	33,503	34,104
Regulatory liability for income taxes - net	565,811	985,823
Other regulatory liabilities	366,306	363,591
Decommissioning	1,011,589	981,213
Accumulated provisions	47,182	34,729
Pension and other postretirement liabilities	315,711	353,274
Long-term debt (includes securitization bonds of \$27,881 as of June 30, 2018 and \$34,662 as of December 31, 2017)	3,170,724	2,952,399
Other	6,822	5,147
<b>TOTAL</b>	<b>6,683,338</b>	<b>6,900,949</b>
<b>Commitments and Contingencies</b>		
Preferred stock without sinking fund	31,350	31,350
<b>COMMON EQUITY</b>		
Common stock, \$0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2018 and 2017	470	470
Paid-in capital	1,140,264	790,264
Retained earnings	1,704,117	1,586,020
<b>TOTAL</b>	<b>2,844,851</b>	<b>2,376,754</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$10,535,320</b>	<b>\$10,134,029</b>

See Notes to Financial Statements.



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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY  
 For the Six Months Ended June 30, 2018 and 2017  
 (Unaudited)

	Common Equity			
	Common	Retained		Total
	Stock	Earnings		
	Capital			
	(In			
	Thousands)			
Balance at December 31, 2016	\$470	\$790,243	\$1,462,604	\$2,253,317
Net income	—	—	52,854	52,854
Preferred stock dividends	—	—	(714	) (714
Balance at June 30, 2017	\$470	\$790,243	\$1,514,744	\$2,305,457
Balance at December 31, 2017	\$470	\$790,264	\$1,586,020	\$2,376,754
Net income	—	—	118,811	118,811
Capital contribution from parent	—	350,000	—	350,000
Preferred stock dividends	—	—	(714	) (714
Balance at June 30, 2018	\$470	\$1,140,264	\$1,704,117	\$2,844,851

See Notes to Financial Statements.

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## ENTERGY ARKANSAS, INC. AND SUBSIDIARIES

## SELECTED OPERATING RESULTS

For the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited)

Description	Three Months Ended		Increase/	
	2018	2017	(Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$159	\$160	(\$1 )	(1 )
Commercial	94	119	(25 )	(21 )
Industrial	98	114	(16 )	(14 )
Governmental	4	5	(1 )	(20 )
Total billed retail	355	398	(43 )	(11 )
Sales for resale:				
Associated companies	26	31	(5 )	(16 )
Non-associated companies	27	6	21	350
Other	87	62	25	40
Total	\$495	\$497	(\$2 )	—

## Billed Electric Energy Sales (GWh):

Residential	1,644	1,462	182	12
Commercial	1,396	1,372	24	2
Industrial	1,953	1,829	124	7
Governmental	58	57	1	2
Total retail	5,051	4,720	331	7
Sales for resale:				
Associated companies	236	387	(151 )	(39 )
Non-associated companies	1,171	386	785	203
Total	6,458	5,493	965	18

Description	Six Months Ended		Increase/	
	2018	2017	(Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$395	\$343	\$52	15
Commercial	214	225	(11 )	(5 )
Industrial	210	210	—	—
Governmental	8	9	(1 )	(11 )
Total billed retail	827	787	40	5
Sales for resale:				
Associated companies	56	63	(7 )	(11 )
Non-associated companies	63	51	12	24
Other	100	70	30	43
Total	\$1,046	\$971	\$75	8

## Billed Electric Energy Sales (GWh):

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Residential	3,973	3,389	584	17
Commercial	2,761	2,687	74	3
Industrial	3,781	3,510	271	8
Governmental	114	113	1	1
Total retail	10,629	9,699	930	10
Sales for resale:				
Associated companies	723	833	(110)	(13)
Non-associated companies	2,888	2,348	540	23
Total	14,240	12,880	1,360	11

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## ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

## MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

## Results of Operations

## Net Income

## Second Quarter 2018 Compared to Second Quarter 2017

Net income increased \$59.9 million primarily due to a lower effective income tax rate, primarily due to an IRS audit settlement for the 2012-2013 tax returns that is discussed in Note 10 to the financial statements herein. The increase in income is partially offset by higher other operation and maintenance expenses.

## Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income increased \$77.1 million primarily due to a lower effective income tax rate, primarily due to an IRS audit settlement for the 2012-2013 tax returns that is discussed in Note 10 to the financial statements herein, and higher net revenue, after excluding the effect of the return of unprotected excess accumulated deferred income taxes to customers which is offset in income taxes. The increase was partially offset by higher other operation and maintenance expenses.

## Net Revenue

## Second Quarter 2018 Compared to Second Quarter 2017

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

	Amount (In Millions)
2017 net revenue	\$623.2
Return of unprotected excess accumulated deferred income taxes to customers	(31.5 )
Retail electric price	(20.1 )
Volume/weather	26.1
Other	(1.1 )
2018 net revenue	\$596.6

The return of unprotected excess accumulated deferred income taxes to customers resulted from the return in the second quarter 2018 of unprotected excess accumulated deferred income taxes through changes in the formula rate plan, effective May 2018. There is no effect on net income as the reduction in net revenue was offset by a reduction in income tax expense. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The retail electric price variance is primarily due to a regulatory charge of \$27.4 million recorded in second quarter 2018 to reflect the effects of a provision in the settlement reached in the formula rate plan extension proceeding to return the benefits of the lower federal income tax rate in 2018 to customers. Partially offsetting the decrease were

increases resulting from an energy efficiency rider effective January 2018, lower Grand Gulf purchased power expenses,

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and a decrease in the storm cost offset rider effective April 2018 for financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan extension proceeding.

The volume/weather variance is primarily due to the effect of more favorable weather on residential and commercial sales. The increase was partially offset by a decrease in industrial usage primarily due to decreased demand from cogeneration customers.

#### Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the six months ended June 30, 2018 to the six months ended June 30, 2017:

	Amount (In Millions)
2017 net revenue	\$1,184.3
Retail electric price	(40.2 )
Return of unprotected excess accumulated deferred income taxes to customers	(31.5 )
Volume/weather	50.3
Other	7.3
2018 net revenue	\$1,170.2

The retail electric price variance is primarily due to a regulatory charge of \$55 million recorded in 2018 to reflect the effects of a provision in the settlement reached in the formula rate plan extension proceeding to return the benefits of the lower federal income tax rate in 2018 to customers. Partially offsetting the decrease were increases resulting from an energy efficiency rider effective January 2018, lower Grand Gulf purchased power expenses, and a decrease in the storm cost offset rider effective April 2018 for financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan extension proceeding.

The return of unprotected excess accumulated deferred income taxes to customers resulted from the return in 2018 of unprotected excess accumulated deferred income taxes through changes in the formula rate plan, effective May 2018. There is no effect on net income as the reduction in net revenue was offset by a reduction in income tax expense. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The volume/weather variance is primarily due to an increase of 746 GWh, or 3%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales.

#### Other Income Statement Variances

#### Second Quarter 2018 Compared to Second Quarter 2017

Other operation and maintenance expenses increased primarily due to an increase of \$12 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed during plant outages in 2018 as compared to the same period in 2017 and an increase of \$3.8 million in loss provisions.

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

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Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Other operation and maintenance expenses increased primarily due to:

an increase of \$19.1 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed during plant outages in 2018 as compared to the same period in 2017; and  
an increase of \$10.6 million in nuclear generation expenses primarily due to higher nuclear labor costs, including contract labor, to position the nuclear fleet to meet its operational goals and a higher scope of work performed during plant outages in 2018 as compared to the same period in 2017.

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

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

Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2018, which included the St. Charles Power Station project, and changes in decommissioning trust fund investment activity, including portfolio rebalancing of certain of the decommissioning trust funds in 2017.

Income Taxes

The effective income tax rates were (42.7%) for the second quarter 2018 and (12.7%) for the six months ended June 30, 2018. The differences in the effective income tax rates for the second quarter 2018 and the six months ended June 30, 2018 versus the federal statutory rate of 21% were primarily due to an IRS audit settlement for the 2012-2013 tax returns, amortization of excess accumulated deferred income taxes, book and tax differences related to the non-taxable income distributions earned on preferred membership interests, certain book and tax differences related to utility plant items, and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes. See Notes 2 and 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 and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 10 to the financial statements herein for a discussion of the IRS audit settlement.

The effective income tax rates were 31.3% for the second quarter 2017 and 31.3% for the six months ended June 30, 2017. The differences in the effective income tax rates for the second quarter 2017 and the six months ended June 30, 2017 versus the federal statutory rate of 35% were primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes.

Income Tax Legislation

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

commenced or other responses by Entergy and Entergy's regulators to the Tax Act.

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## Liquidity and Capital Resources

## Cash Flow

Cash flows for the six months ended June 30, 2018 and 2017 were as follows:

	2018	2017
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$35,907	\$213,850
Cash flow provided by (used in):		
Operating activities	583,192	533,755
Investing activities	(838,202)	(900,210)
Financing activities	248,131	367,888
Net increase (decrease) in cash and cash equivalents	(6,879)	1,433
Cash and cash equivalents at end of period	\$29,028	\$215,283

## Operating Activities

Net cash flow provided by operating activities increased \$49.4 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

- a refund to customers in January 2017 of approximately \$71 million as a result of the settlement approved by the LPSC related to the Waterford 3 replacement steam generator project. See Note 2 to the financial statements in the Form 10-K for discussion of the settlement and refund; and
- a decrease of \$63.1 million in spending on nuclear refueling outages.

The increase was partially offset by:

- a decrease of \$114 million in income tax refunds in 2018 as compared to the same period in 2017. Entergy Louisiana received income tax refunds in 2017 in accordance with an intercompany income tax allocation agreement resulting from the utilization of Entergy Louisiana's net operating losses;
- the return of unprotected excess accumulated deferred income taxes to customers. See Note 2 to the financial statements herein for a discussion of the regulatory activity regarding the Tax Cuts and Jobs Act; and
- a decrease due to the timing of recovery of fuel and purchased power costs.

## Investing Activities

Net cash flow used in investing activities decreased \$62 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

- a decrease of \$148.9 million as a result of fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle;
- money pool activity; and
- a decrease of \$23.3 million in nuclear construction expenditures primarily due to decreased spending on various nuclear projects.

The decrease was partially offset by an increase of \$87 million in fossil-fueled generation construction expenditures primarily due to higher spending on the Lake Charles Power Station project in 2018 and an increase of \$65.5 million

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in transmission construction expenditures due to a higher scope of work performed in 2018 as compared to the same period in 2017.

Decreases in Entergy Louisiana's receivable from the money pool are a source of cash flow, and Entergy Louisiana's receivable from the money pool decreased by \$4.4 million for the six months ended June 30, 2018 compared to increasing by \$33 million for the six months ended June 30, 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

## Financing Activities

Net cash flow provided by financing activities decreased \$119.8 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to:

- the issuance of \$450 million of 3.12% collateral trust mortgage bonds in May 2017. A portion of the proceeds was used to repay \$45.3 million of Waterford Series collateral trust mortgage notes;
- net repayments of short-term borrowings of \$43.5 million on the nuclear fuel company variable interest entities' credit facilities in 2018 compared to net short-term borrowings of \$30.7 million in 2017; and
- net repayments of long-term borrowings of \$11.8 million on the nuclear fuel company variable interest entities' credit facilities in 2018 compared to net borrowings of \$51.9 million in 2017.

The decrease was partially offset by:

- the issuance of \$750 million of 4.00% Series first mortgage bonds in March 2018. A portion of the proceeds was used to repay \$375 million of 6.0% Series First Mortgage bonds in May 2018; and
- a decrease of \$35.3 million in common equity distributions.

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

## Capital Structure

Entergy Louisiana's debt to capital ratio is shown in the following table.

	June 30, 2018	December 31, 2017	
Debt to capital	53.9%	53.8%	%
Effect of excluding securitization bonds	(0.2%)	(0.3%)	%
Debt to capital, excluding securitization bonds (a)	53.7%	53.5%	%
Effect of subtracting cash	(0.1%)	(0.1%)	%
Net debt to net capital, excluding securitization bonds (a)	53.6%	53.4%	%

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

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in

evaluating Entergy Louisiana's financial condition because the securitization bonds are non-recourse to Entergy Louisiana, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Louisiana also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Louisiana's financial condition because net debt indicates Entergy Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

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Uses and Sources of Capital

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

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

June 30, December 31, June 30, December 31,

2018 2017 2017 2016

(In Thousands)

\$6,779 \$11,173 \$55,542 \$22,503

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

Entergy Louisiana has a credit facility in the amount of \$350 million scheduled to expire in August 2022. The credit facility includes fronting commitments for the issuance of letters of credit against \$15 million of the borrowing capacity of the facility. As of June 30, 2018, there were no cash borrowings and \$9.1 million of letters of credit outstanding under the credit facility. In addition, Entergy Louisiana is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2018, a \$37.8 million letter of credit was outstanding under Entergy Louisiana’s uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Louisiana nuclear fuel company variable interest entities have two separate credit facilities, one in the amount of \$105 million and one in the amount of \$85 million, both scheduled to expire in May 2019. As of June 30, 2018, \$44.8 million in loans were outstanding under the credit facility for the Entergy Louisiana River Bend nuclear fuel company variable interest entity. As of June 30, 2018, \$45.4 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.

Washington Parish Energy Center

As discussed in the Form 10-K, in April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. In April 2018 the parties reached a settlement recommending certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy Louisiana. The LPSC issued an order approving the settlement in May 2018.

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

2016 Formula Rate Plan Filing

As discussed in the Form 10-K, in May 2017, Entergy Louisiana filed its formula rate plan evaluation report for its 2016 calendar year operations. Rates reflecting the adjustments included in the formula rate plan evaluation report were implemented with the first billing cycle of September 2017, subject to refund. In September 2017 the LPSC issued its report indicating that no changes to Entergy Louisiana's original formula rate plan evaluation report

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

were required but reserved for several issues, including Entergy Louisiana's September 2017 update to its formula rate plan evaluation report. In July 2018, Entergy Louisiana and the LPSC staff filed an unopposed joint report setting forth a correction to the annualization calculation, the effect of which was a net \$3.5 million revenue requirement reduction, and indicating that there are no outstanding issues with the 2016 formula rate plan report, the supplemental report, or the interim updates. The LPSC voted to accept and approve the unopposed joint report in August 2018.

#### Formula Rate Plan Extension Request

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

- a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year and for the St. Charles Power Station when it enters commercial operation;
- a 9.8% target earned return on common equity for the 2018 and 2019 test years;
- narrowing of the common equity bandwidth to plus or minus 60 basis points around the target earned return on common equity;
- a cap on potential revenue increase of \$35 million for the 2018 evaluation period, and \$70 million for the cumulative 2018 and 2019 evaluation periods, on formula rate plan cost of service rate increases (the cap excludes rate changes associated with the transmission recovery mechanism described below and rate changes associated with additional capacity);
- a framework for the flow back of certain tax benefits created by the Tax Act to customers; and
  - a transmission recovery mechanism providing for the opportunity to recover certain transmission related expenditures in excess of \$100 million annually for projects placed in service up to one month prior to rate change outside of sharing that is designed to operate in a manner similar to the additional capacity mechanism.

#### 2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. As stated above under "Formula Rate Plan Extension Request" for the 2017 test year there will be a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year. As such, base rider formula rate plan revenue is to be adjusted prospectively to increase or decrease the earned return on equity fully to the approved cost of equity of 9.95%. 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 Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues will further increase 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. Results of the 2017 evaluation report filing will be implemented with the September 2018 billing month.

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 would be accomplished on a revenue neutral basis intended not to affect the rates of other customer classes.

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

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

Retail Rates - Gas

2017 Rate Stabilization Plan Filing

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

Industrial and Commercial Customers

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

Federal Regulation

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

Nuclear Matters

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

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Environmental Risks

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

Critical Accounting Estimates

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

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

New Accounting Pronouncements

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

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**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

For the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
	(In Thousands)		(In Thousands)	
<b>OPERATING REVENUES</b>				
Electric	\$1,061,689	\$1,072,126	\$2,066,795	\$1,936,202
Natural gas	11,099	11,308	35,337	28,015
<b>TOTAL</b>	<b>1,072,788</b>	<b>1,083,434</b>	<b>2,102,132</b>	<b>1,964,217</b>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	200,528	180,056	381,309	334,100
Purchased power	266,614	282,673	518,386	522,500
Nuclear refueling outage expenses	12,671	12,764	25,770	24,949
Other operation and maintenance	250,994	236,978	485,374	454,090
Decommissioning	13,480	12,283	26,252	24,406
Taxes other than income taxes	47,147	45,076	98,427	90,359
Depreciation and amortization	122,177	116,107	242,920	231,737
Other regulatory charges (credits) - net	9,017	(2,521)	32,214	(76,708)
<b>TOTAL</b>	<b>922,628</b>	<b>883,416</b>	<b>1,810,652</b>	<b>1,605,433</b>
<b>OPERATING INCOME</b>	<b>150,160</b>	<b>200,018</b>	<b>291,480</b>	<b>358,784</b>
<b>OTHER INCOME</b>				
Allowance for equity funds used during construction	19,124	11,109	36,869	21,099
Interest and investment income	46,853	41,919	90,128	81,749
Miscellaneous - net	(22,770)	(8,889)	(30,435)	(18,031)
<b>TOTAL</b>	<b>43,207</b>	<b>44,139</b>	<b>96,562</b>	<b>84,817</b>
<b>INTEREST EXPENSE</b>				
Interest expense	73,582	68,483	143,678	135,798
Allowance for borrowed funds used during construction	(9,451)	(5,541)	(18,214)	(10,715)
<b>TOTAL</b>	<b>64,131</b>	<b>62,942</b>	<b>125,464</b>	<b>125,083</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>129,236</b>	<b>181,215</b>	<b>262,578</b>	<b>318,518</b>
Income taxes	(55,122)	56,736	(33,374)	99,661
<b>NET INCOME</b>	<b>\$184,358</b>	<b>\$124,479</b>	<b>\$295,952</b>	<b>\$218,857</b>

See Notes to Financial Statements.



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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the Three and Six Months Ended June 30, 2018 and 2017  
 (Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
	(In Thousands)		(In Thousands)	
Net Income	\$184,358	\$124,479	\$295,952	\$218,857
Other comprehensive loss				
Pension and other postretirement liabilities (net of tax benefit of \$177, \$292, \$353, and \$524)	(501 )	(310 )	(1,002 )	(680 )
Other comprehensive loss	(501 )	(310 )	(1,002 )	(680 )
Comprehensive Income	\$183,857	\$124,169	\$294,950	\$218,177

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	2018	2017
	(In Thousands)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$295,952	\$218,857
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	323,188	300,805
Deferred income taxes, investment tax credits, and non-current taxes accrued	119,378	220,492
Changes in working capital:		
Receivables	(23,815 )	950
Fuel inventory	(2,581 )	4,534
Accounts payable	17,324	42,079
Prepaid taxes and taxes accrued	(56,076 )	52,686
Interest accrued	790	(2,883 )
Deferred fuel costs	(68,741 )	(74,113 )
Other working capital accounts	(6,053 )	(61,515 )
Changes in provisions for estimated losses	5,803	(6,108 )
Changes in other regulatory assets	42,203	39,711
Changes in other regulatory liabilities	(8,811 )	(64,293 )
Changes in pension and other postretirement liabilities	(32,970 )	(38,175 )
Other	(22,399 )	(99,272 )
Net cash flow provided by operating activities	583,192	533,755
<b>INVESTING ACTIVITIES</b>		
Construction expenditures	(880,785 )	(755,158 )
Allowance for equity funds used during construction	36,869	21,099
Nuclear fuel purchases	(14,740 )	(156,246 )
Proceeds from the sale of nuclear fuel	36,301	28,884
Receipts from storm reserve escrow account	—	8,836
Payments to storm reserve escrow account	(1,984 )	(802 )
Changes to securitization account	(1,423 )	79
Proceeds from nuclear decommissioning trust fund sales	169,407	125,600
Investment in nuclear decommissioning trust funds	(189,721 )	(144,768 )
Changes in money pool receivable - net	4,394	(33,039 )
Insurance proceeds	3,480	5,305
Net cash flow used in investing activities	(838,202 )	(900,210 )
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	1,088,941	532,219
Retirement of long-term debt	(744,222 )	(101,789 )
Changes in short-term borrowings - net	(43,540 )	30,696
Distributions paid:		
Common equity	(56,000 )	(91,250 )
Other	2,952	(1,988 )
Net cash flow provided by financing activities	248,131	367,888

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Net increase (decrease) in cash and cash equivalents	(6,879	) 1,433
Cash and cash equivalents at beginning of period	35,907	213,850
Cash and cash equivalents at end of period	\$29,028	\$215,283

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid (received) during the period for:

Interest - net of amount capitalized	\$138,625	\$134,513
Income taxes	(\$2,973	) (\$116,937)

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

## ASSETS

June 30, 2018 and December 31, 2017

(Unaudited)

	2018	2017
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$195	\$5,836
Temporary cash investments	28,833	30,071
Total cash and cash equivalents	29,028	35,907
Accounts receivable:		
Customer	239,031	254,308
Allowance for doubtful accounts	(9,341	) (8,430
Associated companies	154,965	143,524
Other	61,832	60,893
Accrued unbilled revenues	176,347	153,118
Total accounts receivable	622,834	603,413
Fuel inventory	42,309	39,728
Materials and supplies - at average cost	315,966	299,881
Deferred nuclear refueling outage costs	40,229	65,711
Prepaid taxes	37,919	—
Prepayments and other	54,143	34,035
<b>TOTAL</b>	<b>1,142,428</b>	<b>1,078,675</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investment in affiliate preferred membership interests	1,390,587	1,390,587
Decommissioning trust funds	1,334,879	1,312,073
Storm reserve escrow account	286,743	284,759
Non-utility property - at cost (less accumulated depreciation)	277,814	245,255
Other	14,620	18,999
<b>TOTAL</b>	<b>3,304,643</b>	<b>3,251,673</b>
<b>UTILITY PLANT</b>		
Electric	19,976,144	19,678,536
Natural gas	203,802	191,899
Construction work in progress	1,593,553	1,281,452
Nuclear fuel	261,429	337,402
<b>TOTAL UTILITY PLANT</b>	<b>22,034,928</b>	<b>21,489,289</b>
Less - accumulated depreciation and amortization	8,686,593	8,703,047
<b>UTILITY PLANT - NET</b>	<b>13,348,335</b>	<b>12,786,242</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$61,519 as of June 30, 2018 and \$71,367 as of December 31, 2017)	1,103,639	1,145,842
Deferred fuel costs	168,122	168,122
Other	26,786	18,310

TOTAL	1,298,547	1,332,274
TOTAL ASSETS	\$19,093,953	\$18,448,864

See Notes to Financial Statements.

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

June 30, 2018 and December 31, 2017

(Unaudited)

	2018	2017
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$390,202	\$675,002
Short-term borrowings	—	43,540
Accounts payable:		
Associated companies	92,792	126,685
Other	408,990	404,374
Customer deposits	152,748	150,623
Taxes accrued	—	18,157
Interest accrued	76,318	75,528
Deferred fuel costs	2,706	71,447
Current portion of unprotected excess accumulated deferred income taxes	199,167	—
Other	75,787	79,037
<b>TOTAL</b>	<b>1,398,710</b>	<b>1,644,393</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	2,180,827	2,050,371
Accumulated deferred investment tax credits	119,435	121,870
Regulatory liability for income taxes - net	494,214	725,368
Other regulatory liabilities	784,235	761,059
Decommissioning	1,256,711	1,140,461
Accumulated provisions	308,251	302,448
Pension and other postretirement liabilities	715,027	748,384
Long-term debt (includes securitization bonds of \$67,568 as of June 30, 2018 and \$77,736 as of December 31, 2017)	6,101,521	5,469,069
Other	191,042	176,637
<b>TOTAL</b>	<b>12,151,263</b>	<b>11,495,667</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Member's equity	5,601,431	5,355,204
Accumulated other comprehensive loss	(57,451	) (46,400 )
<b>TOTAL</b>	<b>5,543,980</b>	<b>5,308,804</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$19,093,953</b>	<b>\$18,448,864</b>

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	Common Equity		
	Member's	Accumulated	Total
	Equity	Other	
		Comprehensive	
		Loss	
	(In Thousands)		
Balance at December 31, 2016	\$5,130,251	(\$48,442	) \$5,081,809
Net income	218,857	—	218,857
Other comprehensive loss	—	(680	) (680 )
Distributions declared on common equity	(91,250	) —	(91,250 )
Other	(27	) —	(27 )
Balance at June 30, 2017	\$5,257,831	(\$49,122	) \$5,208,709
Balance at December 31, 2017	\$5,355,204	(\$46,400	) \$5,308,804
Net income	295,952	—	295,952
Other comprehensive loss	—	(1,002	) (1,002 )
Distributions declared on common equity	(56,000	) —	(56,000 )
Reclassification pursuant to ASU 2018-02	6,262	(10,049	) (3,787 )
Other	13	—	13
Balance at June 30, 2018	\$5,601,431	(\$57,451	) \$5,543,980

See Notes to Financial Statements.

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SELECTED OPERATING RESULTSFor the Three and Six Months Ended June 30, 2018 and  
2017

(Unaudited)

Description	Three Months Ended		Increase/ (Decrease) %	
	2018	2017	(Decrease)	%
(Dollars In Millions)				
Electric Operating Revenues:				
Residential	\$268	\$279	(\$11 )	(4 )
Commercial	222	236	(14 )	(6 )
Industrial	369	394	(25 )	(6 )
Governmental	17	17	—	—
Total billed retail	876	926	(50 )	(5 )
Sales for resale:				
Associated companies	97	73	24	33
Non-associated companies	15	16		