

ENTERGY CORP /DE/  
 Form 10-Q  
 August 06, 2015  
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UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2015  
 OR  
 TRANSITION REPORT PURSUANT TO SECTION 13  
 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

| Commission<br>File Number | Registrant, State of Incorporation or<br>Organization, Address of Principal<br>Executive Offices, Telephone Number, and<br>IRS Employer Identification No.                            | Commission<br>File Number | Registrant, State of Incorporation or<br>Organization, Address of Principal<br>Executive Offices, Telephone Number, and<br>IRS Employer Identification No. |
|---------------------------|---|---------------------------|--|
| 1-11299                   | ENTERGY CORPORATION<br>(a Delaware corporation)<br>639 Loyola Avenue<br>New Orleans, Louisiana 70113<br>Telephone (504) 576-4000<br>72-1229752  | 1-31508                   | ENTERGY MISSISSIPPI, INC.<br>(a Mississippi corporation)<br>308 East Pearl Street<br>Jackson, Mississippi 39201<br>Telephone (601) 368-5000<br>64-0205830  |
| 1-10764                   | ENTERGY ARKANSAS, INC.<br>(an Arkansas corporation)<br>425 West Capitol Avenue<br>Little Rock, Arkansas 72201<br>Telephone (501) 377-4000<br>71-0005900                               | 1-35747                   | ENTERGY NEW ORLEANS, INC.<br>(a Louisiana corporation)<br>1600 Perdido Street<br>New Orleans, Louisiana 70112<br>Telephone (504) 670-3700<br>72-0273040    |
| 0-20371                   | ENTERGY GULF STATES LOUISIANA,<br>L.L.C.<br>(a Louisiana limited liability company)<br>4809 Jefferson Highway<br>Jefferson, Louisiana 70121<br>Telephone (504) 576-4000<br>74-0662730 | 1-34360                   | ENTERGY TEXAS, INC.<br>(a Texas corporation)<br>9425 Pineroft<br>The Woodlands, Texas 77380<br>Telephone (409) 981-2000<br>61-1435798                      |

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1-32718  
ENTERGY LOUISIANA, LLC  
(a Texas limited liability company)  
4809 Jefferson Highway  
Jefferson, Louisiana 70121  
Telephone (504) 576-4000  
75-3206126

1-09067  
SYSTEM ENERGY RESOURCES, INC.  
(an Arkansas corporation)  
Echelon One  
1340 Echelon Parkway  
Jackson, Mississippi 39213  
Telephone (601) 368-5000  
72-0752777

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

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

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

|                                       | Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
|---------------------------------------|-------------------------|-------------------|-----------------------|---------------------------|
| Entergy Corporation                   | ü                       |                   |                       |                           |
| Entergy Arkansas, Inc.                |                         |                   | ü                     |                           |
| Entergy Gulf States Louisiana, L.L.C. |                         |                   | ü                     |                           |
| Entergy Louisiana, LLC                |                         |                   | ü                     |                           |
| Entergy Mississippi, Inc.             |                         |                   | ü                     |                           |
| Entergy New Orleans, Inc.             |                         |                   | ü                     |                           |
| Entergy Texas, Inc.                   |                         |                   | ü                     |                           |
| System Energy Resources, Inc.         |                         |                   | ü                     |                           |

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

| Common Stock Outstanding               | Outstanding at July 31, 2015 |
|--|------------------------------|
| Entergy Corporation (\$0.01 par value) | 179,528,314                  |

Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2014 and the Quarterly Report for Form 10-Q for the quarter ended March 31, 2015, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

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

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

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs;
- the termination of Entergy Arkansas’s participation in the System Agreement, which occurred in December 2013, the termination of Entergy Mississippi’s participation in the System Agreement in November 2015, the termination of Entergy Texas’s, Entergy Gulf States Louisiana’s, and Entergy Louisiana’s participation in the System Agreement after expiration of the proposed 60-month notice period or such other period as approved by the FERC;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ move to MISO, which occurred in December 2013, including the effect of current or projected MISO market rules and system conditions in the MISO markets, the allocation of MISO system transmission upgrade costs, and the effect of planning decisions that MISO makes with respect to future transmission investments by the Utility operating companies;
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned or potential 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;
- the performance of and deliverability of power from Entergy’s generation resources, including the capacity factors at its nuclear generating facilities;
- Entergy’s ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- prices for power generated by Entergy’s merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants;
- the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy’s ability to meet credit support requirements for fuel and power supply contracts;

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

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FORWARD-LOOKING INFORMATION (Concluded)

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

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

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

effects of climate change;

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

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

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

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

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

changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute share repurchase programs, and fund investments and acquisitions;

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

changes in inflation and interest rates;

the effect of litigation and government investigations or proceedings;

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

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

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

changes in accounting standards and corporate governance;

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

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

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

the implementation of the shutdown of Vermont Yankee and the related decommissioning of Vermont Yankee;

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

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

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



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DEFINITIONS

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

| Abbreviation or Acronym       | Term  |
|-------------------------------|---|
| AFUDC                         | Allowance for Funds Used During Construction  |
| ALJ                           | Administrative Law Judge  |
| ANO 1 and 2                   | Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas  |
| APSC                          | Arkansas Public Service Commission  |
| ASLB                          | Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes  |
| ASU                           | Accounting Standards Update issued by the FASB  |
| Board                         | Board of Directors of Entergy Corporation   |
| Cajun                         | Cajun Electric Power Cooperative, Inc.  |
| capacity factor               | Actual plant output divided by maximum potential plant output for the period  |
| City Council or Council       | Council of the City of New Orleans, Louisiana   |
| D.C. Circuit                  | U.S. Court of Appeals for the District of Columbia Circuit  |
| DOE                           | United States Department of Energy  |
| Entergy                       | Entergy Corporation and its direct and indirect subsidiaries  |
| Entergy Corporation           | Entergy Corporation, a Delaware corporation   |
| Entergy Gulf States, 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 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. |
| Entergy Texas                 | Entergy Texas, Inc., a company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.  |
| Entergy Wholesale Commodities | Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers   |
| EPA                           | United States Environmental Protection Agency   |
| FASB                          | Financial Accounting Standards Board  |
| FERC                          | Federal Energy Regulatory Commission  |
| FitzPatrick                   | James A. FitzPatrick Nuclear Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment  |
| Form 10-K                     | Annual Report on Form 10-K for the calendar year ended December 31, 2014 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries  |
| FTR                           | Financial transmission right  |
| Grand Gulf                    | Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy  |
| GWh                           | Gigawatt-hour(s), which equals one million kilowatt-hours   |
| Independence                  | Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC   |
| Indian Point 2                | Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment  |

Indian Point 3

Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment

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## DEFINITIONS (Concluded)

| Abbreviation or Acronym       | Term  |
|-------------------------------|---|
| 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 Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment   |
| 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 Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.   |
| River Bend                    | River Bend Station (nuclear), owned by Entergy Gulf States Louisiana  |
| RTO                           | Regional transmission organization  |
| SEC                           | Securities and Exchange Commission  |
| System Agreement              | Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources. Entergy Arkansas terminated its participation in the System Agreement effective December 18, 2013. |
| System Energy                 | System Energy Resources, Inc.   |
| TWh                           | Terawatt-hour(s), which equals one billion kilowatt-hours   |
| Unit Power Sales Agreement    | Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf   |
| Utility                       | Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution  |
| Utility operating companies   | Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas   |
| Vermont Yankee                | Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014  |
| Waterford 3                   | Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana   |
| weather-adjusted usage        | Electric usage excluding the effects of deviations from normal weather  |

White Bluff

White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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## ENTERGY CORPORATION AND SUBSIDIARIES

## MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

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

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

## Results of Operations

## Second Quarter 2015 Compared to Second Quarter 2014

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the second quarter 2015 to the second quarter 2014 showing how much the line item increased or (decreased) in comparison to the prior period:

|  | Utility        | Entergy<br>Wholesale<br>Commodities | Parent &<br>Other (a) | Entergy   |
|--|----------------|-------------------------------------|-----------------------|-----------|
|  | (In Thousands) |                                     |                       |           |
| 2nd Quarter 2014 Consolidated Net Income (Loss)  | \$212,134      | \$26,463                            | (\$44,316 )           | \$194,281 |
| Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits) | 70,002         | (120,622 )                          | (745 )                | (51,365 ) |
| Other operation and maintenance  | 55,441         | (47,189 )                           | 4,678                 | 12,930    |
| Asset write-off, impairments, and related charges  | —              | (1,667 )                            | —                     | (1,667 )  |
| Taxes other than income taxes  | 2,232          | 1,676                               | (266 )                | 3,642     |
| Depreciation and amortization  | 16,170         | (7,100 )                            | (458 )                | 8,612     |
| Other income   | 2,882          | 12,856                              | (4,160 )              | 11,578    |
| Interest expense   | 6,873          | 2,560                               | (5,428 )              | 4,005     |
| Other expenses   | 5,353          | (3,141 )                            | —                     | 2,212     |
| Income taxes   | (5,086 )       | (22,897 )                           | (979 )                | (28,962 ) |
| 2nd Quarter 2015 Consolidated Net Income (Loss)  | \$204,035      | (\$3,545 )                          | (\$46,768 )           | \$153,722 |

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

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

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Entergy Corporation and Subsidiaries  
Management's Financial Discussion and Analysis

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the second quarter 2015 to the second quarter 2014:

|                       | Amount<br>(In Millions) |
|-----------------------|-------------------------|
| 2014 net revenue      | \$1,418                 |
| Retail electric price | 44                      |
| Volume/weather        | 31                      |
| Other                 | (5 )                    |
| 2015 net revenue      | \$1,488                 |

The retail electric price variance is primarily due to:

- formula rate plan increases at Entergy Gulf States Louisiana and Entergy Louisiana, as approved by the LPSC, effective December 2014 and January 2015;
- an annual net rate increase at Entergy Mississippi of \$16 million, effective February 2015, as a result of the MPSC order in the June 2014 rate case; and
- an increase in energy efficiency rider revenue primarily due to an increase in the energy efficiency rider at Entergy Arkansas, as approved by the APSC, effective July 2014 and new energy efficiency riders at Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy Mississippi that began in the fourth quarter 2014. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have a minimal effect on net income.

See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The volume/weather variance is primarily due to the effect of weather on residential and commercial sales and an increase in unbilled sales volume, partially offset by a decrease in industrial usage. The decrease in industrial usage is primarily due to extended seasonal outages for existing large refinery customers, partially offset by new customers and expansion projects primarily in the chemicals industry. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Unbilled Revenue" in the Form 10-K for further discussion of the accounting for unbilled revenues.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the second quarter 2015 to the second quarter 2014:

|  | Amount<br>(In Millions) |
|--|-------------------------|
| 2014 net revenue                         | \$471                   |
| Vermont Yankee shutdown in December 2014 | (55 )                   |
| Nuclear realized price changes           | (48 )                   |
| Nuclear volume, excluding Vermont Yankee | (25 )                   |
| Other                                    | 7                       |
| 2015 net revenue                         | \$350                   |



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Entergy Corporation and Subsidiaries  
 Management's Financial Discussion and Analysis

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$121 million in the second quarter 2015 compared to the second quarter 2014 primarily due to:

- a decrease in net revenue as a result of Vermont Yankee ceasing power production in December 2014;
- lower realized wholesale energy prices and lower capacity prices; and
- lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more refueling and unplanned outage days in the second quarter 2015 as compared to the second quarter 2014.

Following are key performance measures for Entergy Wholesale Commodities for the second quarter 2015 and 2014:

|                         | 2015    | 2014    |
|-------------------------|---------|---------|
| Owned capacity (MW) (a) | 5,463   | 6,068   |
| GWh billed              | 9,578   | 11,533  |
| Average revenue per MWh | \$45.87 | \$49.75 |

#### Entergy Wholesale Commodities Nuclear Fleet

|                         |         |         |
|-------------------------|---------|---------|
| Capacity factor         | 89%     | 95%     |
| GWh billed              | 8,555   | 10,588  |
| Average revenue per MWh | \$45.84 | \$49.79 |
| Refueling Outage Days:  |         |         |
| Pilgrim                 | 34      | —       |

(a) The reduction in owned capacity is due to the retirement of the 605 MW Vermont Yankee plant in December 2014.

#### Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Results of Operations - Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants” in the Form 10-K for a discussion of the effects of sustained low natural gas prices and power market structure challenges on market prices for electricity in the New York and New England power regions over the past few years. As shown in the contracted sale of energy table in “Market and Credit Risk Sensitive Instruments,” Entergy Wholesale Commodities has sold forward 88% of its planned nuclear energy output for the second half of 2015 for an expected average contracted energy price of \$44 per MWh based on market prices at June 30, 2015. In addition, Entergy Wholesale Commodities has sold forward 81% of its planned nuclear energy output for 2016 for an expected average contracted energy price of \$47 per MWh based on market prices at June 30, 2015.

The market price trend presents a challenging economic situation for the Entergy Wholesale Commodities plants. The challenge is greater for some of these plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs. In addition, currently the market structure in which the plants operate does not adequately compensate merchant nuclear plants for their environmental and fuel diversity benefits in the region. If, in the future, economic conditions or regulatory activity no longer support the continued operation or recovery of the costs of a plant it could adversely affect Entergy’s results of operations through loss of revenue, impairment charges, increased depreciation rates, transitional costs, or accelerated decommissioning costs.

Impairment of long-lived assets and nuclear decommissioning costs, and the factors that influence these items, are both discussed in the Form 10-K in “Critical Accounting Estimates.”





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Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$556 million for the second quarter 2014 to \$612 million for the second quarter 2015 primarily due to:

- an increase of \$27 million in nuclear generation expenses primarily due to higher labor costs, including contract labor, and an increase in regulatory compliance costs. The increase in regulatory compliance costs is primarily related to additional NRC inspection activities in second quarter 2015 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See "ANO Damage, Outage, and NRC Reviews" below and in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews;
- an increase of \$9 million in transmission expenses primarily due to an increase in the amount of transmission costs allocated by MISO. The net income effect is partially offset due to the method of recovery of these costs in certain jurisdictions. See Note 2 to the financial statements in the Form 10-K for further information on the recovery of these costs;
- an increase of \$9 million in distribution expenses primarily due to vegetation maintenance;
- an increase of \$8 million in energy efficiency costs. These costs are recovered through energy efficiency riders and have a minimal effect on net income;
- an increase of \$6 million in fossil-fueled generation expenses primarily due to an increase in scope of work during second quarter 2015 compared to second quarter 2014; and
- an increase of \$5 million due to the timing of annual Nuclear Electric Insurance Limited distributions received in 2015 as compared to 2014.

The increase was partially offset by a decrease of \$7 million related to incentives recognized as a result of participation in energy efficiency programs and a decrease of \$5 million in storm damage accruals primarily at Entergy Mississippi. See Note 2 to the financial statements in the Form 10-K for a discussion of storm cost recovery.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Ninemile Unit 6 project which was placed in service in December 2014.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$259 million for the second quarter 2014 to \$212 million for the second quarter 2015 primarily due to the shutdown of Vermont Yankee, which ceased power production in December 2014.

Depreciation and amortization expenses decreased primarily due to decreases in depreciable asset balances as a result of the shutdown of Vermont Yankee, which ceased power production in December 2014. See Note 1 to the financial statements in the Form 10-K for further discussion of impairment of long-lived assets.

Other income increased primarily due to realized decommissioning trust gains in the second quarter 2015 that resulted from portfolio reallocations for the Vermont Yankee nuclear decommissioning trust funds.

Income Taxes

The effective income tax rate was 39.4% for the second quarter 2015. The difference in the effective income tax rate for the second quarter 2015 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

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The effective income tax rate was 39.9% for the second quarter 2014. The difference in the effective income tax rate for the second quarter 2014 versus the federal statutory rate of 35% was primarily due to state income taxes, the provision for uncertain tax positions, and certain book and tax differences related to utility plant items.

## Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the six months ended June 30, 2015 to the six months ended June 30, 2014 showing how much the line item increased or (decreased) in comparison to the prior period:

|  | Utility        | Entergy<br>Wholesale<br>Commodities | Parent &<br>Other (a) | Entergy    |
|--|----------------|-------------------------------------|-----------------------|------------|
|  | (In Thousands) |                                     |                       |            |
| 2014 Consolidated Net Income (Loss)  | \$417,574      | \$268,933                           | (\$86,173 )           | \$600,334  |
| Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits) | 143,119        | (342,060 )                          | (1,659 )              | (200,600 ) |
| Other operation and maintenance  | 113,630        | (67,486 )                           | 1,186                 | 47,330     |
| Asset write-off, impairments, and related charges  | —              | (3,937 )                            | —                     | (3,937 )   |
| Taxes other than income taxes  | 12,430         | (5,944 )                            | 211                   | 6,697      |
| Depreciation and amortization  | 27,903         | (14,984 )                           | (1,044 )              | 11,875     |
| Other income   | 17,222         | 35,797                              | (9,263 )              | 43,756     |
| Interest expense   | 12,731         | 3,414                               | (7,451 )              | 8,694      |
| Other expenses   | 8,334          | 3,303                               | —                     | 11,637     |
| Income taxes   | (28,899 )      | (71,583 )                           | 5,025                 | (95,457 )  |
| 2015 Consolidated Net Income (Loss)  | \$431,786      | \$119,887                           | (\$95,022 )           | \$456,651  |

(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.

## Net Revenue

## Utility

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2015 to the six months ended June 30, 2014:

|                       | Amount<br>(In Millions) |
|-----------------------|-------------------------|
| 2014 net revenue      | \$2,755                 |
| Retail electric price | 112                     |
| Volume/weather        | 40                      |
| MISO deferral         | (19 )                   |
| Other                 | 10                      |
| 2015 net revenue      | \$2,898                 |



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The retail electric price variance is primarily due to:

- formula rate plan increases at Entergy Gulf States Louisiana and Entergy Louisiana, as approved by the LPSC, effective December 2014 and January 2015;
- an annual net rate increase at Entergy Mississippi of \$16 million, effective February 2015, as a result of the MPSC order in the June 2014 rate case; and
- an increase in energy efficiency rider revenue primarily due to an increase in the energy efficiency rider at Entergy Arkansas, as approved by the APSC, effective July 2014 and new energy efficiency riders at Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy Mississippi that began in the fourth quarter 2014. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have a minimal effect on net income.

See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The volume/weather variance is primarily due to an increase in unbilled sales volume and an increase in industrial usage. The increase in industrial usage is primarily due to new customers and expansion projects primarily in the chemicals industry, partially offset by extended seasonal outages for existing large refinery customers and in the industrial gases industry. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Unbilled Revenue" in the Form 10-K for further discussion of the accounting for unbilled revenues.

The MISO deferral variance is primarily due to the deferral in 2014 of non-fuel MISO-related charges, as approved by the LPSC and the MPSC. The deferral of non-fuel MISO-related charges is partially offset in other operation and maintenance expenses. See Note 2 to the financial statements in the Form 10-K for further discussion of the recovery of non-fuel MISO-related charges.

#### Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2015 to the six months ended June 30, 2014:

|  | Amount<br>(In Millions) |
|--|-------------------------|
| 2014 net revenue                         | \$1,219                 |
| Vermont Yankee shutdown in December 2014 | (209 )                  |
| Nuclear realized price changes           | (147 )                  |
| Mark-to-market, excluding Vermont Yankee | (52 )                   |
| Nuclear volume, excluding Vermont Yankee | 42                      |
| Other                                    | 24                      |
| 2015 net revenue                         | \$877                   |

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$342 million in the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to:

- a decrease in net revenue as a result of Vermont Yankee ceasing power production in December 2014;
- lower realized wholesale energy prices and lower capacity prices; and
- mark-to-market activity, which was negative for the six months ended June 30, 2015. In the fourth quarter 2014, Entergy Wholesale Commodities entered into electricity derivative instruments that were not designated as hedges,

including additional financial power sales to lock in margins on some in-the-money purchased call options. When these positions settled, the turnaround of the positive year-end 2014 mark contributed to the negative mark-to-market variance for the six months ended June 30, 2015. In the fourth quarter 2013, Entergy

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Wholesale Commodities also entered into similar transactions. The effect of increases in forward prices resulted in negative mark-to-market activity in fourth quarter 2013. The turnaround of the negative year-end 2013 mark resulted in a positive mark in the six months ended June 30, 2014, which also contributed to the negative mark-to-market variance for the six months ended June 30, 2015. See Note 16 to the financial statements in the Form 10-K and Note 8 to the financial statements herein for discussion of derivative instruments.

The decrease was partially offset by higher volume in the Entergy Wholesale Commodities nuclear fleet resulting from fewer refueling outage days in the six months ended June 30, 2015 compared to the six months ended June 30, 2014 and larger exercise of resupply options in the six months ended June 30, 2014 compared to the six months ended June 30, 2015, partially offset by more unplanned outage days in the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Following are key performance measures for Entergy Wholesale Commodities for the six months ended June 30, 2015 and 2014:

|                         | 2015    | 2014    |
|-------------------------|---------|---------|
| Owned capacity (MW) (a) | 5,463   | 6,068   |
| GWh billed              | 19,170  | 21,547  |
| Average revenue per MWh | \$56.44 | \$68.77 |

## Entergy Wholesale Commodities Nuclear Fleet

|                         |         |         |
|-------------------------|---------|---------|
| Capacity factor         | 89%     | 89%     |
| GWh billed              | 17,173  | 19,667  |
| Average revenue per MWh | \$55.85 | \$67.83 |
| Refueling Outage Days:  |         |         |
| Indian Point 2          | —       | 24      |
| Indian Point 3          | 23      | —       |
| Palisades               | —       | 56      |
| Pilgrim                 | 34      | —       |

(a)The reduction in owned capacity is due to the retirement of the 605 MW Vermont Yankee plant in December 2014.

## Other Income Statement Items

## Utility

Other operation and maintenance expenses increased from \$1,054 million for the six months ended June 30, 2014 to \$1,167 million for the six months ended June 30, 2015 primarily due to:

an increase of \$39 million in nuclear generation expenses primarily due to an increase in regulatory compliance costs, higher labor costs, including contract labor, and an overall higher scope of work done in 2015 as compared to the same period in 2014. The increase in regulatory compliance costs is primarily related to additional NRC inspection activities in 2015 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See "ANO Damage, Outage, and NRC Reviews" below and in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews; an increase of \$23 million in fossil-fueled generation expenses primarily due to an overall higher scope of work done in 2015 as compared to the same period in 2014 and higher long-term service agreement costs as a result of increased operation of certain plants;





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an increase of \$16 million in transmission expenses primarily due to an increase in the amount of transmission costs allocated by MISO. The net income effect is partially offset due to the method of recovery of these costs in certain jurisdictions. See Note 2 to the financial statements in the Form 10-K for further information on the recovery of these costs;

an increase of \$15 million in energy efficiency costs, including the effects of true-ups to the energy efficiency filings for fixed costs to be collected from customers. These costs are recovered through energy efficiency riders and have a minimal effect on net income; and

an increase of \$12 million in distribution expenses primarily due to vegetation maintenance.

Taxes other than income taxes increased primarily due to increases in payroll taxes and ad valorem taxes.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Ninemile Unit 6 project which was placed in service in December 2014.

Other income increased primarily due to:

an increase in realized gains on decommissioning trust fund investments in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. There is no effect on net income as the trust fund realized gains are offset by a corresponding amount of regulatory charges; and

an increase in income earned on preferred membership interests purchased from Entergy Holdings Company with the proceeds received in August 2014 from the Act 55 storm cost financing. The distributions on preferred membership interests are eliminated in consolidation and have no effect on Entergy's net income because the investment is in another Entergy subsidiary. See Note 2 to the financial statements in the Form 10-K for a discussion of the Act 55 storm cost financing.

The increase was partially offset by a decrease in allowance for equity funds used during construction due to a higher construction work in progress balance in 2014, which included the Ninemile Unit 6 project which was placed in service in December 2014.

Interest expense increased primarily due to net debt issuances in the fourth quarter 2014 by certain Utility operating companies including the issuance by Entergy Louisiana in November 2014 of \$250 million of 4.95% Series first mortgage bonds due January 2045 and the issuance by Entergy Arkansas in December 2014 of \$250 million of 4.95% Series first mortgage bonds due December 2044.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$492 million for the six months ended June 30, 2014 to \$425 million for the six months ended June 30, 2015 primarily due to the shutdown of Vermont Yankee, which ceased power production in December 2014. The decrease was partially offset by lower deferral of costs for future amortization as a result of fewer refueling outage days.

Depreciation and amortization expenses decreased primarily due to decreases in depreciable asset balances as a result of the shutdown of Vermont Yankee, which ceased power production in December 2014. See Note 1 to the financial statements in the Form 10-K for further discussion of impairment of long-lived assets.

Other income increased primarily due to higher realized gains on decommissioning trust fund investments in 2015 as compared to 2014, including portfolio reallocations for the Vermont Yankee nuclear decommissioning trust funds.



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Income Taxes

The effective income tax rate was 35.4% for the six months ended June 30, 2015. The difference in the effective income tax rate for the six months ended June 30, 2015 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by the reversal of a portion of the provision for uncertain tax positions resulting from the receipt of finalized tax and interest computations for the 2006-2007 audit from the IRS and book and tax differences related to the allowance for equity funds used during construction. See Note 10 to the financial statements for a discussion of the finalized tax and interest computations for the 2006-2007 IRS audit.

The effective income tax rate was 36.5% for the six months ended June 30, 2014. The difference in the effective income tax rate for the six months ended June 30, 2014 versus the federal statutory rate of 35% was primarily due to the provision for uncertain tax positions 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 and from a deferred state income tax reduction related to a New York tax law change. See Note 3 to the financial statements in the Form 10-K for a discussion of the New York tax law change.

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

See the Form 10-K for a discussion of the NRC operating licenses for Indian Point 2 and Indian Point 3 and the NRC license renewal joint application in process for these plants. Following are updates to the discussion regarding the NRC and related proceedings.

In March 2015 the NRC resolved the remaining appeals from the ASLB's Track 1 decisions in favor of Entergy and NRC staff. Those appeals addressed electrical transformers and environmental justice. All filings in response to the NRC's request for additional information on Severe Accident Mitigation Alternatives (SAMA) issues raised by the pending two SAMA-related appeals have been completed. There is no deadline for the NRC to act on the SAMA-related appeals.

In March 2015 the ASLB granted New York State's motions to amend and update two of the remaining three previously-admitted Track 2 contentions. The ASLB scheduled Track 2 hearings for November 2015.

As discussed in the Form 10-K, independent of the ASLB process, the NRC staff has performed its technical and environmental reviews of the Indian Point 2 and Indian Point 3 license renewal application. In June 2015 the NRC staff advised the ASLB that the schedule for issuance of a further Final Supplemental Environmental Impact Statement (FSEIS) supplement to address new information would be postponed by six months. Under the updated schedule, the new final FSEIS supplement is expected to be issued in September 2016.

In March 2015 the New York State Department of Environmental Conservation (NYSDEC) staff withdrew from consideration at trial before the ALJs its proposal for annual fish protection outages of 92 days. NYSDEC staff and Riverkeeper continue to advance other annual outage proposals. NYSDEC staff also withdrew from further consideration a \$24 million annual interim payment that had been proposed as a condition of the draft water pollution control permit.

In March 2015, New York State Department of State's (NYS DOS) motion for reargument or, alternatively, for leave to appeal the December 2014 Coastal Zone Management Act grandfathering decision to the New York State Court of Appeals was denied by the Appellate Division. In April 2015, as permitted by New York rules, NYSDOS filed a

separate motion directly with the State Court of Appeals requesting leave to appeal that decision. The State Court of Appeals granted NYSDOS's motion for leave to appeal in June 2015 and scheduled briefing on the appeal through January 2016.

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In June 2015, Entergy and NYSDOS executed an agreement extending their agreement intended to preserve the parties' respective positions on the effectiveness of Entergy's November 2014 notice withdrawing the Indian Point consistency certification. Under the extension agreement, if NYSDOS is correct that withdrawal was not effective, the parties will be deemed to have agreed to a stay until September 28, 2015, thus making the deemed deadline for decision on the 2012 consistency certification October 5, 2015.

ANO Damage, Outage, and NRC Reviews

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage, Outage, and NRC Reviews" in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

As discussed in the Form 10-K, in January 2015 the NRC issued its final risk significance determination for the flood barrier violation originally cited in the September 2014 report. The NRC's final risk significance determination was classified as "yellow with substantial safety significance." In March 2015 the NRC issued a letter notifying Entergy of its decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. Placement into this column will require significant additional NRC inspection activities at the ANO site, including a review of the site's root cause evaluation associated with the flood barrier and stator issues, an assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas expects to incur incremental costs of approximately \$50 million in 2015, of which \$18 million has been incurred as of June 30, 2015, and approximately \$35 million in 2016 to prepare for the NRC inspection expected to occur in early 2016.

Liquidity and Capital Resources

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

Capital Structure

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

|  | June 30, 2015 | December 31, 2014 |   |
|--|---------------|-------------------|---|
| Debt to capital                              | 57.0          | 57.6              | % |
| Effect of excluding the securitization bonds | (1.4)         | (%)               |   |