

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 1997

OR

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

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 529-5262	72-1229752
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue, 40th Floor Little Rock, Arkansas 72201 Telephone (501) 377-4000	71-0005900
1-2703	ENTERGY GULF STATES, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631	74-0662730
1-8474	ENTERGY LOUISIANA, INC. (a Louisiana corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 529-5262	72-0245590
0-320	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000	64-0205830
0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 529-5262	72-0273040
1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000	72-0752777
333-33331	ENTERGY LONDON INVESTMENTS PLC (England and Wales) Templar House 81-87 High Holborn London WC1V 6NU England Telephone 011-44-171-242-9050	N/A

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

Registrant	Title of Class	Name of Each Exchange on Which Registered
Entergy Corporation	Common Stock, \$0.01 Par Value - 245,880,306 Shares outstanding at February 27, 1998	New York Stock Exchange, Inc. Chicago Stock Exchange Inc. Pacific Exchange Inc.
Entergy Arkansas Capital I	8-1/2% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, \$100 Par Value: \$4.40 Dividend Series \$4.52 Dividend Series \$5.08 Dividend Series \$8.80 Dividend Series Adjustable Rate Series B (Depository Receipts)	New York Stock Exchange, Inc. New York Stock Exchange, Inc. New York Stock Exchange, Inc. New York Stock Exchange, Inc. New York Stock Exchange, Inc.
	Preference Stock, Cumulative, without Par Value \$1.75 Dividend Series	New York Stock Exchange, Inc.
Entergy Gulf States Capital I	8.75% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy Louisiana Capital I	9% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy London Capital, L.P.	8-5/8% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.

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

Registrant	Title of Class
Entergy Arkansas, Inc.	Preferred Stock, Cumulative, \$100 Par Value Preferred Stock, Cumulative, \$25 Par Value Preferred Stock, Cumulative, \$0.01 Par Value
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy Louisiana, Inc.	Preferred Stock, Cumulative, \$100 Par Value Preferred Stock, Cumulative, \$25 Par Value
Entergy Mississippi, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy New Orleans, Inc.	Preferred Stock, Cumulative, \$100 Par Value

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 X No

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

The aggregate market value of Entergy Corporation Common Stock, \$0.01 Par Value, held by non-affiliates, was \$7.1 billion based on the reported last sale price of such stock on the New York Stock Exchange on February 27, 1998. Entergy Corporation is directly or indirectly the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., System Energy Resources, Inc., and Entergy London Investments plc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 15, 1998, are incorporated by reference into Parts I and III hereof.

TABLE OF CONTENTS

Number	Page
Definitions	i
Part I	
Item 1. Business	1
Item 2. Properties	35
Item 3. Legal Proceedings	35
Item 4. Submission of Matters to a Vote of Security Holders Directors and Executive Officers of Entergy Corporation	35 36
Part II	
Item 5. Market for Registrants' Common Equity and Related Stockholder Matters	41 42
Item 6. Selected Financial Data	42
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	43 43
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	43
Item 8. Financial Statements and Supplementary Data	44
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	223 223
Part III	
Item 10. Directors and Executive Officers of the Registrants	223
Item 11. Executive Compensation	227
Item 12. Security Ownership of Certain Beneficial Owners and Management	234 238
Item 13. Certain Relationships and Related Transactions	238
Part IV	
Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K	239 239
Signatures	240
Report of Independent Accountants on Financial Statement Schedules	249
Index to Financial Statement Schedules	S-1
Exhibit Index	E-1

This combined Form 10-K is separately filed by Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., System Energy Resources, Inc., and Entergy London Investments plc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representations whatsoever as to any other company.

This report should be read in its entirety. No one section of the report deals with all aspects of the subject matter.

EXCHANGE RATES

For the convenience of the reader, this Form 10-K contains translations of certain British pounds sterling (BPS) amounts into U.S. dollars at specified rates, or, if not so specified, the noon buying rate in New York City for cable transfers in BPS as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on December 31, 1997 of \$1.6454 = BPS1.00. No representation is made that the BPS amounts have been, could have been or could be converted into U.S. dollars at the rates indicated or at any other rates.

The following table sets out, for the periods indicated, certain information concerning the exchange rates between BPS and U.S. dollars based on the Noon Buying Rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York.

Fiscal Year Ending (1)	Period End	Average(2)	High	Low
		(\$ per BPS1.00)		
March 31, 1994	1.49	1.50	1.57	
1.48				
March 31, 1995	1.62	1.57	1.64	
1.51				
March 31, 1996	1.53	1.56	1.61	
1.51				
Period from April 1, 1996 to	1.60	1.58	1.71	
1.49				
January 31, 1997				
December 31, 1997	1.65	1.64	1.71	
1.58				

(1) London Electricity plc, the predecessor company of Entergy London Investments plc (Entergy London), had a fiscal year ending March 31 and Entergy London, the successor company, has a fiscal year ending December 31. Effective February 1, 1997, Entergy London acquired London Electricity plc.

(2) The average of the Noon Buying Rates in effect on the last business day of each month during the relevant period.

FORWARD LOOKING STATEMENTS

Investors are cautioned that forward-looking statements contained herein with respect to the revenues, earnings, competitive performance, or other prospects for the business of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy London, or their affiliated companies may be influenced by factors that could cause actual outcomes and results to be materially different than projected. Such factors include, but are not limited to, the effects of weather, the performance of generating units, fuel prices and availability, regulatory decisions and the effects of changes in law, capital spending requirements, the evolution of competition, changes in accounting standards, and other factors.

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
Algiers	15th Ward of the City of New Orleans, Louisiana
ALJ	Administrative Law Judge
ANO 1 and 2 Electric	Units 1 and 2 of Arkansas Nuclear One Steam Generating Station (nuclear), owned by Entergy
Arkansas APB	Accounting Principles Board
APSC	Arkansas Public Service Commission
Arkansas Cities and Cooperatives and Memphis Electric	Cities of Benton, North Little Rock, Prescott Osceola; the Conway Corporation, the West Utilities Commission and the Farmers' Cooperative
Availability Agreement among Louisiana, the	Agreement, dated as of June 21, 1974, as amended, System Energy and Entergy Arkansas, Entergy Entergy Mississippi, and Entergy New Orleans, and assignments thereof
BPS	British pounds sterling
Cajun in	Cajun Electric Power Cooperative, Inc. (currently chapter 11 bankruptcy reorganization)
Capital Funds Agreement amended, the	Agreement, dated as of June 21, 1974, as between System Energy and Entergy Corporation, and assignments thereof
CitiPower Council	CitiPower Pty. Council of the City of New Orleans, Louisiana
D.C. Circuit of	United States Court of Appeals for the District Columbia Circuit
DOE domestic utility companies Entergy	United States Department of Energy Entergy Arkansas, Entergy Gulf States, Louisiana, Entergy Mississippi, and Entergy
New	Orleans, collectively
EMF	Electromagnetic fields
EPA	Environmental Protection Agency
EPAct	Energy Policy Act of 1992
EPDC	Entergy Power Development Corporation
EPMC	Entergy Power Marketing Corp.
ETC	Exempt telecommunications company under PUHCA
ETHC	Entergy Technology Holding Company
EWG	Exempt wholesale generator under PUHCA
Electricity Act	Electricity Act 1989
Electricity Pool	Wholesale electricity market in England and Wales
Entergy indirect	Entergy Corporation and its various direct and subsidiaries
Entergy Arkansas Light	Entergy Arkansas, Inc., formerly Arkansas Power & Company

Entergy Corporation Entergy Corporation, a Delaware corporation, successor to Entergy Corporation, a Florida corporation Entergy Enterprises
Entergy Enterprises, Inc.
Entergy Gulf States Entergy Gulf States, Inc., formerly Gulf States

subsidaries	Utilities Company (including wholly owned
&	- Varibus Corporation, GSG&T, Inc., Prudential Oil
Entergy London	Gas, Inc., and Southern Gulf Railway Company)
Power	Entergy London Investments plc, formerly Entergy
London	UK plc (including its wholly owned subsidiary,
Entergy Louisiana	Electricity plc)
&	Entergy Louisiana, Inc., formerly Louisiana Power
	Light Company

DEFINITIONS (Continued)

Abbreviation or Acronym Term

Entergy Mississippi Entergy Mississippi, Inc., formerly Mississippi Power & Light Company

Entergy New Orleans Entergy New Orleans, Inc., formerly New Orleans Public Service Inc.

Entergy Operations Entergy Operations, Inc.

Entergy Power	Entergy Power, Inc.
Entergy Services	Entergy Services, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FUCO	an exempt foreign utility company under PUHCA
G&R Mortgage Bonds	General and Refunding Mortgage Bonds
Grand Gulf 1 and 2 Generating	Units 1 and 2 of Grand Gulf Steam Electric Station (nuclear), 90% owned by System Energy
GWH	one million kilowatt-hours
Independence 16%	Independence Steam Electric Station (coal), owned by Entergy Arkansas, 25% by Entergy Mississippi, and 11% by Entergy Power
IRS	Internal Revenue Service
KPL	Kingsnorth Power Ltd.
KV	kilovolt
KW	kilowatt
KWH	kilowatt-hour(s)
London Electricity company	London Electricity plc - a regional electric company serving London, England, which was acquired by Entergy London Investments plc effective February 1, 1997
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
MCF	1,000 cubic feet of gas

Merger The combination transaction, consummated on December 31, 1993, by which Entergy Gulf States became a subsidiary of Entergy Corporation and Entergy

	Corporation became a Delaware corporation
MGP	Manufactured gas plant
MCEQ Quality	Mississippi Commission on Environmental Quality
MMC	UK Monopolies and Mergers Commission
MPSC	Mississippi Public Service Commission
MW	Megawatt(s)
N/A	Not applicable

Nelson Unit 6 Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, owned 70% by Entergy Gulf States NISCO Nelson Industrial Steam Company

1991 NOPSI

Settlement Agreement, retroactive to October 4, 1991, among Entergy New Orleans, the Council, and the Alliance for Affordable Energy, Inc. (local consumer advocate group), which settled certain Grand Gulf 1 prudence issues and certain litigation related to the resolution adopted by the Council on February 4, 1988, disallowing Entergy New Orleans' recovery of \$135 million of previously deferred Grand Gulf 1-related costs

1994 NOPSI

Settlement
Entergy
New
Orleans
in
the
NOPSI

Settlement effective January 1, 1995, between
New Orleans and the Council in which Entergy
Orleans agreed to implement a permanent reduction
electric and gas rates and resolve disputes with
Council in the interpretation of the 1991
Settlement

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
NPL	Superfund National Priorities List
NRC	Nuclear Regulatory Commission
PES License	Public Electricity Supply License in the UK
PRP that	Potentially Responsible Party (a person or entity that
environmental	may be responsible for remediation of environmental
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 1935, as amended
PURPA	Public Utility Regulatory Policies Act of 1978
Rate Cap base	The level of Entergy Gulf States' retail electric rates in effect at December 31, 1993, for the
Louisiana	retail jurisdiction, and the level of such rates in
PUCT	effect prior to the settlement agreement with the
jurisdiction,	on July 21, 1994, for the Texas retail
Reallocation Agreement 1985	which may not be exceeded before December 31, 1998
Entergy	1981 Agreement, superseded in part by a June 13, decision of FERC, among Entergy Arkansas,
Orleans,	Louisiana, Entergy Mississippi, Entergy New
and	and System Energy relating to the sale of capacity energy from Grand Gulf
REC	Regional Electricity Company - UK
Regulator Ritchie 2 Generating	Director General of Electricity Supply for the UK Unit 2 of the R. E. Ritchie Steam Electric Station (gas/oil)
River Bend	River Bend Steam Electric Generating Station (nuclear)
RUS	Rural Utility Services (formerly the
Rural	Electrification Administration or "REA")
SCC	Saltend Cogeneration Company
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting
Standards,	promulgated by the Financial Accounting Standards
Board	
SMEPA	South Mississippi Electric Power Agency
System Agreement modified,	Agreement, effective January 1, 1983, as
the	among the domestic utility companies relating to
power	sharing of generating capacity and other resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
UK	The United Kingdom of Great Britain and
Northern	Ireland
Unit Power Sales Agreement and	Agreement, dated as of June 10, 1982, as amended
Entergy	approved by FERC, among Entergy Arkansas,
Orleans,	Louisiana, Entergy Mississippi, Entergy New
and	and System Energy, relating to the sale of capacity energy from System Energy's share of Grand Gulf 1 Unit, New 2 (nuclear), of the Waterford Steam

PART I

Item 1. Business

BUSINESS OF ENTERGY

General

Entergy Corporation is a Delaware corporation which, through its direct and indirect subsidiaries, engages in the domestic and foreign electric utility business, other domestic and foreign energy-related enterprises, and telecommunications-based businesses. It has no significant assets other than the stock of its subsidiaries. Entergy Corporation is registered as a public utility holding company under PUHCA. As such, Entergy Corporation and its various direct and indirect subsidiaries (with the exception of its EWG, FUCO, and ETC subsidiaries) are subject to the broad regulatory provisions of PUHCA. PUHCA historically limited the operations of registered holding companies to a single, integrated public utility system and functionally related activities. However, more recently, PUHCA has been amended or interpreted to permit limited entry by registered public utility holding companies into domestic and foreign electric generation ventures, foreign utility ownership, telecommunications and information service businesses, and other domestic energy related businesses.

Domestic Operations and Investments

Entergy Corporation has five wholly-owned domestic retail electric utility subsidiaries: Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. As of December 31, 1997, these utility companies provided retail electric service to approximately 2.5 million customers primarily in portions of the states of Arkansas, Louisiana, Mississippi, and Texas. In addition, Entergy Gulf States furnishes natural gas utility service in and around Baton Rouge, Louisiana, and Entergy New Orleans furnishes natural gas utility service in New Orleans, Louisiana. The business of the domestic utility companies is subject to seasonal fluctuations, with the peak sales period occurring during the third quarter of each year. During 1997, the domestic utility companies' combined retail electric sales as a percentage of total electric sales were: residential - 26.5%; commercial - 20.3%; and industrial - 41.8%. Retail electric revenues from these sectors as a percentage of total electric revenues were: residential - 35.1%; commercial - 24.4%; and industrial - 31.2%. Sales to governmental and municipal sectors and to nonaffiliated utilities accounted for the balance of energy sales. The major industrial customers of the domestic utility companies are in the chemical processing, petroleum refining, paper products, and food products industries. The retail rates and services of Entergy's domestic retail utility subsidiaries are regulated by state and/or local regulatory authorities.

Entergy Corporation owns all of the common stock of Entergy Power, a Delaware corporation and domestic power producer that owns 725 MW of fossil-fueled generating assets located in Arkansas. Entergy Power markets electric capacity and energy in the wholesale market. Entergy Corporation also owns 100% of the voting stock of System Energy, an Arkansas corporation that owns and leases an aggregate 90% undivided interest in Grand Gulf. System Energy sells the capacity and energy from its interest in Grand Gulf 1 at wholesale to its only customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (see "CAPITAL REQUIREMENTS AND FUTURE FINANCING - Certain System Financial and Support Agreements - Unit Power Sales Agreement," below). Both Entergy Power's and System Energy's wholesale power sales are subject to the jurisdiction of FERC.

Entergy Services, Inc., a Delaware corporation wholly-owned by Entergy Corporation, provides general executive, advisory, administrative, accounting, legal, engineering, and other services primarily to the domestic utility subsidiaries of Entergy Corporation, but also to Entergy Enterprises. Entergy Operations, a Delaware corporation, is also wholly-owned by Entergy Corporation and provides nuclear management, operations and maintenance services under contract for ANO, River Bend, Waterford 3, and Grand Gulf 1, subject to the owner oversight of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, respectively. Entergy Services and Entergy Operations provide their services to the domestic utility companies, on an "at cost" basis, pursuant to service agreements approved by the SEC under PUHCA.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans own 35%, 33%, 19%, and 13%, respectively, of the common stock of System Fuels, a Louisiana corporation that implements and manages certain programs to procure, deliver, and store fuel supplies for those companies.

Entergy Gulf States has wholly-owned subsidiaries that (i) operate intrastate gas pipelines in Louisiana used primarily to transport fuel to two of Entergy Gulf States' generating stations; (ii) own the Lewis Creek Station, a gas-fired generating plant, which is leased to and operated by Entergy Gulf States; and (iii) own several miles of railroad track constructed in Louisiana primarily for the purpose of transporting coal for use as boiler fuel at Entergy Gulf States' Nelson Unit 6 generating facility.

Entergy Enterprises, a wholly-owned nonutility subsidiary of Entergy Corporation incorporated under Louisiana law, invests in and develops energy-related projects and businesses. Entergy Enterprises, directly or through subsidiaries, markets energy-related expertise, products, and services to third parties and provides a variety of services to certain nonutility companies owned by Entergy. Services provided to third-parties include (i) energy management; (ii) management, operations and maintenance services for fossil and nuclear generating plants; and (iii) energy efficient lighting, heating, and cooling systems.

EPMC, a Delaware corporation, is a wholly-owned subsidiary of Entergy Corporation that is in the business of marketing electricity, gas, other generating fuels, and financial instruments to third parties. It has received authority from the SEC to deal in a wide range of energy commodities

and related financial products.

ETHC, a wholly-owned subsidiary of Entergy Corporation, engages in a variety of telecommunications and information based enterprises that are exempt from regulation under PUHCA. ETHC has acquired security monitoring firms operating primarily in North and South Carolina, Alabama, Florida, Georgia, Mississippi, Louisiana, and Texas. ETHC participates with Hyperion Telecommunications in a joint venture that operates three Competitive Local Exchange Carriers (CLECs) in Little Rock, Arkansas; Jackson, Mississippi; and Baton Rouge, Louisiana. These CLECs provide long distance carrier access and local exchange services. ETHC also currently operates 1,500 miles of fiber optic cable in Arkansas, Louisiana, Mississippi, and Texas that provide long haul telecommunications to wholesale telecommunication carriers. ETHC has made a limited investment in a personal communication services company which will be located in the southeastern United States.

Foreign Operations and Investments

Since 1993, Entergy Corporation has directly or indirectly acquired interests in a number of foreign utility businesses. Entergy Corporation owns indirectly all of the outstanding shares of Entergy London which was incorporated as a public limited company under the laws of England and Wales in October 1996. Entergy Corporation, through Entergy London, gained effective control of London Electricity in February 1997. London Electricity is Entergy London's sole asset. London Electricity is a regional electric company that is principally engaged in the distribution and supply of electricity to approximately 2 million customers in and around London, England. London Electricity's retail service area currently covers approximately 257 square miles in the central portion of metropolitan London and includes commercial, residential, and industrial customers. London Electricity also engages in other business activities, including ownership of an interest in a 1,000 MW gas-fired combined cycle generating station and several private electric distribution systems. Entergy Corporation's indirect wholly-owned Australian subsidiary, CitiPower, was acquired in 1996. CitiPower is principally engaged in the electric distribution business in Melbourne, Australia, where it serves approximately 242,000 customers. Entergy Corporation also indirectly owns a 5% interest in Edesur, S.A., which is the retail electric distribution company for about 1.9 million customers in the southern part of Buenos Aires, Argentina.

EPDC, a wholly-owned subsidiary of Entergy Corporation, owns an interest in the following foreign electric generation assets:

Investment	Percent Ownership	Status
Argentina - Costanera, 1,260 MW	6%	operational
Argentina - Costanera expansion, 220 MW	10%	operational
Chile - San Isidro, 370 MW	25%	under construction
Pakistan - Hub River, 1,292 MW	5%	operational
Peru - Edegel - 793 MW	21%	operational
United Kingdom - Saltend, 1,200 MW	100%	under construction
United Kingdom - Damhead Creek, 770 MW	100%	in development

In addition, Entergy Corporation, through another wholly-owned

subsidiary, owns 92% of Nantong Entergy Heat & Power, which has a 24MW facility under construction.

As of December 31, 1997, Entergy Corporation had a net investment of \$1.3 billion in equity capital in businesses other than the domestic utility businesses. Entergy Corporation continues to seek opportunities to expand its domestic and foreign businesses that are not regulated by domestic state and local utility regulatory authorities. Entergy Corporation's continued acquisition of and investments in certain foreign and domestic businesses is subject to regulation (including the effect of exemptive provisions) under PUHCA. Rule 53 under PUHCA limits the aggregate investment by a registered public utility holding company in EWGs and FUCOs without SEC approval to 50% of the holding company's consolidated retained earnings averaged over a running four quarter period. Entergy's aggregate investment in EWGs and FUCOs is such that no further EWG or FUCO investments can be made with funds provided from securities issued by Entergy unless SEC approval is obtained or Entergy's consolidated retained earnings increase.

International operations are subject to the risks inherent in conducting business abroad, including possible nationalization or expropriation, price and currency exchange controls, limitations on foreign participation in local energy-related enterprises, and other restrictions. Changes in the relative value of currencies occur from time to time, and may favorably or unfavorably affect the results of operations and statements of cash flows of Entergy's non-U.S. businesses. In addition, there are exchange control restrictions in certain countries relating to the repatriation of earnings.

Selected Data

Selected customer and sales data for 1997 are summarized in the following tables:

Area Served	Customers as of December 31, 1997		
	Electric (In thousands)	Gas	
Entergy Arkansas	Portions of Arkansas and Tennessee	620	-
Entergy Gulf States	Portions of Texas and Louisiana	641	88
Entergy Louisiana	Portions of Louisiana	623	-
Entergy Mississippi	Portions of Mississippi	382	-
Entergy New Orleans	City of New Orleans, except Algiers, which is provided electric service by Entergy Louisiana	189	151
		-----	---
Total domestic customers		2,455	239
CitiPower	Melbourne, Australia and surrounding suburbs	242	-
London Electricity	Primarily the majority of metropolitan London, England	1,995	-
		-----	---
Total customers		4,692	239
		=====	===

1997 - Selected Electric Energy Sales Data

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana (GWH)	Entergy Mississippi	Entergy New Orleans	System Energy	Total (a)
DOMESTIC							
Electric Department:							
Sales to retail customers	17,319	33,272	29,582	11,418	5,521	-	97,113
Sales for resale:							
- Affiliates	9,557	414	104	1,918	316	9,735	-
- Others	6,828	1,503	805	412	160	-	9,707
	-----	-----	-----	-----	-----	-----	-----
Total	33,704	35,189	30,491	13,748	5,997	9,735	106,820
Steam Department:							
- Sales to steam products customer	-	1,626	-	-	-	-	1,626
	-----	-----	-----	-----	-----	-----	-----
TOTAL	33,704	36,815	30,491	13,748	5,997	9,735	108,446
	=====	=====	=====	=====	=====	=====	=====
Average use per residential customer (KWH)	11,313	14,615	14,311	13,314	11,618	-	13,279
	=====	=====	=====	=====	=====	=====	=====

(a) Includes the effect of intercompany eliminations.

FOREIGN

In 1997, Entergy London had 19,546 GWH of sales to its distribution customers and 18,023 GWH of sales to its supply customers.

1997 - Selected Natural Gas Sales Data

Entergy New Orleans and Entergy Gulf States sold 16,754,253 and 6,944,026 MCF, respectively, of natural gas to retail customers in 1997. Revenues from natural gas operations for each of the three years in the period ended December 31, 1997, were not material for Entergy Gulf States. See "INDUSTRY SEGMENTS" below for a description of Entergy New Orleans' business segments.

See "ENTERGY CORPORATION AND SUBSIDIARIES - SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON," and "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON OF ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, SYSTEM ENERGY, and ENTERGY LONDON" which follow each company's financial statements in this report, for further information with respect to operating statistics.

Employees

As of January 31, 1998, Entergy had 17,288 employees as follows:

Full-time:	
Entergy Corporation	-
Entergy Arkansas	1,416
Entergy Gulf States	1,456
Entergy Louisiana	721
Entergy Mississippi	700
Entergy New Orleans	301
System Energy	-
Entergy London	3,759
Entergy Operations	3,662
Entergy Services	3,131
Other subsidiaries	1,962

Total Full-time	17,108
Part-time	180

Total Entergy	17,288
=====	

Competition

Refer to Note 2 herein for a detailed discussion of competitive challenges Entergy faces in the utility industry, including the filings of the domestic utility companies with their respective state and local regulatory authorities addressing transition to competition.

CAPITAL REQUIREMENTS AND FUTURE FINANCING

Construction expenditures for the domestic utility companies, System Energy, and Entergy London, including environmental expenditures (which are immaterial) and AFUDC, but excluding nuclear fuel, for the period 1998-2000 are estimated as follows:

Total	1998	1999	2000
		(In Millions)	
Entergy Arkansas \$561	\$201	\$156	\$204
Entergy Gulf States 442	150	145	147
Entergy Louisiana 283	107	90	86
Entergy Mississippi 167	70	48	49
Entergy New Orleans 52	21	16	15
System Energy 71	24	26	21
Entergy London 482	161	163	158

With the exception of Entergy Arkansas, no significant construction costs are expected in connection with the domestic utility companies' generating facilities. Projected construction expenditures for the replacement of ANO 2's steam generators are included in Entergy Arkansas' estimated figures above. See Note 9 for additional information. Actual construction costs may vary from these estimates for a number of reasons, including changes in load growth estimates, changes in environmental regulations, modifications to nuclear units to meet regulatory requirements, increasing costs of labor, equipment and materials, and cost of capital. In addition to construction expenditure requirements, Entergy must meet scheduled long-term debt and preferred stock maturities and cash sinking fund requirements. See Notes 4, 5, 6, and 7 for further capital requirements and financing information.

London Electricity's capital expenditures are primarily related to its distribution business and include expenditures for load-related, non-load-related and non-operational capital assets. Load-related capital expenditures are largely required by new business growth. Customer contributions are normally received when capital expenditures are made to extend or upgrade service to customers (except to the extent that such capital expenditures are made to enhance London Electricity's distribution network generally). Non-load-related capital expenditures include asset replacement which is expected to continue until at least the next decade. Other non-load-related expenditures include system upgrade work that provides for load growth and has the additional benefit of improving network security and reliability. Non-operational capital expenditures are for assets such as fixtures and equipment. London Electricity is required to file five-year projections with the Regulator for capital expenditures related to its regulated distribution network and annual updates of such projections. The most recent projection was for the five-year period ended March 31, 2000, and was filed in July 1997. This filing reflected London Electricity's current projection of approximately \$793 million (approximately BPS482 million) for the five-year period, and expenditures have thus far been substantially in accordance with the projection.

London Electricity is a member of the City of Greenwich Lewisham Rail Link plc which will require expenditures of approximately \$10 million (approximately BPS6 million) in the next two years. London Electricity maintains the distribution networks at Heathrow, Gatwick, and Stansted airports for the British Airport Authority and expects to spend approximately \$59 million (approximately BPS36 million) on these networks over the next six years.

In December 1997, SCC, a wholly-owned subsidiary of EPDC, entered into a BPS646 million (approximately \$1.07 billion) nonrecourse credit facility with an international bank group for the construction of a 1,200 MW gas-fired power plant in Hull, England. The power plant will sell power into the UK power pool at prices established by the market. SCC entered into a lump-sum contract with a major international contractor to build the power plant. SCC has also entered into a series of contracts, including a long-term ground lease for the site; a long-term gas supply agreement with take-or-pay obligations, and a long-term steam and power supply agreement with the industrial host. The total cost of this project currently is estimated to be approximately \$875 million and the project is expected to be operational by January 2000.

In September 1997, EPDC acquired KPL for \$67 million. KPL owns land in Southeast England and certain rights to build a power station. The acquisition of KPL was financed by borrowings under a BPS50 million (\$82 million) credit facility with an international bank. In December 1997, EPDC amended this credit facility and increased the amount of the revolver to BPS100 million (\$165 million). In early October 1997, EPDC announced construction of a 770 MW combined cycle gas turbine merchant power plant to be known as Damhead Creek on the KPL site. Construction is scheduled to begin in late 1998, at an estimated cost of \$625 million. The target date for commercial operation is the second quarter of 2000. Financing and other project requirements are currently in the final stages of development.

Entergy Corporation's primary capital requirements are to invest periodically in, or make loans to, its subsidiaries and to invest in new

enterprises. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES," and "BUSINESS OF ENTERGY" for additional discussion of Entergy Corporation's current and future planned investments in its subsidiaries and financial sources for such investments. The principal sources of funds for Entergy Corporation are dividend distributions from its subsidiaries, funds available under its bank credit facilities, and funds received from its dividend reinvestment and stock purchase plan. Certain events, such as the River Bend issues discussed in Notes 2 and 9, could limit the amount of these distributions. Substantial write-offs or charges resulting from adverse rulings in this matter could adversely affect Entergy Gulf States' ability to pay dividends.

Certain System Financial and Support Agreements

Unit Power Sales Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The Unit Power Sales Agreement allocates capacity and energy from System Energy's 90% ownership and leasehold interests in Grand Gulf 1 (and the related costs) to Entergy Arkansas (36%), Entergy Louisiana (14%), Entergy Mississippi (33%), and Entergy New Orleans (17%). Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans make payments to System Energy for their respective entitlements of capacity and energy on a full cost-of-service basis regardless of the quantity of energy delivered, so long as Grand Gulf 1 remains in commercial operation. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues. The financial condition of System Energy depends upon the continued commercial operation of Grand Gulf 1 and the receipt of payments from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Payments made by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Unit Power Sales Agreement are generally recovered through rates. In the case of Entergy Arkansas and Entergy Louisiana, payments are also recovered through sales of electricity from their respective retained shares of Grand Gulf 1. See Note 2 for further information regarding retained shares.

Availability Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The Availability Agreement among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans was entered into in 1974 in connection with the financing by System Energy of Grand Gulf. The Availability Agreement provided that System Energy would join in the System Agreement on or before the date on which Grand Gulf 1 was placed in commercial operation and would make available to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans all capacity and energy available from System Energy's share of Grand Gulf.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans also agreed severally to pay System Energy monthly for the right to receive capacity and energy available from Grand Gulf in amounts that (when added to any amounts received by System Energy under the Unit Power Sales Agreement, or otherwise) would at least equal System Energy's total operating expenses for Grand Gulf (including depreciation at a specified rate) and interest charges. Under the Availability Agreement, the sale of capacity and energy generated by Grand Gulf is governed by the Unit Power Sales Agreement. The September 1989 write-off of System Energy's investment in Grand Gulf 2, amounting to approximately \$900 million, is being amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books. The allocation percentages under the Availability Agreement are fixed as follows: Entergy Arkansas - 17.1%; Entergy Louisiana - 26.9%; Entergy Mississippi - 31.3%; and Entergy New Orleans - 24.7%.

The allocation percentages under the Availability Agreement remain in effect and would govern payments made under such agreement in the event of a shortfall of funds available to System Energy from other sources, including payments by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to System Energy under the Unit Power Sales Agreement.

System Energy has assigned its rights to payments and advances from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Availability Agreement as security for its first mortgage bonds and reimbursement obligations to certain banks providing the letters of credit in connection with the equity funding of the sale and leaseback transactions described in Note 10 under "Sale and Leaseback Transactions - Grand Gulf 1 Lease Obligations." In these assignments, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans further agreed that, in the event they were prohibited by governmental action from making payments under the Availability Agreement (if, for example, FERC reduced or disallowed such payments as constituting excessive rates), they would then make subordinated advances to System Energy in the same amounts and at the same times as the prohibited payments. System Energy would not be allowed to repay these subordinated advances so long as it remained in default under the related indebtedness or in other similar circumstances.

Each of the assignment agreements relating to the Availability Agreement provides that Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans shall make payments directly to System Energy. However, if there is an event of default, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans must make those payments directly to the holders of indebtedness that are the beneficiaries of such assignment agreements. The payments must be made pro rata according to the amount of the respective obligations secured.

The obligations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to make payments under the Availability Agreement are subject to the receipt and continued effectiveness of all necessary regulatory approvals. Sales of capacity and energy under the Availability Agreement would require that the Availability Agreement be submitted to FERC for approval with respect to the terms of

such sale. No such filing with FERC has been made because sales of capacity and energy from Grand Gulf are being made pursuant to the Unit Power Sales Agreement. Other aspects of the Availability Agreement, including the obligations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to make subordinated advances, are subject to the PUHCA jurisdiction of the SEC, whose approval has been obtained. If, for any reason, sales of capacity and energy are made in the future pursuant to the Availability Agreement, the jurisdictional portions of the Availability Agreement would be submitted to FERC for approval.

Since commercial operation of Grand Gulf 1 began, payments under the Unit Power Sales Agreement to System Energy have exceeded the amounts payable under the Availability Agreement, and no payments under the Availability Agreement have ever been required. In the event such payments were required, the ability of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to recover from their customers amounts paid under the Availability Agreement, or under the assignments thereof, would depend upon the outcome of rate proceedings before state and local regulatory authorities. In view of the controversies that arose over the allocation of capacity and energy from Grand Gulf 1 pursuant to the Unit Power Sales Agreement, opposition to full recovery would be likely and the outcome of such proceedings, should they occur, is not predictable.

The Availability Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, upon obtaining the consent, if required, of those holders of System Energy's indebtedness then outstanding who are the beneficiaries of the assignments of the Availability Agreement.

Capital Funds Agreement (Entergy Corporation and System Energy)

System Energy and Entergy Corporation have entered into the Capital Funds Agreement whereby Entergy Corporation has agreed to supply System Energy with sufficient capital to (i) maintain System Energy's equity capital at an amount equal to a minimum of 35% of its total capitalization (excluding short-term debt) and (ii) permit the continued commercial operation of Grand Gulf 1 and pay in full all indebtedness for borrowed money of System Energy when due.

Entergy Corporation has entered into various supplements to the Capital Funds Agreement, and System Energy has assigned its rights under such supplements as security for its first mortgage bonds and for reimbursement obligations to certain banks providing letters of credit in connection with the equity funding of the sale and leaseback transactions described in Note 10 under "Sale and Leaseback Transactions - Grand Gulf 1 Lease Obligations." Each such supplement provides that permitted indebtedness for borrowed money incurred by System Energy in connection with the financing of Grand Gulf may be secured by System Energy's rights under the Capital Funds Agreement on a pro rata basis (except for the Specific Payments, as defined below). In addition, in the supplements to the Capital Funds Agreement relating to the specific indebtedness being secured, Entergy Corporation has agreed to make cash capital contributions directly to System Energy sufficient to enable System Energy to make payments when due on such indebtedness (Specific Payments). However, if there is an event of default, Entergy Corporation must make those payments directly to the holders of indebtedness benefiting from the supplemental agreements. The payments (other than the Specific Payments) must be made pro rata according to the amount of the respective obligations benefiting from the supplemental agreements.

The Capital Funds Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, upon obtaining the consent, if required, of those holders of System Energy's indebtedness then outstanding who have received the assignments of the Capital Funds Agreement.

RATE MATTERS AND REGULATION

Rate Matters

The domestic utility companies' retail rates are regulated by state and/or local regulatory authorities, as described below. FERC regulates their wholesale rates (including intrasystem sales pursuant to the System Agreement) and interstate transmission of electricity, as well as rates for System Energy's sales of capacity and energy from Grand Gulf 1 to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement.

Wholesale Rate Matters

System Energy

As described above under "CAPITAL REQUIREMENTS AND FUTURE FINANCING - Certain System Financial and Support Agreements," System Energy recovers costs related to its interest in Grand Gulf 1 through rates charged to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans for capacity and energy under the Unit Power Sales Agreement.

On December 12, 1995, System Energy implemented a \$65.5 million rate increase, subject to refund. Refer to Note 2 for a discussion of the rate increase request filed by System Energy with FERC.

System Agreement (Energy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The domestic utility companies engage in the coordinated planning, construction, and operation of generation and transmission facilities pursuant to the terms of the System Agreement as described under "PROPERTY - Generating Stations," below.

In connection with the Merger, FERC approved certain rate schedule changes to integrate Entergy Gulf States into the System Agreement. Certain commitments were also adopted to assure that the ratepayers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans will not be allocated higher costs. Such commitments included:

(i) a tracking mechanism to protect these companies from certain unexpected increases in fuel costs; (ii) the exclusion of Entergy Gulf States from the distribution of profits from power sales contracts entered into prior to the Merger; (iii) a methodology to estimate the cost of capital in future FERC proceedings; and (iv) a stipulation that these companies be insulated from certain direct effects on capacity equalization payments if Entergy Gulf States were to acquire Cajun's 30% share in River Bend, which it acquired on December 23, 1997. See "Regulation - Other Regulation and Litigation" for information on appeals of FERC Merger orders and related pending rate schedule changes and "Cajun-River Bend Litigation" in Note 9 herein for a discussion of the transfer of Cajun's 30% share in River Bend to Entergy Gulf States.

In approving the Merger, FERC also initiated a new proceeding to consider whether the System Agreement permits certain out-of-service generating units to be included in reserve equalization calculations under Service Schedule MSS-1 of that agreement. The LPSC and the MPSC submitted testimony in this proceeding seeking retroactive refunds for Entergy Louisiana and Entergy Mississippi (estimated at \$22.6 million and \$13.2 million, respectively). The FERC staff subsequently submitted testimony concluding that Entergy's treatment was reasonable. However, because it concluded that Entergy's treatment violated the tariff, the FERC staff maintained that refunds of approximately \$7.2 million should be ordered. On March 3, 1995, a FERC ALJ issued an opinion holding that the practice of including the out-of-service units in the reserve equalization calculations during the period 1987 through 1993 was not permitted by Service Schedule MSS-1 and, therefore, constituted a violation of the System Agreement. However, the ALJ found that the violation was in good faith and had benefited the customers of Entergy as a whole. Accordingly, the ALJ recommended that no retroactive refunds should be ordered. The ALJ also held that the System Agreement should be amended to allow out-of-service units to be included in reserve equalization as proposed in an offer of settlement filed by Entergy on February 16, 1994. On August 5, 1997, the FERC issued an Opinion and Order affirming the initial decision of the ALJ. On September 3, 1997, the LPSC and the MPSC filed a request for rehearing of FERC's August 5, 1997 decision. On February 3, 1998, FERC denied the request for rehearing.

On March 14, 1995, the LPSC filed a complaint with FERC alleging that the System Agreement results in unjust and unreasonable rates and requested FERC to modify the System Agreement to exclude curtailable load from the cost allocation determination and to permit Entergy's domestic utility companies that engage in real-time pricing at the retail level to be assessed only the marginal cost for energy sold among the domestic utility companies. In May 1995, the LPSC amended its original complaint to request an additional System Agreement modification to allocate costs on the basis of a four-month coincident peak methodology. On August 5, 1996, FERC dismissed the LPSC's complaint and amended complaint, finding the LPSC's claim that the System Agreement is unjust and unreasonable to be without merit. The FERC confirmed this finding in a September 12, 1997 order denying the LPSC's request for rehearing. The LPSC has appealed FERC's dismissal of its complaint to the D. C. Circuit.

Open Access Transmission (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

On August 2, 1991, Entergy Services, as agent for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Power, submitted to FERC (i) proposed tariffs that, subject to certain conditions, would provide to electric utilities "open access" to Entergy's integrated transmission system, and (ii) rate schedules providing for sales of wholesale power at market-based rates. FERC approved the filing in August 1992, and various parties filed appeals with the D.C. Circuit. The case was remanded to FERC in July 1994 for further proceedings. On October 31, 1994, Entergy Services, as agent for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, filed revised transmission tariffs. On January 6, 1995, FERC made the transmission tariffs effective, subject to refund, and ordered an investigation of Entergy Power's market pricing authority, thereby making Entergy Power's market price rate schedules subject to refund. An order in the market price rate investigation is expected in 1998, but Entergy expects that no refunds will be required.

On March 29, 1995, FERC issued a supplemental notice of proposed rulemaking (Mega-NOPR) which would require public utilities to provide non-discriminatory open access transmission service to wholesale customers and which would also provide guidance on the recovery of wholesale and retail stranded costs. Under the proposal, public utilities would be required to file transmission tariffs for both point-to-point and network service. Model transmission tariffs were included in the proposal. In September 1995 and January 1996, Entergy Services filed offers of partial settlement accepting certain provisions of the transmission tariffs contained in the Mega-NOPR and resolving certain rate issues. Hearings relating to Entergy Services' open access tariffs concluded on February 22, 1996, and an initial decision was issued by the ALJ on May 21, 1996. The initial decision and offers of partial settlement are now pending before FERC awaiting a final decision.

In August 1995, EPMC filed an application for permission to make market-based sales. On December 13, 1995, Entergy Services filed revised

transmission tariffs in a separate proceeding proposing terms and conditions for open access transmission service that are substantially identical to the terms and conditions contained in the Mega-NOPR transmission tariffs with rates to be the same as those determined in the pending proceeding. On February 14, 1996, FERC accepted for filing the revised transmission tariffs subject to the outcome of the pending proceeding and conditionally accepted EPMC's application for market-based sales. Subsequently, FERC accepted EPMC's application without condition.

In April 1996 FERC issued its final rule (Order No. 888) on open access, nondiscriminatory transmission, and stranded costs, and a companion final rule (Order No. 889) relating to codes of conduct and the mechanism by which the open access transactions were to be made. In July 1996, in response to this FERC order, Entergy Services filed, on behalf of the domestic utility companies, its open access pro forma tariff. This tariff, which supersedes the tariffs previously filed, is currently pending before FERC with respect to the rates for transmission service. The rates set forth in the July 1996 tariff are subject to the outcome of FERC action on the May 21, 1996 initial decision and the offers of partial settlement. On January 29, 1997, FERC accepted the non-rate terms and conditions of the July 1996 tariff, subject to limited modifications.

In a March 1997 order (Order No. 888-A), FERC directed public utilities to file revised tariffs to reflect changes resulting from rehearing of Order No. 888. On July 14, 1997, Entergy Services filed with the FERC its wholesale transmission access compliance tariff incorporating the requirements of FERC Order No. 888-A. The filing supersedes the July 1996 tariff and the rates remain subject to the outcome of FERC action on the May 21, 1996 initial decision and the offers of partial settlement.

Retail Rate Matters

General (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Certain costs related to Grand Gulf 1, Waterford 3, and River Bend were phased into retail rates over a period of years in order to avoid the "rate shock" associated with increasing rates to reflect all such costs at once. The deferral period in which costs are incurred but not currently recovered has expired for all of these programs, and Entergy Arkansas, Entergy Gulf States, Entergy Mississippi, and Entergy New Orleans are now recovering those costs that were previously deferred. Entergy Louisiana has fully recovered the deferred Waterford 3 costs. Entergy Gulf States has pending several rate proceedings and some rate relief has been received. Rate proceedings and appeals relating to these issues are discussed in "Entergy Gulf States" below.

The retail regulatory philosophy is shifting in some jurisdictions from traditional cost-of-service regulation to incentive-rate regulation. Management believes incentive and performance-based rate plans encourage efficiencies and productivity while permitting utilities and their customers to share in the resulting benefits. As a means of minimizing the need for retail rate increases, Entergy is committed to containing costs to the greatest degree practicable. Entergy Mississippi and Entergy Louisiana have implemented incentive rate plans. Recognizing that many industrial customers have energy alternatives, Entergy continues to work with these customers to address their needs. In certain cases, competitive prices are negotiated using variable-rate designs.

The domestic utility companies have initiated proceedings with state and local regulators regarding an orderly transition to a more competitive market for electricity. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS," for a discussion of the transition to competition filings made by Entergy Mississippi, Entergy Gulf States, Entergy Louisiana, Entergy New Orleans and Entergy Arkansas with their state and local regulators.

Entergy Arkansas

Rate Freeze

In connection with the settlement of various issues related to the Merger, Entergy Arkansas agreed that it would not, except in response to certain circumstances that are largely out of its control, request any general retail rate increase to take effect before November 3, 1998. See Note 2 for a discussion of the rate freeze as well as other aspects of the settlement agreement between Entergy Arkansas and the APSC.

Recovery of Grand Gulf 1 Costs

Under the settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas agreed to forego recovery of a portion of its Grand Gulf 1-related costs, recover a portion of such costs currently, and defer a portion of such costs for future recovery. In the future, Entergy Arkansas will recover 78% of its allocated share of Grand Gulf 1 costs, but will not recover the remaining 22%. Deferrals ceased in 1990, and Entergy Arkansas is recovering a portion of the previously deferred costs each year through 1998. As of December 31, 1997, the balance of deferred costs was \$75 million. Entergy Arkansas is permitted to recover on a current basis the incremental costs of financing the unrecovered deferrals.

Entergy Arkansas has the right to sell capacity and energy from its retained share of Grand Gulf 1 to third parties and to sell such energy to its retail customers at a price equal to Entergy Arkansas' avoided energy cost. Proceeds of sales to third parties of Entergy Arkansas' retained share of Grand Gulf 1 capacity and energy accrue to the benefit of Entergy Corporation, as Entergy Arkansas' sole stockholder.

Fuel Adjustment Clause

In its October 1996 rate filing, Entergy Arkansas proposed an alternative fuel adjustment clause, the Energy Cost Recovery Rider Energy Cost Rate (ECR Rider), which was approved by the APSC. Entergy Arkansas' ECR Rider utilizes projected energy costs (i.e., fuel and purchased power costs) for the coming calendar year to develop an Energy Cost Rate. The Energy Cost Rate is revised annually and includes a true-up adjustment reflecting the over-recovery or under-recovery of the energy cost for the prior year. Under the ECR Rider, the nuclear refueling reserve fund provision, which was no longer necessary due to the annual revision, was eliminated. In addition, the nuclear incentive provision associated with ANO was eliminated.

Entergy Gulf States

Rate Cap and Other Merger-Related Rate Agreements

In 1993, the LPSC and the PUCT approved separate regulatory proposals, which included the implementation of a five-year Rate Cap on Entergy Gulf States' retail electric base rates in the respective states, and provisions for fuel and nonfuel savings created by the Merger to accrue to the benefit of ratepayers. See Note 2 for a discussion of the Rate Cap as well as other aspects of the settlement agreement between Entergy Gulf States and the LPSC and the PUCT.

Recovery of River Bend Costs

Entergy Gulf States deferred approximately \$369 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges, pursuant to a 1986 PUCT accounting order. Approximately \$182 million of these costs are being amortized over a 20-year period, and the remaining \$187 million was written off in the first quarter of 1996 in accordance with SFAS 121. Also, in accordance with a phase-in plan approved by the LPSC, Entergy Gulf States deferred \$294 million of its River Bend costs related to the period February 1988 through February 1991. See "River Bend Cost Deferrals" in Note 2 herein for a discussion of the unamortized balances of these deferrals as of December 31, 1997.

Texas Jurisdiction - River Bend

In 1988 the PUCT granted Entergy Gulf States a permanent increase in annual revenues of \$59.9 million resulting from the inclusion in rate base of approximately \$1.6 billion of company-wide River Bend plant investment and approximately \$182 million of related Texas retail jurisdiction deferred River Bend costs (Allowed Deferrals). At the same time, the PUCT disallowed as imprudent \$63.5 million of company-wide River Bend plant costs and placed in abeyance, with no finding as to prudence, approximately \$1.4 billion of company-wide River Bend plant investment and approximately \$157 million of Texas retail jurisdiction deferred River Bend operating and carrying costs (Abeyed Deferrals). As a result of the application of the company's long-lived asset impairment policy, Entergy Gulf States wrote off Abeyed Deferrals of \$169 million, net of tax, effective January 1, 1996.

The PUCT's order has been the subject of several appellate proceedings, culminating in an appeal to the Texas Supreme Court (Supreme Court). On January 31, 1997, the Supreme Court issued an opinion reversing the PUCT's order and remanding the case to the PUCT for further proceedings.

On January 14, 1998, the commissioners of the PUCT voted by a 2 to 1 majority to disallow recovery of \$1.4 billion of company-wide abeyed plant costs. The Texas share of these costs, which is not currently in rates, is approximately \$624 million, based on 1988 costs and the jurisdictional allocation included in current rates. The PUCT is expected to enter an order pursuant to its vote, but has not yet done so. As of December 31, 1997, the River Bend plant costs disallowed for retail ratemaking purposes in Texas and the River Bend plant costs held in abeyance totaled (net of taxes and depreciation) approximately \$12 million and \$252 million, respectively. See Note 2 for information related to additional rulings by the PUCT and other retail rate proceedings as well as the proposed agreement in principle between the parties to the Entergy Gulf States rate proceedings in Texas.

NISCO Unrecovered Costs

In 1986, the PUCT ordered that the purchased power costs from NISCO in excess of Entergy Gulf States' avoided costs be disallowed. The PUCT disallowance resulted in approximately \$12 million to \$15 million of unrecovered purchased power costs on an annual basis, which Entergy Gulf States continued to expense as the costs were incurred. In April 1991, the Texas Supreme Court, on the appeal of such order, ordered the PUCT to allow Entergy Gulf States to recover purchased power payments in excess of its avoided cost in future proceedings if Entergy Gulf States established to the PUCT's satisfaction that the payments were reasonable and necessary expenses.

In January 1992, Entergy Gulf States applied to the PUCT for a new fixed fuel factor and requested a final reconciliation of fuel and purchased power costs incurred between December 1, 1986 and September 30, 1991. Entergy Gulf States proposed to recover net under-recoveries and interest (including under-recoveries related to NISCO) over a twelve-month period. In June 1993, the PUCT concluded that the purchased power payments made to NISCO in excess of Entergy Gulf States' avoided cost were not reasonably incurred. In October 1993, Entergy Gulf

States appealed the PUCT's order to the Travis County District Court where the matter is still pending. As of December 31, 1997, Entergy Gulf States had expensed \$182 million of unrecovered purchased power costs and deferred revenue pending the appeal to the District Court. No assurance can be given as to the timing or outcome of the appeal.

Retail Rate Proceedings

In addition to the January 14, 1998 ruling discussed above in "Texas Jurisdiction - River Bend," the PUCT upheld an ALJ's ruling disallowing recovery of approximately \$40 million of Entergy Services' affiliate costs allocated to Entergy Gulf States in Texas. Entergy Services is responsible for managing Entergy Gulf States' fossil generating plants and transmission and distribution systems, as well as providing human resources, accounting, and other necessary services to Entergy Gulf States and Entergy Corporation's other electric utility subsidiaries. In another matter, the PUCT also issued an order establishing service quality standards and rate of return adjustments for Entergy Gulf States and its Texas retail service territory. A portion of the adjustments will be retroactive and a portion will be prospective. The PUCT will evaluate Entergy Gulf States' future performance based on several criteria including feeder reliability, billing error rates, customer call center performance, service installation performance, line extension performance and street light replacements.

In March 1998, the parties to the Entergy Gulf States rate proceedings in Texas reached an agreement in principle, subject to approval by the PUCT and certain cities served by Entergy Gulf States, which would resolve all of the pending rate issues. The proposed agreement in principle would include a base rate reduction of \$40 million on an annual basis, with a refund retroactive to June 1, 1996; additionally it would provide for a recovery of \$25 million of deferred fuel costs; the base rates would remain at the same level for the next four years after the reduction; a total service quality credit of \$9 million retroactive to June 1996; and the recovery of a portion of the abeyed portion of River Bend such that at the end of the four year rate freeze there will remain \$125 million of net plant related to that abeyed portion. Entergy Gulf States has established reserves for the probable effects of this agreement in principle based on management's estimates of the terms thereof. These reserves of approximately \$381 million (or \$227 million net of taxes) were recorded in the fourth quarter of 1997. The results of operations of Entergy Gulf States for the year ended December 31, 1997, reflect corresponding charges to operating revenues and other income (deductions) of \$70 million and \$311 million, respectively. The parties are working to finalize a definitive agreement. Entergy Gulf States has agreed to implement the refunds and rate reductions, subject to final approval of the agreement in principle. Final approval of the agreement in principle would resolve all pending regulatory issues. Refer to Note 2 for a discussion of other Entergy Gulf States retail rate proceedings that were resolved during the past year and/or are currently pending.

Fuel Recovery

Entergy Gulf States' Texas rate schedules include a fixed fuel factor to recover fuel and purchased power costs not recovered in base rates. The fixed factor may be revised every six months in accordance with a schedule set by the PUCT. To the extent actual costs vary from the fixed factor, refunds or surcharges are required or permitted. Fuel costs are also subject to reconciliation proceedings every three years. Entergy Gulf States' Louisiana electric rate schedules include a fuel adjustment clause designed to recover the cost of fuel and purchased power costs, adjusted by a surcharge (or credit) for deferred fuel expense arising from the monthly reconciliation of actual fuel cost incurred with fuel revenues billed to customers. See Note 2 for a discussion of the LPSC fuel cost reviews.

Entergy Gulf States' Louisiana gas rates include a purchased gas adjustment to recover the cost of purchased gas.

Steam Customer Contract

In August 1996, Entergy Gulf States entered into agreements with its only steam customer whereby a generating facility was leased to such customer beginning in August 1997, the expiration date of the previous contract. As a result of these arrangements, Entergy Gulf States' annual revenues are expected to decrease by approximately \$33 million, and its net income is expected to be reduced by approximately \$15 million annually.

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS," for a further discussion.

Entergy Louisiana

Recovery of Grand Gulf 1 Costs

In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Waterford 3 and Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. With respect to Waterford 3, Entergy Louisiana was granted an increase aggregating \$170.9 million over the period 1985-1988, and Entergy Louisiana agreed to permanently absorb, and not recover from retail ratepayers, \$284 million of its investment in the unit and to defer \$266 million of its costs related to the years 1985-1988 to be recovered from April 1988 through June 1997.

With respect to Grand Gulf 1, Entergy Louisiana agreed to retain, and not recover from retail ratepayers, approximately 2.52% of the costs of Grand Gulf 1's capacity and energy. Non-fuel operation and maintenance costs for Grand Gulf 1 are recovered through Entergy Louisiana's base

rates. Additionally, Entergy Louisiana is allowed to recover, through the fuel adjustment clause, 4.6 cents per KWH for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to nonaffiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval.

Performance-Based Formula Rate Plan

In June 1995, in conjunction with the LPSC's rate review, a performance-based formula rate plan previously proposed by Entergy Louisiana was approved with certain modifications. See Note 2 for a discussion of Entergy Louisiana's performance-based formula rate plan.

Fuel Adjustment Clause

Entergy Louisiana's rate schedules include a fuel adjustment clause to recover the cost of fuel and purchased power. The fuel adjustment also includes a surcharge (or credit) for deferred fuel expense arising from the monthly reconciliation of actual fuel cost incurred with fuel revenues billed to customers.

Entergy Mississippi

Retail Rate Proceedings

Refer to Note 2 for a discussion of Entergy Mississippi's retail rate proceedings that were resolved during the past year and/or are currently pending.

Rate Freeze

In connection with the settlement of various issues related to the Merger, Entergy Mississippi agreed that it will not, except in response to certain circumstances that are largely beyond its control, request any general retail rate increase to take effect before November 3, 1998. See Note 2 for a discussion of the rate freeze and other aspects of the settlement agreement between Entergy Mississippi and the MPSC.

Recovery of Grand Gulf 1 Costs

In September 1985, the MPSC granted Entergy Mississippi an annual base rate increase of approximately \$326.5 million in connection with its allocated share of Grand Gulf 1 costs. The MPSC also provided for the deferral of a portion of such costs that were incurred each year through 1992, and recovery of these deferrals over a period of six years ending in 1998. As of December 31, 1997, the uncollected balance of Entergy Mississippi's deferred costs was approximately \$127 million. Entergy Mississippi is permitted to recover the carrying charges on all deferred amounts on a current basis.

Formula Rate Plan

Under a formula incentive-rate plan (Formula Rate Plan) effective March 25, 1994, Entergy Mississippi's earned rate of return is calculated automatically every 12 months and compared to and adjusted against a benchmark rate of return (calculated under a separate formula within the Formula Rate Plan). The Formula Rate Plan allows for periodic small adjustments in rates based on a comparison of actual earned returns to benchmark returns and upon certain performance factors. Refer to Note 2 for a discussion of the formula rate plan filing for the 1996 test year. The formula rate plan filing for the 1997 test year will be filed in March 1998.

Fuel Adjustment Clause

In March 1997, Entergy Mississippi proposed an alternative fuel cost recovery mechanism, the ECR Rider, which became effective May 1997. Entergy Mississippi's ECR Rider utilizes projected energy costs (i.e., fuel and purchased energy costs) for the coming calendar year to develop an Energy Cost Rate. The Energy Cost Rate is revised annually and includes a true-up adjustment reflecting the over-recovery or under-recovery of the energy cost for the prior year.

Entergy New Orleans

Earnings Analysis Filings

Refer to Note 2 for a discussion of the Entergy New Orleans earnings analysis filings that have been resolved during the past year and/or are currently outstanding.

Recovery of Grand Gulf 1 Costs

Under Entergy New Orleans' various rate settlements with the Council in 1986, 1988, and 1991, Entergy New Orleans agreed to absorb and not

recover from ratepayers a total of \$96.2 million of its Grand Gulf 1 costs. Entergy New Orleans was permitted to implement annual rate increases in decreasing amounts each year through 1995, and to defer certain costs and related carrying charges for recovery on a schedule extending from 1991 through 2001. As of December 31, 1997, the uncollected balance of Entergy New Orleans' deferred costs was \$99 million.

Fuel Adjustment Clause

Entergy New Orleans' electric rate schedules include a fuel adjustment clause designed to recover the cost of fuel in the second prior month, adjusted by a surcharge (or credit) for deferred fuel expense arising from the monthly reconciliation of actual fuel incurred with fuel cost revenues billed to customers. The adjustment also includes the difference between nonfuel Grand Gulf 1 costs paid by Entergy New Orleans and the estimate of such costs provided in Entergy New Orleans' Grand Gulf 1 rate settlements. Entergy New Orleans' gas rate schedules include an adjustment to reflect gas costs in excess of those collected in base rates, adjusted by a surcharge (or credit) similar to that included in the electric fuel adjustment clause.

Regulation

Federal Regulation (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

PUHCA

Entergy Corporation and its various direct and indirect subsidiaries (with the exception of its EWG, FUCO, and ETHC subsidiaries) are subject to the broad regulatory provisions of PUHCA. Except with respect to investments in certain domestic power projects, foreign utility company projects, and telecommunication projects, PUHCA limits the operations of a registered holding company system to a single, integrated public utility system, plus certain additional systems and businesses, regulates certain transactions among affiliates within a holding company system, and regulates the acquisition and sale of securities and assets by registered holding companies and their subsidiaries.

Entergy Corporation and other electric utility holding companies have supported legislation in the United States Congress to repeal PUHCA and transfer certain aspects of the oversight of public utility holding companies from the SEC to FERC. Entergy believes that PUHCA inhibits its ability to compete in the evolving electric energy marketplace and largely duplicates the oversight activities already performed by FERC and state and local regulators. In June 1995, the SEC adopted a report proposing options for the repeal or significant modification of PUHCA. In 1997, the SEC issued Rule 58 under PUHCA, which allows registered public utility holding companies to enter a range of energy related businesses.

Federal Power Act

The domestic utility companies, System Energy, Entergy Power, and EPMC are subject to the Federal Power Act as administered by FERC and the DOE. The Federal Power Act provides for regulatory jurisdiction over the licensing of certain hydroelectric projects, the transmission and wholesale sale of electric energy in interstate commerce, and certain other activities, including accounting policies and practices. Such regulation includes jurisdiction over the rates charged by System Energy for capacity and energy provided to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans from Grand Gulf 1.

Entergy Arkansas holds a FERC license for two hydroelectric projects (70 MW), which was renewed on July 2, 1980 and expires in February 2003.

Regulation of the Nuclear Power Industry (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy)

Regulation of Nuclear Power

Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, the operation of nuclear plants is heavily regulated by the NRC, which has broad power to impose licensing and safety-related requirements. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, as owners of all or portions of ANO, River Bend, Waterford 3, and Grand Gulf 1, respectively, and Entergy Operations, as the licensee and operator of these units, are subject to the jurisdiction of the NRC. Revised safety requirements promulgated by the NRC have, in the past, necessitated substantial capital expenditures at these nuclear plants, and additional such expenditures could be required in the future. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS," for a discussion of Waterford 3's Systematic Assessment of License Performance (SALP) report issued by the NRC on January 6, 1997.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of sites for disposal of spent nuclear fuel and other radioactive waste, nuclear plant operations, the technological and financial aspects of decommissioning plants at the end of their licensed

lives, and requirements relating to nuclear insurance. These matters are briefly discussed below.

Regulation of Spent Fuel and Other High-Level Radioactive Waste

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. However, the DOE has not yet identified a permanent storage repository and, as a result, future expenditures may be required to increase spent fuel storage capacity at nuclear plant sites. For further information concerning spent fuel disposal contracts with the DOE, schedules for initial shipments of spent nuclear fuel, current on-site storage capacity, and costs of providing additional on-site storage, see Note 9.

Regulation of Low-Level Radioactive Waste

The availability and cost of disposal facilities for low-level radioactive waste resulting from normal nuclear plant operations are subject to a number of uncertainties. Under the Low-Level Radioactive Waste Policy Act of 1980, as amended, each state is responsible for disposal of waste originating in that state, and states may participate in regional compacts to fulfill their responsibilities jointly. The States of Arkansas and Louisiana participate in the Central Interstate Low Level Radioactive Waste Compact (Central States Compact), and the State of Mississippi participates in the Southeast Low Level Radioactive Waste Compact (Southeast Compact). Two disposal sites are currently operating in the United States, but only one site, the Barnwell Disposal Facility (Barnwell) located in South Carolina and operated by the Southeast Compact, is open to out-of-region generators. The availability of Barnwell provides only temporary relief for low-level radioactive waste storage and does not alleviate the need to develop new disposal capacity.

Both the Central States Compact and the Southeast Compact are working to establish additional disposal sites. Entergy, along with other waste generators, funds the development costs for new disposal facilities. To date, Entergy's expenditures for the development of new disposal facilities total approximately \$50 million. During the fourth quarter of 1997, Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States expensed \$17.4 million, \$12.3 million, and \$13.8 million, respectively, related to previously deferred radioactive waste facility costs incurred in connection with the Central States Compact. Future levels of expenditures are difficult to predict. The current schedule for the site development in both the Central States Compact and the Southeast Compact projects that the new facilities will not be operational before 2001. Due to the political nature of siting low-level radioactive waste disposal facilities, future delays can be anticipated. Until long-term disposal facilities are established, Entergy will seek continued access to existing facilities. If such access is unavailable, Entergy will store low-level waste at its nuclear plant sites.

Regulation of Nuclear Plant Decommissioning

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy are recovering from ratepayers portions of the estimated decommissioning costs for ANO, River Bend, Waterford 3, and Grand Gulf 1, respectively. These amounts are deposited in trust funds that, together with the related earnings, can only be used for future decommissioning costs. Estimated decommissioning costs are periodically reviewed and updated to reflect inflation and changes in regulatory requirements and technology, and applications are periodically made to appropriate regulatory authorities to reflect in rates any future changes in projected decommissioning costs. For additional information with respect to decommissioning costs for ANO, River Bend, Waterford 3, and Grand Gulf 1, see Note 9.

The EPAct requires all electric utilities (including Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy) that purchased uranium enrichment services from the DOE to contribute up to a total of \$150 million annually over approximately 15 years (adjusted for inflation, up to a total of \$2.25 billion) for decontamination and decommissioning of enrichment facilities. In accordance with the EPAct, contributions to decontamination and decommissioning funds are recovered through rates in the same manner as other fuel costs. See Note 9 for the estimated annual contributions by Entergy for decontamination and decommissioning fees.

Nuclear Insurance

The Price-Anderson Act limits public liability for a single nuclear incident to approximately \$8.92 billion. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have protection with respect to this liability through a combination of private insurance and an industry assessment program, as well as insurance for property damage, costs of replacement power, and other risks relating to nuclear generating units. For a discussion of insurance applicable to the nuclear programs of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, see Note 9.

Nuclear Operations

General (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy)

Entergy Operations operates ANO, River Bend, Waterford 3, and Grand Gulf 1, subject to the owner oversight of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, respectively. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and the Grand Gulf 1 co-owner, have retained their ownership interests in their respective nuclear generating units. Entergy Arkansas, Entergy

Gulf States, Entergy Louisiana, and System Energy have also retained their associated capacity and energy entitlements, and pay directly or reimburse Entergy Operations at cost for its operation of the units.

ANO Matters (Entergy Corporation and Entergy Arkansas)

See "ANO Matters" in Note 9 herein for a discussion of the replacement of steam generators at ANO 2.

River Bend (Entergy Corporation and Entergy Gulf States)

In connection with the Merger, Entergy Gulf States filed two applications with the NRC in January 1993 to amend the River Bend operating license. The applications sought the NRC's consent to the Merger and to a change in the licensed operator of the facility from Entergy Gulf States to Entergy Operations. The NRC Staff issued the two license amendments for River Bend, which were effective immediately upon consummation of the Merger. On February 14, 1994, Cajun filed with the D.C. Circuit petitions for review of the two license amendments for River Bend. In March 1995, the D.C. Circuit ordered that the NRC order and license amendments be set aside, and remanded the case to the NRC for further consideration. Subsequently, the NRC affirmed its original findings and reissued the two license amendments. Cajun and the Arkansas Cities and Cooperatives filed petitions for review of those NRC orders with the D. C. Circuit. On May 8, 1997, the D.C. Circuit granted Cajun's motion to dismiss its appeal. Arkansas Cities and Cooperatives' appeal has been briefed and remains pending. The two license amendments are currently in full force and effect.

State Regulation (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

General

Entergy Arkansas is subject to regulation by the APSC, which includes the authority to set rates, determine reasonable and adequate service, require proper accounting, control leasing, control the acquisition or sale of any public utility plant or property constituting an operating unit or system, set rates of depreciation, issue certificates of convenience and necessity and certificates of environmental compatibility and public need, and regulate the issuance and sale of certain securities.

Entergy Gulf States is subject to the jurisdiction of the municipal authorities of incorporated cities in Texas as to retail rates and service within their boundaries, with appellate jurisdiction over such matters residing in the PUCT. Entergy Gulf States is also subject to regulation by the PUCT as to retail rates and service in rural areas, certification of new generating plants, and extensions of service into new areas. Entergy Gulf States is subject to regulation by the LPSC as to electric and gas service, rates and charges, certification of generating facilities and power or capacity purchase contracts, depreciation, accounting, and other matters.

Entergy Louisiana is subject to regulation by the LPSC as to electric service, rates and charges, certification of generating facilities and power or capacity purchase contracts, depreciation, accounting, and other matters. Entergy Louisiana is also subject to the jurisdiction of the Council with respect to such matters within Algiers.

Entergy Mississippi is subject to regulation as to service, service areas, facilities, and retail rates by the MPSC. Entergy Mississippi is also subject to regulation by the APSC as to the certificate of environmental compatibility and public need for the Independence Station.

Entergy New Orleans is subject to regulation by the Council as to electric and gas service, rates and charges, standards of service, depreciation, accounting, issuance of certain securities, and other matters.

Franchises

Entergy Arkansas holds exclusive franchises to provide electric service in approximately 300 incorporated cities and towns in Arkansas. These franchises are unlimited in duration and continue until such a time when the municipalities purchase the utility property. In Arkansas, franchises are considered to be contracts and, therefore, are terminable upon breach of the contract.

Entergy Gulf States holds non-exclusive franchises, permits, or certificates of convenience and necessity to provide electric and gas service in approximately 55 incorporated municipalities in Louisiana and approximately 63 incorporated municipalities in Texas. Entergy Gulf States typically is granted 50-year franchises in Texas and 60-year franchises in Louisiana. Entergy Gulf States' current electric franchises will expire during 2007 - 2036 in Texas and during 2015 - 2046 in Louisiana. The natural gas franchise in the City of Baton Rouge will expire in 2015. In addition, Entergy Gulf States has received from the PUCT a certificate of convenience and necessity to provide electric service to areas within 21 counties in eastern Texas.

Entergy Louisiana holds non-exclusive franchises to provide electric service in approximately 116 incorporated municipalities. Most of these franchises have 25-year terms, although six municipalities have granted Entergy Louisiana 60-year franchises. Entergy Louisiana also supplies electric service in approximately 353 unincorporated communities, all of which are located in parishes in which Entergy Louisiana holds non-exclusive franchises.

Entergy Mississippi has received from the MPSC certificates of public convenience and necessity to provide electric service to areas within 45 counties, including a number of municipalities, in western Mississippi. Under Mississippi statutory law, such certificates are exclusive. Entergy Mississippi may continue to serve in such municipalities upon payment of a statutory franchise fee, regardless of whether an original municipal franchise is still in existence.

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to city ordinances, which state, among other things, that the City has a continuing option to purchase Entergy New Orleans' electric and gas utility properties.

The business of System Energy is limited to wholesale power sales and has no distribution franchises.

Regulation under the Electricity Act (Entergy London)

The Regulator

The principal legislation governing the structure and regulation of the electricity industry in Great Britain is the Electricity Act. The Electricity Act established the industry structure to enable privatization of the UK electric system. The Electricity Act also created the office of the Regulator, who is appointed by the Secretary of State for Trade and Industry. The present Regulator, Professor Stephen Littlechild, was appointed for a five year term ending on August 31, 1999.

The Regulator's functions include, among other things, granting licenses to generate, transmit, distribute or supply electricity; proposing modifications to licenses and making license modification references to the MMC; enforcing compliance with license conditions; advising the Secretary of State for Trade and Industry relating to the approval of each non-fossil fuel source; calculating the Fossil Fuel Levy rate and collecting the levy; resolving certain disputes between electricity licensees and customers; and setting standards of performance for electricity licensees.

The Regulator exercises concurrently with the Director General of Fair Trading certain functions relating to monopoly situations under the Fair Trading Act 1973 and certain functions relating to activities that have, or are intended or likely to have, the effect of restricting, distorting or preventing competition in the generation, transmission or supply of electricity under the Competition Act 1980.

The Electricity Act requires the Regulator and the Secretary of State to exercise their functions to ensure that all reasonable demands for electricity are satisfied; to assure that license holders are able to finance their licensed activities; and to promote competition in the generation and supply of electricity. Subject to these duties, the Secretary of State and the Regulator are required to exercise their functions in a manner calculated to protect the interests of consumers of electricity in respect of price, continuity of supply, and the quality of electricity supply services; to promote efficiency and economy on the part of licensed electricity suppliers and the efficient use of electricity supplied to consumers; to promote research and development by persons authorized to generate, transmit or supply electricity; to protect the public from the dangers arising from the generation, transmission or supply of electricity, and to act for the protection of the health and safety of workers in the electricity industry. The Secretary of State and the Regulator also have a duty to consider the environmental activities connected with the generation, transmission, distribution or supply of electricity. The Secretary of State and the Regulator have a duty to consider, in particular, the interests of consumers in rural areas in respect of prices and other terms of supply. With regard to the quality of electricity supply services, they also have a duty to consider in particular the interests of those who are disabled or of pensionable age.

PES License

London Electricity has a PES license for its franchise area and is required to supply electricity upon request to any premises in that area, except in specified circumstances. Like all PES license holders, it may not discriminate between its own supply business and other users of its distribution system. The PES license also prohibits cross-subsidization among the various regulated businesses. PES license holders, including London Electricity, are subject to separate price controls on the amounts they may charge for the supply of electricity to Franchise Supply Customers. A PES license also requires a licensee, including London Electricity, to procure electricity at the best price reasonably obtainable from all available sources, including London Electricity.

In England and Wales, each PES license limits the extent of the generation capacity in which the relevant REC may hold an interest without the prior consent of the Regulator ("own-generation limits"). In the case of London Electricity, the own-generation limit is fixed at 700 MW. After taking into account London Electricity's current ownership interest in a generation facility, the amount of additional generation investment which could be made by London Electricity is 565 MW. Investments by affiliates of Entergy in generating assets in the UK would be counted towards this own-generation limit under London Electricity's PES license. London Electricity has applied for and has been granted by the Regulator an exception from the own-generation limit, subject to certain conditions, for EPDC investments in the SCC and KPL projects. The most significant of these conditions, to which London Electricity has agreed, is that generating capacity from these projects will not be acquired by London Electricity for purposes of its supply business.

Second Tier Supply Licenses

Other than a PES license holder in its franchise area and subject to certain other exceptions, a supplier of electricity to premises in Great Britain must possess a second tier supply license. Subject to certain restrictions, second tier licensees may compete for the supply of electricity with one another and with the PES license holder in the relevant area. There are currently 34 second tier supply license holders for England and Wales.

Modifications to Licenses

Following the acquisition of London Electricity by Entergy London, London Electricity's PES License was modified during October 1997 to provide that, with a few minor exceptions, the only business activities which London Electricity is permitted to undertake directly are its first tier and second tier supply businesses and its distribution business. These modifications by the Regulator are intended to place financial protections around the licensed activities of London Electricity as a safeguard against financial pressures which might affect its ability to continue to finance its statutory and licensed functions, including necessary investment in its distribution businesses. Among other things, the modifications restrict the businesses in which London Electricity can participate, other than the licensed businesses, and regulates dealings between London Electricity and other companies (particularly affiliated companies). The modifications also require London Electricity to secure that it has sufficient management and financial resources to conduct its licensed businesses, give the Regulator an annual certificate of the adequacy of its financial resources, and maintain an investment grade rating for its debt as defined by Moody's and Standard & Poor's.

Term and Revocation of Licenses

London Electricity's PES license will continue in effect until at least 2025 unless revoked. Under ordinary circumstances, the license may not be revoked except on 25 years' prior notice, which notice may not be given until 2000. Otherwise, the Secretary of State may revoke a PES license by not less than 30 days' notice in writing to the licensee in certain specified circumstances, including, among other things, the failure to comply with a final order of the Regulator or the insolvency of the licensee.

Other Regulatory Matters (Entergy London)

On June 30, 1997, the UK government announced a review of the regulatory framework governing the utilities, including electricity supply and distribution. This review is currently being undertaken.

In October 1997, the UK government asked the Regulator to review electricity trading arrangements. This review is focusing on the wholesale electricity market in England and Wales and covers existing trading arrangements within the Electricity Pool, trading arrangements outside the Electricity Pool, and price setting mechanisms.

Environmental Regulation

General

In the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters, the facilities and operations of Entergy are subject to regulation by various governmental authorities. Entergy believes that its affected subsidiaries are in substantial compliance with environmental regulations currently applicable to their respective facilities and operations. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated. However, management currently estimates that future capital expenditures for environmental compliance purposes, including those discussed under "Clean Air Legislation," below, will not be material for Entergy as a whole, or for any of its reporting subsidiaries.

Clean Air Legislation

The Clean Air Act Amendments of 1990 (the Act) established the following three programs that affect Entergy's fossil-fueled generation now or may affect it in the future: (i) an acid rain program for control of sulfur dioxide (SO₂) and nitrogen oxides (NO_x); (ii) an ozone nonattainment area program for control of NO_x and volatile organic compounds; and (iii) an operating permits program for administration and enforcement of these and other Act programs.

Under the acid rain program, no additional control equipment is expected to be required by Entergy to control SO₂. The Act provides "allowances" to most of the affected Entergy generating units for emissions based upon past emission levels and operating characteristics. Each allowance is an entitlement to emit one ton of SO₂ per year. Under the Act, utilities are or will be required to possess allowances for SO₂ emissions from affected generating units. All Entergy fossil-fueled generating units are classified as "Phase II" units under the Act and are subject to SO₂ allowance requirements beginning in the year 2000. Based on operating history, the domestic utility companies have been allocated more allowances than are currently necessary for normal operations. Management believes that it will be able to operate the domestic utility companies' generating units efficiently without installing scrubbers or purchasing allowances from outside sources, and that one or more of the domestic utility companies may have excess allowances.

Control equipment may eventually be required for certain of the domestic utility companies' generating units to achieve NOx reductions due to the ozone nonattainment status of the areas served by Entergy Gulf States in and around Beaumont and Houston, Texas. Texas environmental authorities are studying the causes of ozone pollution and have deferred NOx controls on power plants until at least 1999. If Texas decides to regulate NOx, the aggregate cost of such control equipment for the affected Entergy Gulf States plants is estimated to be \$1.5 million through the year 2000. It is expected that Texas, in conjunction with the EPA, will publish future control strategies during 1998 and 1999. Depending on the strategies developed by Texas, additional costs may be incurred between 2000 and 2007, but these costs cannot be reasonably estimated until the strategies have been published.

Other Environmental Matters

The provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), authorize the EPA and, indirectly, the states, to require generators and certain transporters of certain hazardous substances released from or at a site, and the owners or operators of any such site, to clean up the site or reimburse such clean-up costs. CERCLA has been interpreted to impose joint and several liability on responsible parties. Entergy's domestic utility companies have sent waste materials to various disposal sites over the years. Also, certain operating procedures and maintenance practices employed by Entergy's domestic utility companies, which historically were not subject to regulation, now are regulated by environmental laws. Some of these sites have been the subject of governmental action under CERCLA, as a result of which the domestic utility companies have become involved with site clean-up activities. They have participated to various degrees in accordance with their respective potential liabilities in such site clean-ups and have developed experience with clean-up costs. The domestic utility companies have established reserves for such environmental clean-up/restoration activities. In the aggregate, the cost of such remediation is not considered material to Entergy or to any of its reporting subsidiaries.

Entergy Arkansas

Entergy Arkansas has received notices from time to time from the EPA, the Arkansas Department of Pollution Control & Ecology (ADPC&E), and others alleging that Entergy Arkansas, along with others, may be a PRP for clean-up costs associated with various sites in Arkansas. Most of these sites are neither owned nor operated by any Entergy company. Contaminants at the sites include polychlorinated biphenyls (PCBs), lead, and other hazardous substances.

At the EPA's request, Entergy Arkansas voluntarily performed stabilization activities at the Benton Salvage site in Saline County, Arkansas. While the EPA has not named PRPs for this site, Entergy Arkansas has attempted to negotiate a settlement with the EPA. Entergy Arkansas and the EPA were unable to reach an agreement satisfactory to both parties. EPA initiated its own clean-up of the site in October 1996. Entergy Arkansas does not believe that its potential liability, if any, with respect to this site will be material.

In May 1995, Entergy Arkansas was named as a defendant in a suit brought by Reynolds Metals Company (Reynolds) in the U.S. District Court for the Eastern District of Arkansas, seeking to recover a share of the costs associated with the clean-up of hazardous substances at Reynolds former Patterson plant site. Reynolds alleged that it spent \$11.2 million to clean up the site, and that the site was contaminated with PCBs for which Entergy Arkansas bore some responsibility. In July 1997, the Court granted Entergy Arkansas' Motion for Summary Judgment and dismissed Reynolds lawsuit.

Entergy Arkansas entered into a Consent Administrative Order, dated February 21, 1991, with the ADPC&E that named Entergy Arkansas as a PRP for the initial stabilization associated with contamination at the Utilities Services, Inc. state Superfund site located near Rison, Arkansas. This site was found to have soil contaminated by PCBs and pentachlorophenol (a wood preservative). Containers and drums that contained PCBs and other hazardous substances were found at the site. Entergy Arkansas' share of total remediation costs is estimated not to exceed \$5.0 million. Entergy Arkansas is attempting to identify and notify other PRPs with respect to this site. Entergy Arkansas has received assurances that the ADPC&E will use its enforcement authority to allocate remediation expenses among Entergy Arkansas and any other PRPs that can be identified. Approximately 20 PRPs have been identified to date. Entergy Arkansas has performed the activities necessary to stabilize the site, at a cost of approximately \$400,000.

Entergy Gulf States

Entergy Gulf States has been designated by the EPA as a PRP for the clean-up of certain hazardous waste disposal sites. Entergy Gulf States is currently negotiating with the EPA and state authorities regarding the clean-up of these sites. Several class action and other suits have been filed in state and federal courts seeking relief from Entergy Gulf States and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States premises (see "Other Regulation and Litigation" below). As of December 31, 1997, a remaining recorded liability of \$23.8 million existed relating to the clean-up of seven sites at which Entergy Gulf States has been designated as a PRP.

In 1971, Entergy Gulf States purchased property near its Sabine generating station, known as the Bailey site, for possible expansion of cooling water facilities. Entergy Gulf States sold the property in 1984. In October 1984, an abandoned waste site on the property was included on the NPL by the EPA. Entergy Gulf States negotiated with the EPA and is a member of a task force with other PRPs for the voluntary clean-up of the waste site. A consent decree has been signed by all PRPs for the voluntary clean-up of the Bailey site. On-site remediation was completed

during 1997. Total remediation costs are currently expected to be approximately \$33 million; however, federal and state agencies are still examining potential liabilities associated with natural resource damage. Entergy Gulf States is expected to be responsible for 2.26% of the estimated clean-up cost, but Entergy Gulf States does not expect that its remaining responsibility with respect to this site will be material after allowance for its existing provision for clean-up in the amount of \$300,000.

Entergy Gulf States is currently involved in a multi-phased remedial investigation of an abandoned MGP site, known as the Lake Charles Service Center, located in Lake Charles, Louisiana, which is thought to have operated as an MGP from approximately 1916 to 1931. Coal tar, a by-product of the distillation process employed at MGPs, was apparently routed to a portion of the property for disposal. The same area has also been used as a landfill. Under an order, which is currently stayed, issued by the LDEQ, Entergy Gulf States was required to investigate and, if necessary, take remedial action at the site. Preliminary estimates of remediation costs are approximately \$20 million. On February 13, 1995, the EPA published a proposed rule adding the Lake Charles Service Center to the NPL. Another PRP has been identified that may have had a role in the ownership and operation of the MGP. Negotiations with that company for joint participation and possible remedial action are ongoing. Entergy Gulf States has signed an Administrative Order on Consent negotiated with the EPA. Entergy Gulf States does not presently expect that its ultimate responsibility for this site will materially exceed its existing clean-up provision of \$20 million.

Entergy Gulf States is currently involved in an initial investigation of an MGP site, known as the Old Jennings Ice Plant, located in Jennings, Louisiana. The MGP site is believed to have operated from approximately 1909 to 1926, and is now occupied by an electrical substation and used for storage of transmission and distribution equipment. In July 1996, a petroleum-like substance was discovered on the surface soil, and notification was made to the LDEQ. The LDEQ was aware of this site based upon a survey performed by an environmental consultant for the EPA. Entergy Gulf States obtained the services of an environmental consultant to collect core samples and to perform a search of historical records to determine what activities occurred at Jennings. Results of the core sampling, which found limited amounts of contamination on-site, were submitted to the LDEQ. Entergy Gulf States is awaiting the LDEQ's comment on the submission, and does not expect that its ultimate financial responsibility with respect to this site will be material. The amount of its existing provision for clean-up is \$500,000.

Entergy Gulf States, along with Entergy Louisiana, has been named as a PRP for an abandoned waste oil recycling plant site in Livingston Parish, Louisiana, known as Combustion, Inc., which is included on the NPL. Entergy Gulf States has settled its alleged involvement in the Combustion Inc. site in a court approved settlement involving a payment of \$161,000. Entergy Gulf States has also agreed to pay a portion of any future clean-up costs related to residual ground water, but does not expect that any such costs will be incurred.

Entergy Gulf States, along with Entergy Arkansas and Entergy Louisiana, has been notified of its potential liability with respect to the Benton Salvage site located in Saline County, Arkansas. Although Entergy Gulf States and Entergy Louisiana have had minor involvement in the Benton Salvage site, no remediation is expected to be required of these companies. See "Entergy Arkansas" above for a discussion of the Benton Salvage site.

Entergy Louisiana, Entergy New Orleans, and System Energy

Entergy Louisiana, Entergy New Orleans, and System Energy have received notices from the EPA and/or the states of Louisiana and Mississippi that one or more of them may be a PRP for the following disposal sites that are neither owned nor operated by any Entergy subsidiary:

- Entergy Louisiana, along with Entergy Arkansas and Entergy Gulf States, was notified in 1990 of its potential liability relating to the Benton Salvage site located in Saline County, Arkansas. Although Entergy Gulf States and Entergy Louisiana have been involved in the Benton Salvage site, their contributions are considered minor. Therefore, no remediation action is required by these companies. See "Entergy Arkansas" above for a discussion of the Benton Salvage site.

- The MCEQ issued an order on October 13, 1997 ordering Entergy Louisiana to implement a remedial action work plan that had been prepared by a PRP committee for Disposal Systems, Inc. sites at Fifth Street (Clay Point) and Lee Street in Biloxi, Mississippi, and at Woolmarket, Mississippi. Entergy Louisiana filed a petition with the MCEQ denying that it had sent any wastes to the Lee Street or Woolmarket sites and alleging that wastes that had been transported by its contractor to Clay Point are not pollutants within the meaning of the Mississippi statutes or regulations, that any wastes at that site had been cleaned up under a consent decree between the EPA and the PRPs, approved by the U. S. District Court for the Southern District of Mississippi, Southern Division, and had been stored at a warehouse on the site, and, further, that the State of Mississippi has no jurisdiction in view of the consent decree of the federal court. The petition further requested a hearing before the MCEQ. No hearing date has been set. A PRP committee is attempting to draft a settlement proposal for all of the PRPs on sharing clean-up costs. The MCEQ issued a similar order on the same date to Entergy Louisiana's contractors, Ebasco Services, Inc., which Entergy Louisiana has agreed to defend and indemnify. The MCEQ issued a similar order on the same date to Bechtel Power, the contractor for System Energy on the Grand Gulf plant. System Energy was not named as a defendant in the order. Bechtel has filed a petition asking for a hearing. Entergy Louisiana's remediation costs at the site are not expected to be material.

- From 1992 to 1994, Entergy Louisiana performed site assessments and remedial activities at three retired power plants, known as the Homer, Jonesboro, and Thibodaux municipal sites, previously owned and operated by Louisiana municipalities. Entergy Louisiana purchased power plants at these sites as part of the acquisition of municipal electric systems. The site assessments indicated some subsurface contamination from

fuel oil. Remediation of the Homer and Jonesboro sites has been completed at an aggregate cost of approximately \$180,000, and remediation of the Thibodaux site is expected to continue through 2000. The cost incurred through December 31, 1997 for the Thibodaux site is \$305,000, and future costs are not expected to exceed the existing provision of \$530,000.

Entergy Louisiana and Entergy New Orleans have been named by the EPA as PRPs for associated clean-up costs for certain Louisiana disposal sites. Such sites include Combustion Inc., an abandoned waste oil recycling plant site located in Livingston Parish (involving at least 70 PRPs, including Entergy Gulf States, but not Entergy New Orleans), and the Dutchtown site (also included on the NPL and involving 57 PRPs). Entergy Louisiana has settled its alleged involvement in the Combustion Inc. site in a court approved settlement for a payment of \$225,000. Entergy Louisiana has also agreed to pay a portion of any future clean-up costs related to residual ground water, but does not expect that any such costs will be incurred. With respect to the Dutchtown site, Entergy New Orleans believes it has no liability because the material it sent to this site was not a hazardous substance.

During 1993, the LDEQ issued new rules for solid waste regulation, including regulation of waste water impoundments. Entergy Louisiana has determined that certain of its power plant waste water impoundments were affected by these regulations and has chosen to upgrade or close them. As a result, a remaining recorded liability in the amount of \$6.7 million existed at December 31, 1997 for waste water upgrades and closures. Completion of this work is awaiting the LDEQ's approval. Cumulative expenditures relating to the upgrades and closures of waste water impoundments are \$7.1 million as of December 31, 1997.

UK Environmental Regulation (Entergy London)

London Electricity's businesses are subject to numerous regulatory requirements with respect to the protection of the environment. The Electricity Act obligates the UK Secretary of State for Trade and Industry (the "Secretary of State") to consider the effect of electricity generation, transmission, and supply activities upon the environment in approving applications for the construction of generating facilities and the location of overhead power lines. The Electricity Act requires London Electricity to have regard to the desirability of preserving natural beauty and the conservation of natural and man-made features of particular interest when it formulates proposals for development of certain of its activities. London Electricity mitigates the effects of its proposals on natural and man-made features and is required to carry out an environmental assessment before laying cables, constructing overhead lines, or carrying out any other development in connection with its licensed activities. London Electricity also has produced an Environmental Policy Statement that sets forth its plans for compliance with its environmental obligations under the Electricity Act.

The Environmental Protection Act 1990 addresses waste management issues and imposes certain obligations and duties on companies that handle and dispose of waste. Some of London Electricity's distribution activities produce waste, but London Electricity believes that it is in compliance with the applicable standards.

Possible adverse health effects of EMFs from various sources, including transmission and distribution lines, have been the subject of a number of studies and increasing public discussion. The scientific research currently is inconclusive as to whether EMFs cause adverse health effects. The only UK standards for exposure to power frequency EMFs are those promulgated by the National Radiological Protection Board and relate to the levels above which non-reversible physiological effects may be observed. London Electricity fully complies with these standards. However, the possibility exists that passage of legislation and change of regulatory standards could require measures to mitigate EMFs, with resulting increases in capital and operating costs. In addition, the potential exists for public liability with respect to lawsuits brought by plaintiffs alleging damages caused by EMFs.

London Electricity has approximately 677 miles of oil-filled underground cables that operate at 33kV and 132kV. These cables generally supply substantial amounts of electricity to large substations in urban areas and to large customers. The majority of these cables are between 30 and 50 years old. London Electricity operates these cables in accordance with the "Environment Agency and Electricity Companies (in England and Wales) Operating Code on the Management of Fluid-Filled Cables," monitoring and repairing both gradual and substantial leaks, which arise through age deterioration and third party damage. London Electricity has a program to minimize oil leakage and reduce the possibility of pollution to watercourses and ground water. This program includes a plan for gradual replacement of these cables with more modern solid cables. London Electricity believes that the existing monitoring systems and planned replacement program are sufficient to avoid major environmental incidents or unnecessary replacement expenditures. London Electricity could incur significant expenditures if it were required to replace all or substantially all of its fluid-filled cables, other than in the ordinary course of business, pursuant to new or existing legislation.

Other Regulation and Litigation

Merger (Entergy Corporation and Entergy Gulf States)

In July and August 1992, applications were filed with FERC, the LPSC, the PUCT, and the SEC under PUHCA, seeking authorization of various aspects of the Merger. In January 1993, Entergy Gulf States filed two applications with the NRC seeking approval of the change in ownership of Entergy Gulf States and an amendment to the operating license for River Bend to reflect its operation by Entergy Operations. All regulatory approvals were obtained in 1993 and the Merger was consummated on December 31, 1993.

FERC's orders approving the Merger were appealed to the D.C. Circuit by Entergy Services, the City of New Orleans, the Arkansas Electric Energy Consumers (AEEC), the APSC, Cajun, the MPSC, the American Forest and Paper Association, the State of Mississippi, the City of Benton and other cities, and Occidental Chemical Corporation (Occidental). Entergy Services sought review of FERC's deletion of a 40% cap on the amount of fuel savings Entergy Gulf States may be required to transfer to other Entergy domestic utility companies under a tracking mechanism designed to protect the other companies from certain unexpected increases in fuel costs. The other parties sought to overturn FERC's decisions on various grounds, including issues as to whether FERC appropriately conditioned the Merger to protect various interested parties from alleged harm and FERC's reliance on Entergy's transmission tariff to mitigate any potential anticompetitive impacts of the Merger. On November 18, 1994, the D.C. Circuit denied motions filed by Cajun, Occidental, and AEEC for a remand to FERC and a partial summary grant of the petitions for review. At the same time, the D.C. Circuit ordered that the cases be held in abeyance pending FERC's issuance of (i) a final order on remand in the proceedings on Entergy's transmission tariff (see discussion of tariff case in "RATE MATTERS AND REGULATION - Rate Matters - Wholesale Rate Matters - Open Access Transmission" above), and (ii) a final order on competition issues in the proceedings on the Merger.

On December 30, 1993, Entergy Services submitted to FERC tariff revisions to comply with FERC's order dated December 15, 1993, approving the Merger. On February 4, 1994, the APSC and AEEC filed with FERC a joint protest, alleging that Entergy should be required to insulate the ratepayers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans from all litigation liabilities related to Entergy Gulf States' River Bend nuclear facility. In a May 17, 1994, order on rehearing, FERC addressed Entergy's commitment to insulate the customers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans against liability resulting from certain litigation involving River Bend. In response to FERC's clarification of Entergy's commitment, Entergy Services filed a new compliance filing on June 16, 1994. The APSC and AEEC subsequently filed protests questioning the adequacy of Entergy's June 16, 1994, compliance filing. FERC has not yet acted on the compliance filings.

Employment Litigation (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans)

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits that have been filed by former employees asserting that they were wrongfully terminated and/or discriminated against due to age, race, and/or sex. Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are vigorously defending these suits and deny any liability to the plaintiffs. However, no assurance can be given as to the outcome of these cases, and an adverse outcome in one or more cases could have a material adverse financial effect on any of the Entergy defendants. See "Employment Litigation" in Note 9 for information regarding these lawsuits.

Asbestos and Hazardous Waste Suits

(Entergy Gulf States and Entergy Louisiana)

A number of plaintiffs who allegedly suffered damage or injury, or are survivors of persons who died, allegedly as a result of exposure to "hazardous toxic waste" that emanated from a site in Livingston Parish, Louisiana, sued Entergy Gulf States and approximately 70 other defendants, including Entergy Louisiana, in 17 suits filed in the Livingston Parish District Court. The plaintiffs alleged that the defendants generated, transported, or participated in the storage of such wastes at the facility, which was previously operated as a waste oil recycling facility. These suits, and three federal suits in three states other than Louisiana involving issues arising from the same facility, were consolidated in the U.S. District Court for the Middle District of Louisiana. Entergy Gulf States and Entergy Louisiana have settled all claims against them in the suits and the settlements were approved by court order on February 7, 1996 and June 4, 1997, respectively. Entergy Gulf States' and Entergy Louisiana's shares of the settlements of these cases is not material to their financial position or results of operations.

(Entergy Gulf States)

A total of 25 suits have been filed on behalf of approximately 1,200 plaintiffs in state and federal courts in Jefferson and Orange Counties, Texas. These suits seek relief from Entergy Gulf States as well as numerous other defendants for damages caused to the plaintiffs or others by the alleged exposure to hazardous waste and asbestos on the defendants' premises. The plaintiffs in some of these suits are also suing Entergy Gulf States and all other defendants on a conspiracy claim. There are ten asbestos-related lawsuits filed in the District Court of Calcasieu Parish in Lake Charles, Louisiana, on behalf of approximately fifteen plaintiffs naming numerous defendants including Entergy Gulf States. The suits allege that each plaintiff contracted an asbestos-related disease from exposure to asbestos insulation products on the premises of the defendants. A total of eighteen lawsuits have been filed in Louisiana on behalf of 24 plaintiffs in state courts in East Baton Rouge, Iberville, and Ascension Parishes. These suits seek relief from Entergy Gulf States and numerous other defendants for damages caused to the plaintiffs or others by alleged exposure to hazardous waste and asbestos on the defendants' premises. It is not known yet how many of the plaintiffs in any of the foregoing cases worked on Entergy Gulf States' premises. Settlements with approximately 800 of the Jefferson County plaintiffs and with approximately 100 of the Calcasieu Parish plaintiffs are in the process of being consummated. Entergy Gulf States' share of the settlements of these cases is not material to its financial position or results of operations.

Cajun - River Bend Litigation (Entergy Corporation and Entergy Gulf States)

See "Cajun - River Bend Litigation" in Note 9 herein for a discussion of this litigation.

Cajun - Transmission Service (Entergy Corporation and Entergy Gulf States)

See "Cajun - River Bend Litigation" in Note 9 herein for a discussion of this litigation.

Cajun - Coal Contracts (Entergy Corporation and Entergy Gulf States)

See "Cajun-Coal Contracts" in Note 9 herein for a discussion of this litigation.

Service Area Dispute (Entergy Corporation and Entergy Mississippi)

In October 1994, twelve Mississippi cities filed a complaint in state court against Entergy Mississippi and eight electric power associations seeking a judgment declaring unconstitutional certain Mississippi statutes relating to the acquisition by a municipality of facilities and certificate rights of a utility serving in the municipality. The suit requests that the court declare unconstitutional certain 1987 amendments to the Mississippi Public Utilities Act that require that the MPSC cancel a utility's certificate to serve in the municipality before a municipality may acquire a utility's facilities located in the municipality. The suit also requests that the court find that Mississippi municipalities can serve any consumer in the boundaries of the municipality and within one mile thereof. Entergy Mississippi and the other defendants filed motions to dismiss, which were granted in October 1995. The plaintiffs appealed the dismissal to the Mississippi Supreme Court. In September 1997, the Mississippi Supreme Court affirmed the decision of the lower court finding in favor of Entergy Mississippi and dismissing the municipalities' complaint. A petition for rehearing filed by the municipalities was denied by the Mississippi Supreme Court in November 1997.

Taxes Paid Under Protest (Entergy Corporation and Entergy Louisiana)

Since the mid-1980's, Entergy Louisiana and the tax authorities of St. Charles Parish, Louisiana (Parish), where Waterford 3 is located, have disputed use taxes on nuclear fuel paid under protest by Entergy Louisiana, and lease tax issues pertaining to fuel financing arrangements. In May 1997, the Parish and Entergy Louisiana settled all pending use and lease tax litigation. This settlement includes the return to Entergy Louisiana of tax payments made under protest and the dismissal of nuclear fuel related suits against Entergy Louisiana and/or the fuel lessors.

Since 1990, Entergy Louisiana and the state tax authority have disputed state use tax paid under protest on nuclear fuel (\$8.8 million at December 31, 1997) by Entergy Louisiana. The fuel was purchased for Waterford 3. Entergy Louisiana has filed lawsuits to recover these taxes, and certain of these suits involve additional legal issues related to an exemption for boiler fuel. The suits regarding these disputes have been consolidated for trial, but a trial date has not been set.

Catalyst Technologies, Inc. (Entergy Corporation)

In June 1993, Catalyst Technologies, Inc. (CTI) filed a petition in the Civil District Court for the Parish of Orleans, Louisiana (CDC), against Electec, Inc., now named Entergy Enterprises, Inc. (EEI), which is a wholly-owned non-utility subsidiary of Entergy Corporation. The petition alleged, among other things, breach of contract, and breach of the obligation of good-faith and fair dealing. On August 8, 1997, a jury in the CDC returned a verdict against EEI in the amount of \$346 million plus interest of approximately \$118 million. On November 15, 1997, the trial judge entered a judgment notwithstanding the verdict in the CTI lawsuit. Finding as a matter of law that the jury's verdict was incorrect, the judge ruled that no contract ever existed between CTI and Entergy Enterprises, and that the verdict was contrary to the law and the evidence. CTI has appealed this ruling to the Louisiana Court of Appeal for the Fourth Circuit. No date for the filing of appellate briefs or oral argument has been set.

On September 30, 1997, CTI filed another lawsuit against Entergy Corporation, Entergy Services, Entergy Enterprises and certain individuals who are, or at one time were, directors of those corporations. The suit claims, among other things, that CTI suffered damages as a result of actions on the part of Entergy that allegedly caused the individual defendants to breach their fiduciary duties owed to Entergy Enterprises and, indirectly, to CTI as Entergy Enterprises' judgment creditor. After the decision of the trial judge in the original CTI suit, CTI voluntarily moved to dismiss this proceeding, and it was dismissed without prejudice on January 16, 1998.

Union Pacific Railroad (Entergy Corporation and Entergy Arkansas)

In October 1997, Entergy Arkansas and Entergy Services filed a civil suit against Union Pacific Railroad Company (Union Pacific) in the United States District Court for the Middle District of Louisiana. This suit, which seeks damages and the termination of coal shipping contracts with Union Pacific, maintains that Union Pacific has failed to meet its contractual obligations to ship coal to Entergy Arkansas' two large coal-fired plants and that such failure has impaired Entergy Arkansas' ability to generate and sell electricity from these plants.

EARNINGS RATIOS OF DOMESTIC UTILITY COMPANIES, SYSTEM ENERGY, AND ENERGY LONDON

The domestic utility companies', System Energy's, and Entergy London's ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred dividends pursuant to Item 503 of SEC Regulation S-K are as follows:

	Ratios of Earnings to Fixed Charges				
	Years Ended December 31,				
	1993	1994	1995	1996	1997
Entergy Arkansas	3.11 (b)	2.32	2.56	2.93	2.54
Entergy Gulf States	1.54	(c)-	1.86	1.47	1.42
Entergy Louisiana	3.06	2.91	3.18	3.16	2.74
Entergy Mississippi	3.79 (b)	2.12	2.92	3.40	2.98
Entergy New Orleans	4.68 (b)	1.91	3.93	3.51	2.70
System Energy	1.87	1.23	2.07	2.21	2.31
Entergy London	N/A	N/A	N/A	N/A	(d)-

	Ratios of Earnings to Combined Fixed Charges and Preferred Dividends			
	Years Ended December 31,			
	1993	1994	1995	1996
1997				
Entergy Arkansas	2.54 (b)	1.97	2.12	2.44
2.24				
Entergy Gulf States (a)	1.21	(c)-	1.54	1.19
1.23				
Entergy Louisiana	2.39	2.43	2.60	2.64
2.36				
Entergy Mississippi	3.08 (b)	1.81	2.51	2.95
2.69				
Entergy New Orleans	4.12 (b)	1.73	3.56	3.22
2.44				

(a) "Preferred Dividends" in the case of Entergy Gulf States also include dividends on preference stock.

(b) Earnings for the year ended December 31, 1993, include approximately \$81 million, \$52 million, and \$18 million for Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans, respectively, related to the change in accounting principle to provide for the accrual of estimated unbilled revenues.

(c) Earnings for the year ended December 31, 1994, for Entergy Gulf States were not adequate to cover fixed charges and combined fixed charges and preferred dividends by \$144.8 million and \$197.1 million, respectively.

(d) As a result of the windfall profits tax of \$234 million, earnings for the twelve months ended December 31, 1997, for Entergy London were insufficient to cover fixed charges by \$204 million.

INDUSTRY SEGMENTS

Entergy New Orleans

Narrative Description of Entergy New Orleans Industry Segments

Electric Service

Entergy New Orleans supplied retail electric service to approximately 189,000 customers as of December 31, 1997. During 1997, 39% of electric operating revenues was derived from residential sales, 38% from commercial sales, 7% from industrial sales, and 16% from sales to governmental and municipal customers.

Natural Gas Service

Entergy New Orleans supplied retail natural gas service to approximately 151,000 customers as of December 31, 1997. During 1997, 55% of gas operating revenues was derived from residential sales, 19% from commercial sales, 11% from industrial sales, and 15% from sales to governmental and municipal customers. (See "FUEL SUPPLY - Natural Gas Purchased for Resale.")

Selected Financial Information Relating to Industry Segments

For selected financial information relating to Entergy New Orleans' industry segments, see Entergy New Orleans' financial statements and Note 15.

Entergy Gulf States

For the year ended December 31, 1997, 96% of Entergy Gulf States' operating revenues was derived from the electric utility business. Of the remaining operating revenues, 2% was derived from the steam business and 2% from the natural gas business.

Entergy London

Entergy London's distribution and supply businesses both served approximately 2.0 million customers as of December 31, 1997. During 1997, operating revenues derived from the distribution and supply business were 22% and 74%, respectively. The remaining 4% of operating revenues was derived from Entergy London's investment in private distribution networks, electricity contracting services, and investments in generating assets.

PROPERTY

Generating Stations

The total capability of Entergy's owned and leased generating stations as of December 31, 1997, by company and by fuel type, is indicated below:

Company	Owned and Leased Capability MW(1)				
	Total	Fossil	Nuclear	Gas Turbine and Internal Combustion	Hydro
Entergy Arkansas	4,373 (2)	2,379	1,694	230 (4)	70
Entergy Gulf States	6,854 (2)	5,843	936	75	-
Entergy Louisiana	5,423 (2)	4,329	1,075	19	-
Entergy Mississippi	3,063 (2)	3,052	-	11	-
Entergy New Orleans	934 (2)	918	-	16	-
System Energy	1,080	-	1,080	-	-
Total	21,727 (3)	16,521 (3)	4,785	351	70

(1) "Owned and Leased Capability" is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.

(2) Excludes the capacity of fossil-fueled generating stations placed on extended reserve as follows: Entergy Arkansas - 506 MW; Entergy Gulf States - 405 MW; Entergy Louisiana - 157 MW; Entergy Mississippi - 73 MW; Entergy New Orleans - 143 MW. Generating stations that are not expected to be utilized in the near-term to meet load requirements are placed in extended reserve shutdown in order to minimize operating expenses.

(3) Excludes net capability of generating facilities owned by Entergy Power, which owns 725 MW of fossil-fueled capacity.

(4) Includes 188 MW of capacity leased by Entergy Arkansas through 1999.

Load and capacity projections are reviewed periodically to assess the need and timing of additional generating capacity and of interconnections in light of the availability of power, the location of new loads, and maximum economy to Entergy. Domestically, based on load and capability projections and bulk power availability, Entergy has no current plans to install new generating capacity. When new generation resources are needed, Entergy expects to meet this need by means other than construction of new base load generating capacity. Entergy expects to meet

future capacity needs by, among other things, purchasing power in the wholesale power market and/or removing generating stations from extended reserve shutdown.

Under the terms of the System Agreement, certain generating capacity and other power resources are shared among the domestic utility companies. The System Agreement provides, among other things, that parties having generating reserves greater than their load requirements (long companies) shall receive payments from those parties having deficiencies in generating reserves (short companies) and an amount sufficient to cover certain of the long companies' costs, including operating expenses, fixed charges on debt, dividend requirements on preferred and preference stock, and a fair rate of return on common equity investment. Under the System Agreement, these charges are based on costs associated with the long companies' steam electric generating units fueled by oil or gas. In addition, for all energy exchanged among the domestic utility companies under the System Agreement, the short companies are required to pay the cost of fuel consumed in generating such energy plus a charge to cover other associated costs (see "RATE MATTERS AND REGULATION - Rate Matters - Wholesale Rate Matters - System Agreement," above, for a discussion of FERC proceedings relating to the System Agreement).

Entergy's domestic business is subject to seasonal fluctuations, with the peak period occurring in the summer months. The 1997 peak demand of 19,545 MW occurred on August 19, 1997. The total operational system capability at the time of peak was 21,446 MW. This gives a reserve margin at the time of the peak of approximately 8.9%. This does not include capacity owned by Entergy Power, London Electricity and CitiPower both normally have peak activity in their winter months.

Interconnections

The electric generating facilities of Entergy's domestic utility companies consist principally of steam-electric production facilities strategically located with reference to availability of fuel, protection of local loads, and other controlling economic factors. These are interconnected by a transmission system operating at various voltages up to 500 kV. Generally, with the exception of Grand Gulf 1, Entergy Power's capacity and a small portion of Entergy Mississippi's capacity, operating facilities or interests therein are owned by the domestic utility company serving the area in which the facilities are located. All of Entergy's generating facilities are centrally dispatched and operated in order to obtain low cost sources of energy with a minimum of investment and efficient use of plant.

In addition to the many neighboring utilities with which the domestic utility companies interconnect, the domestic utility companies are members of the Southeastern Electric Reliability Council, the primary purpose of which is to ensure the reliability and adequacy of the electric bulk power supply in the southeast region of the United States. The Southeastern Electric Reliability Council is a member of the North American Electric Reliability Council.

Gas Property

As of December 31, 1997, Entergy New Orleans distributed and transported natural gas for distribution solely within the limits of the City of New Orleans through a total of 1487 miles of gas distribution mains and 62 miles of gas transmission pipelines. Koch Gateway Pipeline Company is a principal supplier of natural gas to Entergy New Orleans, delivering to six of Entergy New Orleans' thirteen delivery points.

As of December 31, 1997, the gas properties of Entergy Gulf States were not material to Entergy Gulf States.

Titles

Entergy's generating stations are generally located on properties owned in fee simple. The greater portion of the transmission and distribution lines of the domestic utility companies have been constructed over property of private owners pursuant to easements or on public highways and streets pursuant to appropriate franchises, and pursuant to statute in the case of Entergy London. The rights of such company in the property on which its facilities are located are considered by each such company to be adequate for its use in the conduct of its business. Minor defects and irregularities customarily found in properties of like size and character exist, but such defects and irregularities do not materially impair the use of the properties affected thereby. The domestic utility companies generally have the right of eminent domain, whereby they may, if necessary, perfect or secure titles to, or easements or servitudes on, privately held lands used in or reasonable necessary for their utility operations.

Substantially all the physical properties owned by each domestic utility company, and System Energy, are subject to the lien of mortgages securing the first mortgage bonds of such company. The Lewis Creek generating station is owned by GSG&T, Inc., a subsidiary of Entergy Gulf States, and is not subject to the lien of the Entergy Gulf States mortgage securing the first mortgage bonds of Entergy Gulf States, but is leased to and operated by Entergy Gulf States. In the case of Entergy Louisiana, certain properties are also subject to the lien of a second mortgage securing other obligations of Entergy Louisiana. In the case of Entergy Mississippi, substantially all of its properties and assets are also subject to the second mortgage lien of its general and refunding mortgage bond indenture.

FUEL SUPPLY

The sources of generation and average fuel cost per KWH for the domestic utility companies and System Energy for the years 1995-1997 were:

Cents	Natural Gas		Fuel Oil		Nuclear Fuel		Coal	
	%	Cents	%	Cents	%	Cents	%	
Year	of Gen	per KWH	of Gen	per KWH	of Gen	Per KWH	of Gen	Per KWH
1997	39	2.97	4	3.11	41	.54	16	1.73
1996	42	2.99	1	3.03	41	.56	16	1.73
1995	50	1.99	-	-	35	.60	15	1.73

Actual 1997 and projected 1998 sources of generation for the domestic utility companies and System Energy are:

1998	Natural Gas		Fuel Oil		Nuclear		Coal	
	1997	1998	1997	1998	1997	1998	1997	
Entergy Arkansas 40%	5%	8%	-	-	62%	51%	32%	
Entergy Gulf States 15%	65%	64%	-	-	19%	21%	16%	
Entergy Louisiana	63%	47%	1%	-	36%	53%	-	-
Entergy Mississippi 31%	38%	69%	33%	-	-	-	29%	
Entergy New Orleans	89%	100%	11%	-	-	-	-	-
System Energy	-	-	-	-	100%(a)	100%(a)	-	-
Total 19%	39%	40%	4%	-	41%	41%	16%	

(a)Capacity and energy from System Energy's interest in Grand Gulf 1 is allocated as follows: Entergy Arkansas - 36%; Entergy Louisiana - 14%; Entergy Mississippi - 33%; and Entergy New Orleans - 17%.

The balance of generation, which was immaterial, was provided by hydroelectric power.

Natural Gas

The domestic utility companies have long-term firm and short-term interruptible gas contracts. Long-term firm contracts comprise less than 30% of the domestic utility companies' total requirements but can be called upon, if necessary, to satisfy a significant percentage of the domestic utility companies' needs. Additional gas requirements are satisfied by short-term contracts and spot-market purchases. Entergy Gulf States has a transportation service agreement with a gas supplier that provides flexible natural gas service to certain generating stations by using such supplier's pipeline and gas storage facility.

Many factors, including wellhead deliverability, storage and pipeline capacity, and demand requirements of end users, influence the availability and price of natural gas supplies for power plants. Demand is tied to weather conditions as well as to the prices of other energy sources. Supplies of natural gas are expected to be adequate in 1998. However, pursuant to federal and state regulations, gas supplies to power plants may be interrupted during periods of shortage. To the extent natural gas supplies may be disrupted, the domestic utility companies will use alternate fuels, such as oil, or rely on coal and nuclear generation.

Coal

Entergy Arkansas has long-term contracts with suppliers for the supply of low-sulfur coal from mines in the State of Wyoming for White Bluff and Independence. These contracts, which expire in 2002 and 2011, provide for approximately 85% of Entergy Arkansas' expected annual coal requirements through 2002. Additional requirements are satisfied by annual spot market purchases. Entergy Gulf States has a contract for a supply of low-sulfur Wyoming coal for Nelson Unit 6, which should be sufficient to satisfy its fuel requirements for that unit through 2010. Cajun has advised Entergy Gulf States that Cajun has contracts that should provide an adequate supply of coal until 1999 for the operation of Big Cajun 2, Unit 3.

Nuclear Fuel

The nuclear fuel cycle involves the mining and milling of uranium ore to produce a concentrate, the conversion of the concentrate to uranium hexafluoride gas, enrichment of that gas, fabrication of nuclear fuel assemblies for use in fueling nuclear reactors, and disposal of the spent fuel.

System Fuels is responsible for contracts to acquire nuclear material to be used in fueling Entergy Arkansas', Entergy Louisiana's, and System Energy's nuclear units and maintaining inventories of such materials during the various stages of processing. Each of these companies contracts for the fabrication of its own nuclear fuel and purchases the required enriched uranium hexafluoride from System Fuels. The requirements for Entergy Gulf States' River Bend plant are covered by contracts made by Entergy Gulf States. Entergy Operations acts as agent for System Fuels and Entergy Gulf States in negotiating and/or administering nuclear fuel contracts.

Based upon currently planned fuel cycles, Entergy's nuclear units have existing contracts and inventory to provide adequate materials and services. Current contracts for uranium concentrate and conversion of the concentrate to uranium hexafluoride will provide a significant percentage of these materials and services through termination dates ranging from 1998- 2002. Additional materials and services required beyond these dates are expected to be available for the foreseeable future.

Current contracts for enrichment will provide a significant percentage of these materials and services through approximately 2002. Current fabrication contracts will provide a significant percentage of these materials and services for termination dates ranging from 2000-2002. The Nuclear Waste Policy Act of 1982 provides for the disposal of spent nuclear fuel or high level waste by the DOE. See Note 9, COMMITMENTS AND CONTINGENCIES, Spent Nuclear Fuel and Decommissioning Costs for additional discussion of spent nuclear fuel disposal.

Entergy will enter into additional arrangements to acquire nuclear fuel beyond the dates shown above. Except as noted above, Entergy cannot predict the ultimate cost of such arrangements.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have made arrangements to lease nuclear fuel and related equipment and services. The lessors finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These agreements are subject to annual renewal with, in Entergy Louisiana's and Entergy Gulf States' case, the consent of the lenders. See Note 10 for further discussion of nuclear fuel leases.

Entergy Gulf States received nuclear fuel as part of the settlement of the Cajun litigation. This nuclear fuel is currently owned by Entergy Gulf States and is not under lease.

Natural Gas Purchased for Resale

Entergy New Orleans has several suppliers of natural gas for resale. Its system is interconnected with three interstate and three intrastate pipelines. Presently, Entergy New Orleans' primary suppliers are Koch Energy Trading Company (KET), an interstate gas marketer, Bridgeline and Pontchartrain via Louisiana Gas Services (LGS). Entergy New Orleans has a "no-notice" service gas purchase contract with KET. The KET gas supply is transported to Entergy New Orleans pursuant to a transportation service agreement with Koch Gateway Pipeline Company (KGPC). This service is subject to FERC-approved rates. Entergy New Orleans has firm contracts with its two intrastate suppliers and also makes interruptible spot market purchases. In recent years, natural gas deliveries have been subject primarily to weather-related curtailments. However, Entergy New Orleans has experienced no such curtailments.

After the implementation of FERC-mandated interstate pipeline restructuring in 1993, curtailments of interstate gas supply could occur if Entergy New Orleans' suppliers failed to perform their obligations to deliver gas under their supply agreements. KGPC could curtail transportation capacity only in the event of pipeline system constraints. Based on the current supply of natural gas, and absent extreme weather-related curtailments, Entergy New Orleans does not anticipate any interruptions in natural gas deliveries to its customers.

Entergy Gulf States purchases natural gas for resale under an agreement with Mid Louisiana Gas Company. Abandonment of service by the present supplier would be subject to abandonment proceedings by FERC.

Research

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are members of the Electric Power Research Institute (EPRI). EPRI conducts a broad range of research in major technical fields related to the electric utility industry. Entergy participates in various EPRI projects based on Entergy's needs and available resources. During each of the years 1997, 1996, and 1995, Entergy contributed approximately \$9 million for EPRI and other research programs.

Item 2. Properties

Refer to Item 1. "Business - PROPERTY," for information regarding the properties of the registrants.

Item 3. Legal Proceedings

Refer to Item 1. "Business - RATE MATTERS AND REGULATION," for details of the registrants' material rate proceedings, environmental regulation and proceedings, and other regulatory proceedings and litigation that are pending or that terminated in the fourth quarter of 1997.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of 1997, no matters were submitted to a vote of the security holders of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, or Entergy London.

DIRECTORS AND EXECUTIVE OFFICERS OF ENTERGY CORPORATION

Directors

Information required by this item concerning directors of Entergy Corporation is set forth under the heading "Proposal 1--Election of Directors" contained in the Proxy Statement of Entergy Corporation, (the "Proxy Statement"), to be filed in connection with its Annual Meeting of Stockholders to be held May 15, 1998, ("Annual Meeting"), and is incorporated herein by reference. Information required by this item concerning officers and directors of the remaining registrants is reported in Part III of this document.

Executive Officers

Name	Age	Position	Period
Edwin Lupberger (a)	61	Chairman of the Board, Chief Executive Officer, and Director of Entergy Corporation	1985-Present
		Chairman of the Board and Chief Executive Officer of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1993-Present
		Chairman of the Board, Chief Executive Officer, and Director of Entergy Gulf States	1994-Present
		Chairman of the Board and Director of Entergy Integrated Solutions, Inc.	1996-Present
		Chairman of the Board of System Energy and Entergy Enterprises	1986-Present
		Chairman of the Board of Entergy Operations	1990-Present
		Chairman of the Board of Entergy Services	1985-Present
		Chief Executive Officer of Entergy Services	1991-Present
		Chief Executive Officer of Entergy Power, EPDC, and Entergy-Richmond Power Corporation	1993-Present
		Chief Executive Officer of Entergy Pakistan, Ltd. and Entergy Power Asia, Ltd.	1994-Present
		Chief Executive Officer of EP Edegel, Inc., Entergy Power Holding II, Ltd., EPMC, Entergy Power Operations Corporation, Entergy Power Operations Holdings, Ltd., Entergy Power Operations Pakistan LDC, Entergy Victoria LDC, Entergy Victoria Holdings LDC, EPG Cayman Holding I, EPG Cayman Holding II, Entergy Power CBA Holding, Ltd., and Entergy Power Edesur Holding, Ltd.	1995-Present
		Chief Executive Officer of Entergy Power Development International Corporation	1995-1997
		Chief Executive Officer of Entergy Power International Holdings Corporation and Entergy Mexico Ltd.	1996-Present
		Chief Executive Officer of Entergy London Limited, Entergy London, and Entergy Power Chile, Inc.	1997-Present
		President of Entergy Corporation	1995-Present
		President of Entergy Services and Entergy Enterprises	1994-Present
		General Manager of Entergy Power Chile, S.A.	1997-Present
		Director and Chairman of the Board of Entergy Nuclear, Inc., Entergy Technology Company, ETHC, Entergy London Limited and Entergy London	1997-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1986-Present
		Director of Entergy Operations and Entergy Services	1994-Present
		Director of Entergy Enterprises	1984-Present
		Chief Executive Officer of Entergy Edegel I, Inc., Entergy Power Holding I, Ltd., and Entergy Yacyreta I, Inc.	1995-1996
		Chairman of the Board of Entergy	1990-1993
Chief Executive Officer of Entergy Enterprises	1991-1994		
Jerry L. Maulden	61	Vice Chairman of Entergy Corporation	1995-Present

(a) Mr. Lupberger is a director of First Commerce Corporation, New Orleans, LA, International Shipholding Corporation, New Orleans, LA, and First National Bank of Commerce, New Orleans, LA.

(b) Mr. Bemis is an advisory director of Deposit Guaranty National Bank, Jackson, MS.

Each officer of Entergy Corporation is elected yearly by the Board of Directors.

Directorships shown in footnotes (a) and (b) above are generally limited to entities subject to Section 12 or 15(d) of the Securities and Exchange Act of 1934 or to the Investment Company Act of 1940.

PART II

Item 5. Market for Registrants' Common Equity and Related Stockholder Matters

Entergy Corporation

The shares of Entergy Corporation's common stock are listed on the New York Stock, Chicago Stock, and Pacific Exchanges.

The high and low prices of Entergy Corporation's common stock for each quarterly period in 1997 and 1996 were as follows:

	1997		1996	
	High	Low	High	Low
	(In Dollars)			
First 3/8	28 3/8	24	30 3/8	26
Second 1/4	27 1/2	22 3/8	28 1/2	25
Third 7/8	28	24 1/16	28 5/8	24
Fourth 3/4	30 1/4	23	29	26

Dividends of 45 cents per share were paid on Entergy Corporation's common stock in each of the quarters of 1997 and 1996.

As of February 28, 1998, there were 88,685 stockholders of record of Entergy Corporation.

For information with respect to Entergy Corporation's future ability to pay dividends, refer to Note 8, "DIVIDEND RESTRICTIONS." In addition to the restrictions described in Note 8, PUHCA provides that, without approval of the SEC, the unrestricted, undistributed retained earnings of any Entergy Corporation subsidiary are not available for distribution to Entergy Corporation's common stockholders until such earnings are made available to Entergy Corporation through the declaration of dividends by such subsidiaries.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London

There is no market for the common stock of Entergy Corporation's wholly owned subsidiaries. Cash dividends on common stock paid by the subsidiaries to Entergy Corporation during 1997 and 1996, were as follows:

	1997	1996
	(In Millions)	
Entergy Arkansas	\$128.6	
\$142.8		
Entergy Gulf States	\$ 77.2	--
Entergy Louisiana	\$145.4	
\$179.2		
Entergy Mississippi	\$ 59.2	\$
79.9		
Entergy New Orleans	\$ 26.0	\$
34.0		
System Energy	\$113.8	
\$112.5		
Entergy London	--	--
Entergy S.A.	--	\$
0.7		
Entergy Transener S.A.	--	\$
1.7		
Entergy Argentina S.A.	--	\$
0.3		
Entergy Argentina S.A. Ltd.	--	\$
3.1		

In January and February 1998, Entergy Corporation received common stock dividend payments from its subsidiaries totaling \$103.9 million. For information with respect to restrictions that limit the ability of System Energy, the domestic utility companies and Entergy London to pay dividends, see Note 8. In order to improve its capital structure, Entergy Gulf States ceased paying common stock dividends after the third quarter of 1994. However, such dividends were resumed in the third quarter of 1997. (See "Management's Financial Discussion and Analysis - Liquidity and Capital Resources.")

Item 6. Selected Financial Data

Entergy Corporation.. Refer to information under the heading "ENTERGY CORPORATION AND SUBSIDIARIES SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

Entergy Arkansas. Refer to information under the heading "ENTERGY ARKANSAS, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

Entergy Gulf States. Refer to information under the heading "ENTERGY GULF STATES, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

Entergy Louisiana. Refer to information under the heading "ENTERGY LOUISIANA, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

Entergy Mississippi. Refer to information under the heading "ENTERGY MISSISSIPPI, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

Entergy New Orleans. Refer to information under the heading "ENTERGY NEW ORLEANS, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

System Energy. Refer to information under the heading "SYSTEM ENERGY RESOURCES, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."

Entergy London (Successor Company). Refer to information under the headings "ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY SELECTED FINANCIAL DATA" AND "LONDON ELECTRICITY PLC AND SUBSIDIARIES SELECTED FINANCIAL DATA - FOUR-YEAR COMPARISON."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Entergy Corporation and Subsidiaries. Refer to information under the heading "ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES," " - SIGNIFICANT FACTORS AND KNOWN TRENDS," and " - RESULTS OF OPERATIONS."

Entergy Arkansas. Refer to information under the heading "ENTERGY ARKANSAS, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

Entergy Gulf States. Refer to information under the heading "ENTERGY GULF STATES, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

Entergy Louisiana. Refer to information under the heading "ENTERGY LOUISIANA, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

Entergy Mississippi. Refer to information under the heading "ENTERGY MISSISSIPPI, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

Entergy New Orleans. Refer to information under the heading "ENTERGY NEW ORLEANS, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

System Energy. Refer to information under the heading "SYSTEM ENERGY RESOURCES, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

Entergy London (Successor Company). Refer to information under the headings "ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS" AND "LONDON ELECTRICITY PLC AND SUBSIDIARIES MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Entergy Corporation and Subsidiaries. Refer to information under the heading "ENTERGY CORPORATION AND SUBSIDIARIES MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS."

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS

	Entergy Corporation and Subsidiaries:
	Report of Management
46	Audit Committee Chairperson's Letter
47	Management's Financial Discussion and Analysis
48	Report of Independent Accountants
62	Management's Financial Discussion and Analysis
63	Statements of Consolidated Income For the Years Ended December 31,
67	1997, 1996, and 1995
	Statements of Consolidated Cash Flows For the Years Ended December
68	31, 1997, 1996, and 1995
	Consolidated Balance Sheets, December 31, 1997 and 1996
70	Statements of Consolidated Retained Earnings and Paid-In Capital
72	for the Years Ended December 31, 1997, 1996, and 1995
	Selected Financial Data - Five-Year Comparison
73	Entergy Arkansas, Inc.:
	Report of Independent Accountants
75	Management's Financial Discussion and Analysis
76	Statements of Income For the Years Ended December 31, 1997, 1996,
78	and 1995
	Statements of Cash Flows For the Years Ended December 31, 1997,
79	1996, and 1995
	Balance Sheets, December 31, 1997 and 1996
80	Statements of Retained Earnings for the Years Ended December 31,
82	1997, 1996, and 1995
	Selected Financial Data - Five-Year Comparison
83	Entergy Gulf States, Inc.:
	Report of Independent Accountants
85	Management's Financial Discussion and Analysis
86	Statements of Income (Loss) For the Years Ended December 31, 1997,
88	1996, and 1995
	Statements of Cash Flows For the Years Ended December 31, 1997,
89	1996, and 1995
	Balance Sheets, December 31, 1997 and 1996
90	Statements of Retained Earnings for the Years Ended December 31,
92	1997, 1996, and 1995
	Selected Financial Data - Five-Year Comparison
93	Entergy Louisiana, Inc.:
	Report of Independent Accountants
95	Management's Financial Discussion and Analysis
96	Statements of Income For the Years Ended December 31, 1997, 1996,
98	and 1995
	Statements of Cash
99	For the Years Ended December 31, 1997,
	1996, and 1995
	Balance Sheets, December 31, 1997 and 1996

Consolidated Statement of Operations For the Period from April 1, 206 1996 to January 31, 1997 and the Year Ended March 31, 1996
Consolidated Statement of Cash Flows For the Period from April 1, 207

1996 to January 31, 1997 and the Year Ended March 31, 1996
Consolidated Balance Sheet, March 31, 1996

208

Consolidated Statement of Changes in Shareholder's Equity for the
210

Period from April 1, 1996 to January 31, 1997 and the Year Ended
March 31, 1996

Selected Financial Data - Four-Year Comparison

211

Notes to Financial Statements

212

ENTERGY CORPORATION AND SUBSIDIARIES

REPORT OF MANAGEMENT

The management of Entergy Corporation and subsidiaries has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles in the United States. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

/s/ Ed Lupberger

*ED LUPBERGER
Chairman of the Board and Chief
Accounting
Executive Officer of Entergy
Corporation, Entergy Arkansas,
Entergy Gulf States, Entergy Louisiana,
Entergy Mississippi, Entergy New Orleans,
and Entergy London*

/s/ Louis E. Buck

*LOUIS E. BUCK
Vice President, Chief
Officer and Assistant Secretary
(Principal Accounting Officer)*

/s/ Donald C. Hintz

*DONALD C. HINTZ
President and Chief Executive Officer of System Energy*

ENTERGY CORPORATION AND SUBSIDIARIES

AUDIT COMMITTEE CHAIRPERSON'S LETTER

The Entergy Corporation Board of Directors' Audit Committee is comprised of five directors who are not officers of Entergy Corporation: Dr. Paul W. Murrill, Chairperson, Lucie J. Fjeldstad, James R. Nichols, Eugene H. Owen, and Bismark A. Steinhagen. The committee held three meetings during 1997.

The Audit Committee oversees Entergy Corporation's financial reporting process on behalf of the Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting, and financial controls are in existence and are adequately reviewed by programs of internal and external audits.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants (Coopers & Lybrand L.L.P.) the overall scope and specific plans for their respective audits, as well as Entergy Corporation's financial statements and the adequacy of Entergy Corporation's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of Entergy Corporation's internal controls, and the overall quality of Entergy Corporation's financial reporting. The meetings were designed to facilitate and encourage private communication between the committee and the internal auditors and independent public accountants.

/s/ Dr. Paul W. Murrill

*DR. PAUL W. MURRILL
Chairperson, Audit
Committee*

ENERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Net cash flow from operations for Entergy, the domestic utility companies and System Energy for the years ended December 31, 1997, 1996, and 1995, and for Entergy London for the year ended December 31, 1997, was as follows:

	1997	1996	1995
	(In Millions)		
Entergy	\$1,725	\$1,528	
\$1,504			
Entergy Arkansas	\$ 434	\$ 377	\$
338			
Entergy Gulf States	\$ 466	\$ 322	\$
401			
Entergy Louisiana	\$ 341	\$ 352	\$
385			
Entergy Mississippi	\$ 159	\$ 182	\$
185			
Entergy New Orleans	\$ 49	\$ 44	\$
99			
System Energy	\$ 278	\$ 287	\$
96			
Entergy London	\$ 51	N/A	N/A

The positive cash flow from operations for the domestic utility companies results from continued efforts to streamline operations and to reduce costs, as well as from collections under rate phase-in plans that exceed current cash requirements for the related costs. In the income statement, these revenue collections are offset by the amortization of previously deferred costs; thus, there is no effect on net income. These phase-in plans will continue to contribute to Entergy's cash position in the immediate future. Specifically, the Grand Gulf 1 phase-in plans will expire in September 1998 for Entergy Arkansas and Entergy Mississippi, and in 2001 for Entergy New Orleans. Entergy Gulf States' phase-in plan for River Bend expired in February 1998, and Entergy Louisiana's phase-in plan for Waterford 3 expired in June 1997. Competitive growth businesses contributed \$104 million to Entergy Corporation's cash flow from operations in 1997. In accordance with the purchase method of accounting, London Electricity's results of operations are not included in Entergy Corporation and Subsidiaries' Statements of Consolidated Cash Flows prior to February 1, 1997, the effective date of the acquisition of London Electricity.

Financing Sources

As discussed in Note 13, Entergy London acquired London Electricity for \$2.1 billion in February 1997. The acquisition was financed with \$1.7 billion of debt that is non-recourse to Entergy Corporation, and \$392 million of equity provided by Entergy Corporation from available cash and borrowings under its \$300 million line of credit. Entergy London refinanced a portion of this debt during the fourth quarter of 1997 through the issuance of \$300 million of quarterly income preferred securities. Subsequent to the refinancing, the debt is now an obligation of Entergy UK Limited, an indirect, wholly-owned subsidiary of Entergy Corporation. However, the obligation is reflected in the financial statements of Entergy London, because the facility is guaranteed by Entergy London, Entergy UK Limited's indirect, wholly-owned subsidiary. Entergy London recognizes the interest expense associated with this debt in its financial statements, with a credit to shareholder's equity for the same amount. This credit to shareholder's equity offsets dividends as they are declared from Entergy London to Entergy UK Limited. These dividends are the funding mechanism for Entergy UK Limited to service this debt. Management intends to declare future dividends from Entergy London to enable Entergy UK Limited to continue to service this debt.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

London Electricity is Entergy London's sole investment and only asset. Entergy London is therefore dependent upon dividends from London Electricity for all of its cash flow. In addition to London Electricity's cash flow from operations, Entergy London has other primary sources of liquidity including London Electricity's several uncommitted credit lines provided by banking institutions, and London Electricity's commercial paper program. In addition, London Electricity intends to use availability under existing facilities, or replacements thereof, to finance its remaining payment of windfall profits taxes in December 1998, which will total approximately \$117 million (approximately BPS70 million).

Management believes that cash flow from operations, together with Entergy London's existing sources of credit and the restructuring of its credit facilities in November 1997, will result in sufficient financial resources being available to meet Entergy London's projected capital needs and other expenditure requirements for the foreseeable future. London Electricity has represented to the Regulator, in connection with its PES license, that it will use all reasonable endeavors to maintain an investment grade rating on its long-term debt.

Entergy Mississippi issued a series of general and refunding mortgage bonds in June 1997 totaling \$65 million, the proceeds of which were used to meet a scheduled July 1, 1997 debt maturity. Excluding the London Electricity investment and the Entergy Mississippi bond issuance, cash from operations, supplemented by cash on hand, was sufficient to meet substantially all investing and financing requirements of the domestic utility companies, System Energy, and Entergy London, including capital expenditures, dividends, and debt/preferred stock maturities during 1997.

Entergy's domestic utility companies other than Entergy Mississippi have been able to fund their capital requirements with cash from operations as discussed above in "Cash Flow." Should additional cash be needed to fund investments or to retire debt, the domestic utility companies and System Energy each have the ability, subject to regulatory approval and compliance with issuance tests, to issue debt or preferred securities to meet such requirements. In addition, to the extent market conditions and interest and dividend rates allow, the domestic utility companies, System Energy, and Entergy London will continue to refinance and/or redeem higher cost debt and preferred stock prior to maturity. See Note 10 for a discussion of the refinancing by Entergy Louisiana. Entergy's domestic utility companies and Entergy London may continue to establish special purpose trusts or limited partnerships as financing subsidiaries for the purpose of issuing quarterly income preferred securities, such as those issued in 1996 by Entergy Louisiana Capital I and Entergy Arkansas Capital I, and those issued in 1997 by Entergy Gulf States Capital I and Entergy London Capital L.P. Entergy Corporation, the domestic utility companies, System Energy, and Entergy London also have the ability to effect short-term borrowings. See Notes 4, 5, 6, 7, and 9 for additional information on Entergy's capital and refinancing requirements in 1998-2002 and available lines of credit.

Financing Uses

Management believes that productive investment by Entergy is integral to enhancing the long-term value of its common stock. Entergy has been expanding its investments in business opportunities overseas as well as in the United States. As of December 31, 1997, Entergy had acquired or participated in foreign electric ventures in Australia, Argentina, Chile, China, Pakistan, Peru, and the UK and had acquired several telecommunications-based businesses in the United States. The ability of Entergy Corporation to provide additional capital to exempt wholesale generators or foreign utility companies currently is subject to the SEC's regulations under PUHCA. Absent SEC approval, these regulations limit the aggregate amount that Entergy may invest in foreign utility companies and exempt wholesale generators to 50% of consolidated retained earnings at the time an investment is made. As of November 1997, Entergy Corporation no longer had capacity to make additional investments under these regulations without SEC approval. Entergy has applied to the SEC to obtain additional authority to make such investments, and is also exploring means of raising capital for other foreign investments in a manner not inconsistent with these regulations. As of December 31, 1997, Entergy Corporation had a net investment of \$1.3 billion in equity capital in competitive growth businesses. See Note 13 for a discussion of Entergy London's acquisition of London Electricity effective February 1, 1997.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

To make capital investments, fund its subsidiaries, and pay dividends, Entergy Corporation will utilize internally generated funds, cash on hand, funds available under its bank credit facilities, funds received from its dividend reinvestment and stock purchase plan, and bank financings, as required. See Note 5 for information regarding proceeds from the issuance of common stock under Entergy Corporation's dividend reinvestment and stock purchase plan during 1997. See Note 9 for a discussion of capital requirements. Entergy Corporation receives funds through dividend payments from its subsidiaries. During 1997, such dividend payments from subsidiaries totaled \$550.2 million. Entergy Gulf States resumed paying common stock dividends in the third quarter of 1997. In 1997, Entergy Corporation paid \$438 million of cash dividends on its common stock. Declarations of dividends on Entergy's common stock are made at the discretion of its Board of Directors. See Note 8 for information on dividend restrictions.

Entergy London's primary need for liquidity is to pay interest on its debt, and management believes that it will receive sufficient dividends from London Electricity to make such payments. Entergy London believes that London Electricity will be able to distribute all cash flow generated in excess of amounts necessary for London Electricity to conduct its business in compliance with its PES License.

Entergy Corporation and Entergy Gulf States

See Notes 2 and 9 regarding River Bend and Cajun litigation. During the fourth quarter of 1997, Entergy Gulf States established reserves of \$381 million (\$227 million net of tax) for the probable effects of the agreement in principle as discussed in Note 2. Final resolution of these matters could negatively affect Entergy Gulf States' ability to obtain financing, which in turn could affect Entergy Gulf States' liquidity and ability to pay common stock dividends to Entergy Corporation. See Note 2 for information related to the proposed agreement in principle between the parties to the Entergy Gulf States rate proceedings in Texas.

Entergy Corporation and System Energy

Under the Capital Funds Agreement, Entergy Corporation has agreed to supply System Energy with sufficient capital to maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt), to permit the continued commercial operation of Grand Gulf 1, and to pay in full all indebtedness for borrowed money of System Energy when due. In addition, under supplements to the Capital Funds Agreement assigning System Energy's rights thereunder as security for specific debt of System Energy, Entergy Corporation has committed to make cash capital contributions, if required, to enable System Energy to make payments on such debt when due. The Capital Funds Agreement may be terminated by the parties thereto, subject to consent of certain creditors.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

Domestic Competition and Industry Challenges

The electric utility industry traditionally has operated as a regulated monopoly in which there was little opportunity for direct competition in the provision of electric service. The industry is now undergoing a transition to an environment of increased retail and wholesale competition. The causes of the movement toward competition are numerous and complex. They include legislative and regulatory changes, technological advances, consumer demands, relative cost and availability of natural gas and other fuels, environmental regulations, and other factors. The increasingly competitive environment presents opportunities to compete for new customers, as well as the risk of loss of existing customers. The following issues have been identified by Entergy as its major competitive challenges.

Open Access Transmission

In response to FERC Order No. 888, which was issued in 1996 and requires that all public utilities subject to FERC jurisdiction provide comparable wholesale transmission access through the filing of a single open access tariff, Entergy Services filed on behalf of the domestic utility companies a request for clarification and rehearing of the following four issues: (i) the special nature and treatment of stranded nuclear decommissioning costs; (ii) the reciprocity rules applicable to rural electric cooperatives; (iii) the functional unbundling requirements for registered holding companies; and (iv) the nature of network service. The request for rehearing remains pending.

FERC also issued Order No. 889 in 1996, prescribing the requirements and procedures for the implementation and maintenance of an open access same-time information system by each public utility. In addition, FERC issued a notice of proposed rulemaking concerning capacity reservation tariffs as the next phase of its efforts to promote wholesale competition. In July 1996, Entergy Services filed an open access pro forma tariff on behalf of the domestic utility companies.

In September 1996, FERC issued an order revising the original requirement that open access same-time information service sites and standards of conduct be in place for all transmission providers by November 1, 1996. FERC scheduled the operation of open access same-time information service sites to begin on a test basis in December 1996, with full commercial operation and compliance with the standards of conduct beginning in January 1997. In January 1997, Entergy Services filed its standards of conduct with FERC and an open access same-time information site was established. In July 1997, Entergy Services filed its wholesale transmission open access compliance tariff incorporating the requirements of FERC Order No. 888-A.

Transition to Competition Filings

Entergy has initiated discussions with its state and local regulators regarding an orderly transition to a more competitive market for electricity. As discussed in more detail in Note 2, each of the domestic utility companies made filings in 1996 or 1997 with their respective state or local regulators concerning the transition to competition. These filings called for the accelerated recovery of the companies' nuclear investment and nuclear-related purchase obligations over a seven-year period and for the protection of certain classes of ratepayers from possibly unfairly bearing the burden of cost shifting which may result from competition. The majority of the domestic utility companies' current net investment in nuclear generation shown in Note 1 was included in the proposals for accelerated recovery filed with state and local regulators.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

Retail and Wholesale Rate Issues

The retail regulatory philosophy is shifting in some jurisdictions from traditional cost-of-service regulation to incentive-rate regulation. Incentive and performance-based rate plans encourage efficiencies and productivity while permitting utilities and their customers to share in the results. Entergy Mississippi and Entergy Louisiana have implemented incentive-rate plans, although Entergy Louisiana's plan has now expired.

Several of the domestic utility companies have recently been ordered to grant base rate reductions and have refunded or credited customers for previous overcollections of rates. The continuing pattern of rate reductions reflects both lower costs of service ordered by regulators and the competitive environment in which the domestic utilities operate. See Note 2 for additional discussion of rate reductions and incentive-rate regulation, as well as a proposed System Energy rate increase.

Legislative Activity

Retail wheeling is the transmission and/or distribution by an electric utility of energy produced by another entity over the utility's transmission and distribution system to a retail customer in the electric utility's area of service. California, Rhode Island, New Hampshire, Massachusetts, Montana, Oklahoma, Illinois, and Pennsylvania, among others, have begun the restructuring of the utility industry within their respective states. Most other states have initiated studies of industry restructuring. Included in many of these restructuring plans and studies are provisions or proposals allowing utilities to have a reasonable opportunity to recover investments in utility plant that have previously been determined to be prudently incurred. However, some states have not allowed full recovery of such investments. Within the areas served by the domestic utility companies, formal proceedings to study retail competition/industry restructuring are being conducted by the LPSC, the MPSC, the PUCT, and the Council.

A number of bills have been introduced in the U.S. Congress calling for deregulation of the electric power industry. Included among these are some that would amend or repeal PUHCA and/or PURPA. These bills generally have provisions that would give consumers the ability to choose their own electricity service provider. The Energy and Power Subcommittee of the Commerce Committee of the U.S. House of Representatives held hearings on this issue in October 1997, at which it was agreed that a consensus approach to electricity deregulation was needed. However, no agreement has been reached as to a specific approach.

Entergy Gulf States was an active participant in discussions aimed at developing legislation relating to electric utility industry restructuring and competition in the Texas Legislature. However, no such legislation was passed before the Legislature adjourned in June 1997. The legislature will not reconvene until January 1999, by which time Entergy Gulf States expects that the PUCT will have acted on the transition to competition filing of Entergy Gulf States.

The Arkansas Senate has passed a resolution requesting a study of the impact of electric utility industry competition on the citizens of Arkansas, the electric utility industry, and the regulatory authority of the APSC. This study, to be performed by a joint legislative committee of the Arkansas General Assembly, began in December 1997, and is expected to conclude prior to the 1999 legislative session.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

The SEC issued Rule 58 under PUHCA, which became effective on March 22, 1997, permitting registered public utility holding companies such as Entergy to enter into an array of energy-related businesses for which specific approval had previously been required. These businesses include, among other things, management, operations and maintenance contracting for energy-related facilities, energy efficiency contracting, and the sale and servicing of a range of electric appliances and equipment. EPMC and Entergy Holdings, Inc., wholly-owned subsidiaries of Entergy, now operate pursuant to Rule 58. EPMC terminated its EWG status shortly after Rule 58 became effective.

Municipalization

In some areas of the country, municipalities whose residents are served at retail by investor-owned utilities are exploring the possibility of establishing new electric distribution systems, or extending existing ones. In some cases, municipalities are also seeking new delivery points in order to serve retail customers, especially large industrial customers, that currently receive service from an investor-owned utility. Where successful, the establishment of a municipal system or the acquisition by a municipal system of a utility's customers could result in the utility's inability to recover costs that it has incurred for the purpose of serving those customers.

Industry Consolidation

Another factor in the transition to competition nationwide is the continuing and accelerating trend of utility mergers and joint ventures. A significant trend over the last several years has been the combination of electric utilities and gas pipeline and/or distribution companies. Such mergers and joint ventures for the same purpose are expected to continue.

Functional Unbundling

An additional trend is the unbundling of traditional utility functions. In some areas of the country, utilities have either sold or are attempting to sell all or a substantial portion of their generation assets and will become, in large part, suppliers of transmission and/or distribution services only.

Effects of Alternate Energy Sources on Retail Electric Sales to Industrial and Large Commercial Customers

Many industrial and large commercial customers of the domestic utility companies have energy intensive needs. These customers are exploring available energy alternatives such as fuel switching, cogeneration, self-generation, production shifting, and efficiency measures in an effort to reduce their energy costs. To the extent that customers avail themselves of these options, the domestic utility companies may suffer a loss of load.

Recognizing the options that customers might pursue, the domestic utility companies, in particular, Entergy Gulf States and Entergy Louisiana, have negotiated electric service contracts with large industrial and commercial customers for the purpose of retaining the load represented by these customers. Electric service under such agreements may be provided at tariffed rates lower than would otherwise be applicable. While the results of operations of the domestic utility companies have not thus far been materially adversely affected as a result of the negotiation of retail electric service agreements with industrial and large commercial customers, this has been due in large measure to the utilities' success in reducing costs, overall load growth, increasing sales to all customer classes, and the regulatory treatment accorded to negotiated electric service agreements. In view of the likelihood of increased competition in the electric utility business in the future, there can be no assurance that at risk industrial and large commercial customers will continue to be retained by the domestic utility companies.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

SIGNIFICANT FACTORS AND KNOWN TRENDS

In 1995, Entergy Louisiana received separate notices from two large industrial customers that they were proceeding with proposed cogeneration projects for the purpose of fulfilling their future electric energy needs. In 1997, net income decreased by approximately \$6 million and sales declined by 1,662 megawatt hours from the prior year, as a result of these customers proceeding with their proposed cogeneration projects. These customers will continue to purchase energy from Entergy Louisiana, but at a reduced level.

Change in Contract with Steam Customer

In 1996, Entergy Gulf States entered into agreements concerning a steam generating station that historically had been dedicated to providing steam and cogenerated electricity for a large industrial customer. Under these agreements, the generating facility was leased to the customer, but Entergy Gulf States continues to operate the facility. The customer is spending approximately \$190 million to make major improvements to the facility, including a new 150 MW gas turbine generator. As a result of these agreements, which were entered into with the expectation that the customer otherwise would terminate its contracts with Entergy Gulf States and construct its own generating facilities, Entergy Gulf States' revenues from this customer are being reduced by approximately \$33 million annually from the 1996 level of revenues, beginning in August 1997, and Entergy Gulf States' net income is being reduced by approximately \$15 million annually. Revenue from this customer amounted to \$44 million and \$59 million in 1997 and 1996, respectively.

Domestic and Foreign Competitive Growth Businesses

Entergy Corporation seeks opportunities to expand its foreign businesses and its domestic businesses that are not regulated by state and local regulatory authorities. Such business ventures currently include power development and operations and retail services related to the utility business. Refer to "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES" for a discussion of Entergy Corporation's 1997 investments in domestic and foreign nonregulated businesses. These investments may involve a greater risk than domestically regulated utility enterprises. In 1997, Entergy Corporation's competitive growth businesses reduced consolidated net income by approximately \$139 million principally due to the impact of a windfall profits tax in the UK, which was partially offset by a reduction in the UK corporation tax rate, as discussed in more detail below in "Windfall Profits Tax". Excluding the impact of these and other non-recurring items, the competitive growth businesses contributed \$51 million to consolidated net income during 1997.

In an effort to expand into new energy-related businesses, Entergy has begun to commercialize the fiber optic telecommunications network that connects its facilities and supports its internal business needs. Entergy provides long-haul fiber optic capacity to major telecommunications carriers which, in turn, market that service to third parties. The Telecommunications Act of 1996 permits a company such as Entergy to market such a service, subject to state and local regulatory approval. This law contains an exemption from PUHCA that will permit registered utility holding companies to form and capitalize subsidiaries to engage in telephone, telecommunications, and information service businesses without SEC approval. However, the law requires that such telecommunications subsidiaries file for exemption from regulation with the Federal Communications Commission, and that they not engage in transactions with utility affiliates within their holding company systems or acquire utility affiliates' rate-based property without state or local regulatory approval.

EPMC, which was created in 1995 to become a buyer and seller of electric energy and generating fuels, operates pursuant to Rule 58 under PUHCA. In February 1996, FERC approved sales of electricity by EPMC at market-based rates. Such approval allows EPMC to provide wholesale customers with a variety of services, including physical trading. An application before the SEC seeking additional authority for EPMC to purchase and sell derivative contracts relating to electricity, gas, and fuels was approved in January 1998.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

SIGNIFICANT FACTORS AND KNOWN TRENDS

On December 18, 1996, Entergy made a formal cash offer to acquire London Electricity for \$2.1 billion. London Electricity is an REC serving approximately two million customers in the metropolitan area of London, England. The offer was approved by authorities in the UK and was made unconditional on February 7, 1997. Entergy subsequently gained control of 100% of the common shares of London Electricity. The acquisition was financed with \$1.7 billion of debt that is non-recourse to Entergy Corporation, and \$392 million of equity provided by Entergy Corporation from available cash and borrowings under its \$300 million line of credit, which has since been refinanced (see Note 7). Entergy has accounted for the transaction as a purchase and accordingly has included the results of London Electricity in its consolidated results of operations effective February 1, 1997.

Through its London Electricity acquisition, Entergy expects to gain valuable experience in the deregulated UK electricity market, in anticipation of the deregulation of the electricity market in the United States. London Electricity has already experienced seven years of a partially competitive supply environment and expects to be in a fully competitive supply market beginning in late 1998. In conjunction with the acquisition of London Electricity, Entergy established an international retail operations group to coordinate retail electric operations in the UK, Australia, and Argentina.

In September 1997, EPDC acquired KPL for \$67 million. KPL owns land in Southeast England and certain rights to build a power station. The acquisition of KPL was financed by borrowings under a BPS50 million (\$82 million) credit facility with an international bank, which has since been increased to BPS100 million (\$165 million). In early October 1997, EPDC announced construction of a 770 MW combined cycle gas turbine merchant power plant on the KPL site to be known as Damhead Creek. Construction is scheduled to begin in April 1998, at an estimated cost of \$625 million. The target date for commercial operation is the second quarter of 2000. Financing and other project requirements are currently in the final stages of development.

In December 1997, SCC, a wholly-owned subsidiary of EPDC, entered into a BPS646 million (\$1.07 billion) nonrecourse credit facility with an international bank group for the construction of 1,200 MW gas-fired power plant in Hull, England. The power plant will sell power into the UK power pool at prices established by the market. SCC entered into a lump-sum contract to build the power plant with a major international contractor. SCC has also entered into a series of contracts including a long-term ground lease for the site, a long-term gas supply agreement including take-or-pay obligations, and a long-term power supply with the industrial host. In connection with an equity contribution obligation to SCC, EPDC provided a BPS48 million (\$79 million) letter of credit under a BPS100 million (\$165 million) revolving credit facility. Entergy Corporation has issued a \$170 million guaranty of EPDC's obligations under the revolving credit facility. The total cost of this project currently is estimated to be approximately \$875 million and the project is expected to be operational by January 2000.

In 1997, Entergy continued to expand and diversify its domestic and foreign businesses. Such efforts included the formation of a joint venture (Entergy Hyperion Telecommunications) to offer competitive local access telephone services to business customers in the metropolitan areas of Little Rock, Arkansas, Jackson, Mississippi, and Baton Rouge, Louisiana. Entergy Nuclear, Inc., a wholly-owned subsidiary of Entergy Enterprises, entered into an agreement to provide management services for initial decommissioning activities (through September 30, 1998) at the Maine Yankee nuclear plant, owned by the Maine Yankee Atomic Power Company, whose board of directors announced in August 1997 the permanent closure of the plant.

Entergy also continued its expansion into the electronic security service field in 1997 through the acquisition by Entergy Security Company (a wholly-owned subsidiary of ETHC) of the Ranger American group of companies, a leading provider of electronic security services in the largest cities in Texas and in Atlanta, Georgia, which has approximately 140,000 customers and annual revenues of approximately \$53 million. The aggregate purchase price (comprised of Entergy common stock and cash) was approximately \$61 million.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

SIGNIFICANT FACTORS AND KNOWN TRENDS

As a part of its efforts to reposition itself in the evolving international power market, Entergy sold all or part of its interests in various power development projects for proceeds of \$64 million, realizing after-tax gains of \$17.6 million. Entergy Power Chile, S.A., an indirect wholly-owned subsidiary of Entergy Power purchased a 25% interest in the San Isidro project, a 370 MW gas-fired, combined cycle generating facility under construction in Chile. Entergy also announced in 1997 that, through a joint venture entered into by a subsidiary, it commenced construction of a 24 MW cogeneration plant in Nantong, China.

Foreign Distribution and Supply

On April 1, 1995, 1996, and 1997 certain reductions in London Electricity's allowed distribution revenues were made by the Regulator. Such allowed distribution revenues were reduced by 14% and 11% on April 1, 1995 and April 1, 1996, respectively, following reviews by the Regulator. On April 1, 1997, London Electricity's allowed distribution revenues were further decreased by 3%, with further annual reductions of 3% to occur on April 1, 1998 and 1999. London Electricity is pursuing a number of cost efficiency initiatives in an attempt to partially offset the expected price decreases. Such efficiencies will include voluntary early retirement programs, work force reductions, and labor cost realignment, and are expected to generate substantial cost savings when fully implemented by fiscal year 2001. The one-time cost of such savings will be approximately \$58 million, which has been provided for by London Electricity.

At present, London Electricity has an exclusive right in its franchise area to supply electricity to customers with demand of less than 100 KW. In late 1998, this segment of the supply business will become open to competition, subject to a six-month transition period. See Note 2 for additional information related to expanded competition in the supply business and London Electricity's expected expenditures in preparation for full competition in supply by June 1999 and the Regulator's proposals regarding recovery of such costs.

On July 1 in each of the years 1997 through 2000 certain adjustments to Entergy's Australian subsidiary's (CitiPower's) allowed distribution revenues have been made by CitiPower's regulator. Such distribution revenues have been and will be adjusted by 1% less than the change in the consumer price index for each of the respective years. CitiPower has implemented certain cost efficiency and marketing initiatives to mitigate the impact of such revenue adjustments.

At present, CitiPower has an exclusive right in its franchise area to supply electricity to customers with annual usage of less than 750 MWH. In July 1998 and January 2001, CitiPower customers with annual usage of between 160 MWH to 750 MWH and less than 160 MWH, respectively, will become open to supply business competition.

Retail prices for CitiPower non-franchise supply customers are subject to competitive market forces and are not regulated except for network tariffs, which are based on a maximum average charge incorporating annual price changes of 1.5% less than the change in the consumer price index plus full recovery of transmission charges. These controls will apply through the year 2000.

The London Electricity and CitiPower supply businesses generally involve entering into fixed price contracts to supply electricity to customers who have become subject to competition. The electricity is obtained primarily by purchases on a spot basis in which prices can be volatile. London Electricity and CitiPower are exposed to risks arising from differences between the fixed prices at which they sell electricity and the fluctuating prices at which electricity is purchased unless such exposure can be effectively hedged. This risk will be extended to additional supply business customers as described above as they become subject to competition.

To mitigate its exposure to volatility, London Electricity utilizes contracts for differences ("CFDs") and power purchase contracts with certain UK generators to fix the price of electricity for a contracted quantity over a specific period of time. As of December 31, 1997, London Electricity had outstanding CFDs and power purchase contracts for approximately 40,000 GWH of electricity. These include a long term power purchase contract with an affiliate, which is based on 27.5% of the affiliate's capacity from its 1000 MW facility through the year 2010. London Electricity's sales volumes were approximately 18,000 GWH for 1997. Management's estimate of the fair value of London Electricity's CFDs outstanding at December 31, 1997 is that fair value approximates contract value.

In accordance with the debt covenants included in the financing provisions of the CitiPower acquisition, CitiPower must hedge at least 80% of its energy purchases. CitiPower's current strategy is to hedge approximately 100% of its forecasted energy purchases through energy trading swaps entered into with certain generators. At December 31, 1997 CitiPower has outstanding energy trading swaps totaling a notional amount of 38,372 MW of average daily load of electricity. These contracts mature through the year 2000. Management's estimate of the fair value of such swaps outstanding at December 31, 1997 is a net liability of approximately \$86.1 million.

The potential exists for additional distribution price reductions in both the UK and Australia. Cost efficiency initiatives may not result in sufficient savings to offset price reductions. Price reductions are mitigated by the inclusion of the general index for inflation in the

determination of allowed revenues.

Windfall Profits Tax

As a result of Parliamentary elections held on May 1, 1997, the Labour Party gained control of the UK Government. On July 31, 1997, the British government enacted a one-time "windfall profits tax" on privatized industries, including regional electric utilities such as London Electricity. London Electricity's windfall profits tax liability is approximately BPS140 million (approximately \$234 million), which will not be deductible for UK corporation tax purposes. Payment of the tax is required in two equal installments, the first of which was paid on December 1, 1997, and the second due on December 1, 1998.

The UK Government also decreased the UK corporation tax rate from 33% to 31%, effective April 1, 1997. In accordance with SFAS 109, "Accounting for Income Taxes", this reduction resulted in a one-time reduction in income tax expense of approximately BPS38 million (approximately \$65 million). The liability for the windfall profits tax (with a corresponding increase in income tax expense) and the reduction in London Electricity's deferred income tax liability (with a corresponding reduction in income tax expense) were recorded in July 1997.

Waterford 3

On January 6, 1997, Waterford 3 received from the NRC its SALP report for the period April 29, 1995 through November 30, 1996. During this period, observed performance declined from the previous SALP report, and three of the four functional areas received lower ratings. Waterford 3 personnel are meeting with NRC personnel periodically, and significant Waterford 3 management changes have been effected in order to address these matters. Additionally, Waterford 3 has instituted a multi-year program to improve performance and is incurring additional costs in doing so.

A scheduled 45-day refueling outage for the Waterford 3 nuclear plant began on April 12, 1997. Additional work and two minor incidents caused the outage to be extended from May 27 to mid-June. On May 28, 1997, a start-up transformer at Waterford 3 failed due to an internal fault. A replacement transformer was located and shipped to Waterford 3, where certain plant configuration changes were made to facilitate its installation. After installation of the replacement transformer, the plant was restarted on July 29, 1997.

Cajun - River Bend

On October 7, 1997, the RUS elected not to become the transferee of Cajun's 30% interest in River Bend. Accordingly, under the terms of the Cajun Settlement, Cajun's interest in River Bend was transferred by Cajun's Trustee in Bankruptcy to Entergy Gulf States on December 23, 1997. As a result, Entergy Gulf States recorded this 30% interest at \$139 million based on management's estimate of the fair value of the asset at the time of transfer. Entergy Gulf States recorded a corresponding gain of \$139 million in its results of operations in 1997 to reflect this transfer. This portion of River Bend will not be subject to cost of service regulation. In connection with the transfer, Cajun established a trust fund in the amount of \$132 million to satisfy its obligation for decommissioning its 30% share of the plant. See Note 9 for additional information.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

Labor Agreements

In April 1997, Entergy Gulf States and a union representing 1,000 employees in Texas and Louisiana signed a two-year labor contract (expiring August 14, 1999). The contract stipulates that no layoffs will occur in the next two years and wages will be increased 3% per year in 1997 and 1998.

In July 1997, Entergy Operations and the union representing 317 employees at River Bend and Entergy Mississippi and the union representing 400 of its employees signed two-year labor contracts for the period from October 1998 to October 2000 which stipulate that no layoffs of covered employees will occur over the next two years and that wages will be increased 3% in each of the next two years.

Deregulated Utility Operations

Entergy Gulf States discontinued regulatory accounting principles for its wholesale jurisdiction and steam department and the Louisiana deregulated portion of River Bend during 1989 and 1991, respectively. The operating income from these operations was \$19.7 million in 1997, \$13.9 million in 1996, and \$1.2 million in 1995.

The increase in 1997 net income from deregulated operations was primarily due to decreased steam department expenses, partially offset by reduced wholesale jurisdiction revenues. The increase in 1996 net income from such operations was principally due to increased revenues, partially offset by increased depreciation. The future impact of the deregulated utility operations on Entergy and Entergy Gulf States' results of operations and financial position will depend on future operating costs, the efficiency and availability of generating units, the future market for energy over the remaining life of the assets, the operation of the steam generating station leased to a large industrial customer described above in "Change in Contract with Steam Customer", and the recoverability through nonregulated power sales of the \$139 million of net book value of the 30% of River Bend previously owned by Cajun. See "Cajun - River Bend" above.

Property Tax Exemptions

Waterford 3's local property tax exemptions expired in December 1995. In a March 1996 LPSC order, Entergy Louisiana was permitted to defer recovery of the estimated Waterford 3 property tax from January 1996 through June 1996. The order allowed the recovery of the property tax beginning in July 1996 and for recovery, from July 1996 through June 1997, of the related deferral. Entergy Louisiana paid property taxes of \$18.9 million on Waterford 3 in 1997.

River Bend's local property tax exemptions expired in December 1996. The 1997 property tax was approximately \$12.9 million. The portion of the property tax related to the Texas jurisdiction was included in the rate proceeding filed with the PUCT in November 1996 and in the fourth required Merger-related earnings review filed with the LPSC in May 1997.

Accounting Issues

Continued Application of SFAS 71

The electric utility industry is moving toward a combination of competition and a modified regulatory environment. The domestic utility companies' and System Energy's financial statements currently reflect, for the most part, assets and costs based on existing cost-based ratemaking regulations in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). Continued applicability of SFAS 71 to the domestic utility companies' and System Energy's financial statements requires that rates set by an independent regulator on a cost-of-service basis be charged to and collected from customers for the foreseeable future.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

SIGNIFICANT FACTORS AND KNOWN TRENDS

In the event that all or a portion of a utility's operations cease to meet those criteria for various reasons, including deregulation, a change in the method of regulation, or a change in the competitive environment for the utility's regulated services, the utility is required to discontinue application of SFAS 71 for the relevant portion of its operations by eliminating from the balance sheet the effects of any actions of regulators recorded as regulatory assets and liabilities. Discontinuation of the application of SFAS 71 could have a material adverse impact on Entergy's financial statements.

The SEC has expressed concern regarding the continued applicability of SFAS 71 to the financial statements of electric utilities that have been ordered by regulators to adopt transition to competition plans or are in the process of participating with the state legislatures and/or regulators in the development of such plans. While such plans may call for rate caps or decreases, they generally provide for recovery of investments in uneconomic or noncompetitive generating plants and other regulatory assets (together defined as stranded costs). The SEC is concerned that portions of entities subject to such plans may not meet the criteria for the continued application of SFAS 71.

During 1997, EITF 97-4: "Deregulation of the Pricing of Electricity - Issues Related to the Application of FASB Statements No. 71 and 101" was issued, specifying that SFAS 71 should be discontinued at a date no later than when the details of the transition to competition plan for all or a portion of the entity subject to such plan are known. However, other factors could cause the discontinuation of SFAS 71 before that date. Additionally, EITF 97-4 promulgates that regulatory assets to be recovered through cash flows derived from another portion of the entity which continues to apply SFAS 71 should not be written off; rather, they should be considered regulatory assets of the segment which will continue to apply SFAS 71.

The domestic utility companies' and System Energy's financial statements continue to apply SFAS 71 for their regulated operations, except for those portions of Entergy Gulf States' business described in "Deregulated Utility Operations" above. Although discussions with regulatory authorities regarding retail competition have occurred and are expected to continue, definitive outcomes have not yet been determined; therefore, the regulated operations continue to apply SFAS 71. See Note 1 for additional discussion of Entergy's application of SFAS 71.

Accounting for Decommissioning Costs

In February 1996, the FASB issued an exposure draft of a proposed SFAS addressing the accounting for decommissioning costs of nuclear generating units as well as liabilities related to the closure and removal of all long-lived assets. See Note 9 for a discussion of proposed changes in the accounting for decommissioning/closure costs and the potential impact of these changes on Entergy.

Year 2000 Issues

Like many companies, Entergy is currently evaluating its computer software, databases, embedded microprocessors, suppliers, and other constituent relationships to determine the extent to which modifications are required to prevent problems related to the year 2000, and the resources which will be required to make such modifications. These problems could result in malfunctions in certain software applications, databases, computer equipment, and supplier performance with respect to dates on or after January 1, 2000, unless corrected. Entergy has been working on the above mentioned modifications and contingencies throughout most of 1997, and will continue these efforts throughout 1998 and into 1999. Preliminary estimates of the total costs to be incurred by Entergy's global enterprises in 1998 through mid-2000 are approximately \$95 million. Maintenance or modification costs will be expensed as incurred, while the costs of new software will be capitalized and amortized over the software's useful life in accordance with EITF 96-14:

"Accounting for the Costs Associated with Modifying Computer Software for the Year 2000."

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

Market Risks

Entergy uses derivative instruments to manage the interest rate risk associated with certain of its variable rate credit facilities, the currency exchange rate risk for interest payments associated with its Entergy London Perpetual Junior Subordinated Debentures (Debentures), and the commodity price risk associated with its foreign electricity supply and domestic energy marketing businesses.

Entergy uses interest rate swaps to reduce the impact of interest rate changes on its CitiPower and Entergy London variable rate credit facilities. The interest rate swap agreements involve the exchange of floating rate interest payments for fixed rate interest payments over the life of the agreements. As of December 31, 1997, 77% of the outstanding variable interest rate borrowings on these credit facilities were converted to fixed interest rates through interest rate swaps. The potential loss in fair value from these positions resulting from a hypothetical 10% adverse movement in base interest rates is estimated at \$29 million as of December 31, 1997. See Note 7 for further discussion of these swaps.

Entergy London's cash flows are predominately denominated in BPS. Entergy London has entered a U.S. dollar denominated obligation through issuance of the Perpetual Junior Subordinate Debentures (Debentures). To hedge currency exposure on the Debentures, Entergy London has entered foreign currency swap agreements to fix the British pound sterling equivalent which will be required to service interest on the Debentures for the next seven years. See Note 6 for further discussion of these swaps.

Entergy's UK and Australian electricity supply businesses utilize fixed price contracts to supply electricity to their customers. The electricity is obtained primarily by purchases from the spot market. Because the price of electricity purchased from the market can be volatile, Entergy's UK and Australian electricity supply businesses are exposed to risks arising from differences between the fixed prices at which they sell electricity and the fluctuating prices at which they purchase electricity. To mitigate exposure to volatility, Entergy's UK and Australian electricity supply businesses utilize contracts for differences (CFDs) and energy trading swaps to fix the price of their electricity purchases. The potential loss in fair value of these CFDs and energy trading swaps resulting from a hypothetical 10% adverse movement in future electricity prices is estimated at \$103 million. Management, however, believes that any loss actually realized would be substantially offset by the effects of electricity price movements on the respective underlying hedged electricity supply contracts. See Note 9 for further discussion of the CFDs and energy trading swaps.

Entergy's domestic energy and natural gas marketing business enters into sales and purchases of electricity and natural gas for delivery up to twelve months into the future. Because the market prices of electricity and natural gas can be volatile, Entergy's domestic energy and natural gas marketing business is exposed to risk arising from differences between the fixed prices in its commitments and fluctuating market prices. To mitigate its exposure, Entergy's domestic energy and natural gas marketing business enters into electricity and natural gas futures and option contracts. This business utilizes a value-at-risk model to assess the market risk of its derivative financial instruments. Value-at-risk represents the potential losses for an instrument or portfolio from adverse changes in market factors for a specified time period and confidence level. The value-at-risk was estimated using historical simulation calculated on a daily basis over a thirty-day period with a 95% confidence level and a holding period of one business day. Based on these assumptions, the business's value-at-risk as of December 31, 1997 was not material to Entergy.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

Management's calculation of value-at-risk exposure represents an estimate of reasonably possible net losses that would be recognized on its portfolio of derivative financial instruments, assuming hypothetical movements in future market rates, and is not necessarily indicative of actual future results. It does not represent the maximum possible loss or an expected loss that may occur, because actual future gains and losses will differ from those estimated, based upon actual fluctuations in market rates, operating exposures, and the timing thereof, and changes in the portfolio of derivative financial instruments during the year.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Corporation

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries as of December 31, 1997 and 1996, and the related statements of consolidated income, retained earnings and paid in capital and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entergy Corporation and Subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, at January 1, 1996 the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Also, as discussed in Note 1 to the consolidated financial statements, in 1996, one of the Corporation's subsidiaries changed its method of accounting for incremental nuclear plant outage maintenance costs.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

On February 7, 1997, Entergy Corporation, through its wholly-owned subsidiary, Entergy London, made unconditional its offer to acquire 100% ownership of London Electricity. In accordance with the purchase method of accounting, the results of operations for 1996 and 1995 of Entergy Corporation and Subsidiaries do not include London Electricity's results of operations. Consolidated net income for 1997 reflects London Electricity's results subsequent to February 1, 1997. See Note 13 for additional information regarding London Electricity.

On January 5, 1996, Entergy Corporation finalized its acquisition of CitiPower. In accordance with the purchase method of accounting, the results of operations for 1995 of Entergy Corporation and Subsidiaries do not include CitiPower's results of operations.

Net Income

Consolidated net income decreased in 1997 primarily due to the recording of a one-time windfall profits tax at Entergy London, a reserve for regulatory adjustments at Entergy Gulf States, the write-off of the radioactive waste facility deferrals at Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana, and the reversal of the Cajun-River Bend litigation accrual at Entergy Gulf States in September 1996. The decrease in net income was partially offset by the one-time write-off of River Bend rate deferrals pursuant to SFAS 121 at Entergy Gulf States in January 1996, by the 1997 one-time reduction in income tax expense for London Electricity due to a reduction in the UK corporation tax rate from 33% to 31%, and by the Cajun litigation settlement at Entergy Gulf States in December 1997. Excluding these items, net income would have decreased 8% due to a decrease in the earnings from domestic regulated operations offset by increased earnings from competitive growth businesses, primarily London Electricity.

Consolidated net income decreased in 1996 primarily due to the \$174 million net of tax write-off of River Bend rate deferrals pursuant to SFAS 121 and the one-time recording in 1995 of the cumulative effect of the change in accounting method for incremental nuclear refueling outage maintenance costs at Entergy Arkansas. The effect of these items was partially offset by the reversal of a Cajun-River Bend litigation accrual at Entergy Gulf States. Excluding these items, net income would have increased 17% due to decreased other operation and maintenance expenses for domestic regulated operations as a result of restructuring programs and ongoing efficiency improvement programs throughout Entergy.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues and Sales", "Expenses", and "Other" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON", following the financial statements, for information on operating revenues by source and KWH sales.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The changes in electric operating revenues for Entergy's domestic utility companies for the twelve months ended December 31, 1997 and 1996 are as follows:

Description	Increase/(Decrease)	
	1997	1996
	(In Millions)	
Change in base revenues (\$117.5)	(\$189.1)	
Rate riders	(3.6)	1.8
Fuel cost recovery	90.1	382.3
Sales volume/weather	31.3	108.0
Other revenue (including unbilled) (49.3)	147.3	
Sales for resale	(16.6)	37.6
	-----	-----
Total	\$59.4	\$362.9
	=====	=====

Electric operating revenues for Entergy's domestic utility companies increased slightly in 1997 as a result of increased other revenues, fuel adjustment revenues, which do not affect net income, and higher sales volume/weather. These increases were partially offset by a decrease in base revenues and sales for resale to non-associated utilities. Other revenue increased due to the gain on the Cajun Settlement for Cajun's 30% interest in the property associated with River Bend. Fuel adjustment revenues increased in 1997 due to a PUCT order that approved recovery of \$18.5 million of previously under-recovered fuel expenses by Entergy Gulf States. Sales volume/weather increased primarily due to an increase in sales to industrial customers, particularly, certain cogeneration customers who purchased replacement electricity from Entergy Gulf States offset by a decrease due to milder weather in 1997. Base rate revenues decreased primarily due to the reserve for regulatory adjustments at Entergy Gulf States, rate reductions for Louisiana retail customers, aggressive pricing strategies for targeted customer segments, and a change in sales mix from residential and commercial customers to industrial customers at Entergy Gulf States. Sales for resale to non-associated utilities decreased due to changes in generation requirements and availability among the domestic utility companies, primarily Entergy Arkansas and Entergy Gulf States. During the fourth quarter of 1997, Entergy Gulf States established reserves for potential regulatory adjustments based on management's estimates of the financial effect of potential adverse rulings in connection with the River Bend plant-related costs and pending rate proceedings in Texas. See Note 2 for further discussion of the PUCT order related to under-recovered fuel expenses, the River Bend plant-related costs, and other pending rate proceedings.

Electric operating revenues increased in 1996 as a result of higher fuel adjustment revenues, which do not affect net income, and higher sales volume, partially offset by rate reductions at the domestic utility companies. The increase in sales volume was primarily the result of increases in customers and in customer usage.

Gas operating revenues increased in 1996 due to higher unit purchase prices for gas purchased for resale and colder than normal weather in the first quarter of 1996.

Competitive growth business revenues increased by \$2.3 billion in 1997 primarily due to the February 1997 acquisition of London Electricity by Entergy London. London Electricity generated revenues of \$1.8 billion during the eleven months it is included in 1997 results of operations. Also contributing to the increase in competitive growth business revenues was an increase in revenue at EPMC of \$427 million. After obtaining the appropriate regulatory and board approvals, EPMC began trading in late May 1996. EPMC's increased revenues in 1997 are primarily due to full year of trading in 1997 as compared to six months in 1996 coupled with an aggressive marketing effort in 1997. These increases were offset by increased power purchased for resale as discussed below. The increase of \$501 million in competitive growth business revenues in 1996 was due primarily to the acquisition of CitiPower.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Expenses

Operating expenses for 1997 include Entergy London's operating expenses of \$1.7 billion for the year ended December 31, 1997, which were not included in the prior year's financial statements. Operating expenses, excluding Entergy London, increased primarily due to increases in nuclear refueling outage expenses, depreciation, amortization, and decommissioning expenses, increases in the amortization of rate deferrals, and increases in power purchased for resale by EPMC. These increases in operating expenses were partially offset by a decrease in other operation and maintenance expenses. The increase in purchased power is primarily the result of a higher level of power purchased for resale by EPMC. The increase in nuclear refueling outage expenses is primarily due to the amortization of previously deferred November 1996 outage expenses at System Energy, which are now being amortized over an 18-month period that began in December 1996. Prior to this outage, such costs were expensed as incurred and no such expenses were incurred in 1996. The increase in depreciation, amortization, and decommissioning is primarily due to the reduction of the regulatory asset established at System Energy to defer the depreciation associated with the sale and leaseback in 1989 of a portion of Grand Gulf

1. An increase in plant additions and improvements also contributed to the increase in depreciation, amortization, and decommissioning. The increase in rate deferral amortization is primarily due to greater Grand Gulf 1 rate deferral amortization at Entergy Arkansas and Entergy New Orleans, as prescribed in the Grand Gulf 1 rate phase-in plan and, for Entergy Arkansas, the December 1997 APSC Stipulation and Settlement Agreements. The decrease in other operation and maintenance expenses was primarily due to the Cajun litigation settlement at Entergy Gulf States in December 1997. This decrease was partially offset by the write-off of the radioactive waste facility deferrals at Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana.

Operating expenses for 1996 include the operating expenses of CitiPower, which were not included in the 1995 financial statements. Excluding the operating expenses of CitiPower, Entergy's operating expenses increased in 1996. The following discussion excludes the impact of the acquisition of CitiPower. In 1996, fuel and purchased power expenses increased as a result of higher fuel costs and an increase in sales volume. Other operation and maintenance expenses decreased in 1996 due to lower payroll-related expenses, resulting from restructuring programs in addition to ongoing operating efficiency improvement programs throughout Entergy. Other regulatory credits reducing operating expenses in 1996 represent the deferral of Waterford 3 local property taxes and the deferral of a portion of the proposed System Energy rate increase at Entergy Mississippi and Entergy New Orleans. Nuclear refueling outage expenses decreased primarily due to the effect of deferring the nuclear refueling outage expenses at Grand Gulf 1 in the fourth quarter of 1996 rather than recognizing those expenses as incurred. The majority of the increase in decommissioning costs and depreciation rates is reflected in the 1995 System Energy FERC rate increase filing, subject to refund. See Note 2 for a discussion of the proposed rate increase.

Other

Other income decreased in 1997 primarily due to the reserve for regulatory adjustments at Entergy Gulf States, offset by interest income on the Cajun Settlement in December 1997, the write-off of River Bend rate deferrals pursuant to SFAS 121 at Entergy Gulf States in January 1996 and the Cajun litigation reversal in 1996.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Other income decreased in 1996 as a result of the write-off of River Bend rate deferrals pursuant to SFAS 121, and a decrease in Grand Gulf 1 carrying charges at Entergy Arkansas due to a decline in the deferral balance, partially offset by Entergy Gulf States' reversal of a Cajun-River Bend litigation accrual. Interest on long-term debt, excluding Entergy London, decreased in 1997 due primarily to ongoing retirement and refinancing of higher cost debt. Distributions on preferred securities of subsidiaries increased due to the issuance of Cumulative Income Preferred Securities at Entergy Arkansas in August 1996, Entergy Louisiana in July 1996, at Entergy Gulf States in January 1997, and Entergy London in November 1997.

Excluding CitiPower, interest on long-term debt decreased in 1996 due primarily to ongoing retirement and refinancing of higher cost debt. Borrowings by Entergy Corporation from a \$300 million line of credit related to the CitiPower investment contributed to the increase in other interest-net in 1996.

Preferred dividend requirements decreased in 1997 and 1996 due to stock redemption activities.

The effective income tax rates for 1997, 1996, and 1995 were 61.0%, 46.2%, and 37.5% respectively. The effective income tax rate was higher in 1997 primarily due to the one-time windfall profits tax at Entergy London in 1997 and the tax effects of the Cajun litigation settlement and the 1996 SFAS 121 write-off at Entergy Gulf States, which included AFUDC which was originally recorded net of its related income tax benefits. In 1996, the effective income tax rate increased primarily due to higher state income taxes, depreciation related taxes, and the SFAS 121 write-off at Entergy Gulf States. For a further discussion of income taxes, see Note 3.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands, Except Share Data)		
Operating Revenues:			
Domestic electric	\$6,538,831	\$6,450,940	\$6,088,018
Natural gas	137,345	134,456	103,992
Steam products	43,664	59,143	49,295
Competitive growth businesses	2,841,881	533,118	31,767
Total	9,561,721	7,177,657	6,273,072
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,677,041	1,635,885	1,395,889
Purchased power	2,318,811	704,744	356,596
Nuclear refueling outage expenses	73,857	55,148	84,972
Other operation and maintenance	1,886,149	1,577,383	1,528,351
Depreciation, amortization, and decommissioning	980,008	790,948	695,865
Taxes other than income taxes	365,439	353,270	300,120
Other regulatory charges (credits)	(18,545)	(47,542)	29,311
Amortization of rate deferrals	421,803	414,969	378,776
Total	7,704,563	5,484,805	4,769,880
Operating Income	1,857,158	1,692,852	1,503,192
Other Income (Deductions):			
Allowance for equity funds used during construction	10,057	9,951	9,629
Write-off of River Bend rate deferrals	-	(194,498)	-
Miscellaneous - net	(232,703)	123,452	45,127
Total	(222,646)	(61,095)	54,756
Interest Charges:			
Interest on long-term debt	797,266	674,532	633,851
Other interest - net	51,624	49,053	33,749
Distributions on preferred securities of subsidiaries	21,319	4,797	-
Allowance for borrowed funds used during construction	(7,937)	(8,347)	(8,368)
Total	862,272	720,035	659,232
Income Before Income Taxes	772,240	911,722	898,716
Income Taxes	471,341	421,159	336,182
Income before the Cumulative Effect of Accounting Changes	300,899	490,563	562,534
Cumulative Effect of Accounting Changes (net of income taxes)	-	-	35,415
Net Income	300,899	490,563	597,949
Preferred and Preference Dividend Requirements of Subsidiaries and Other	53,216	70,536	77,969
Earnings Applicable to Common Stock	\$247,683	\$420,027	\$519,980
Earnings per average common share before cumulative effect of accounting changes:			
Basic and diluted	\$1.03	\$1.83	\$2.13
Earnings per average common share:			
Basic and diluted	\$1.03	\$1.83	\$2.28
Dividends declared per common share	\$1.80	\$1.80	\$1.80
Average number of common shares outstanding:			
Basic	240,207,539	229,084,241	227,669,970
Diluted	240,297,842	229,175,392	227,729,975

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	For the 1997	Years Ended December 1996	December 31, 1995
	(In Thousands)		
Operating Activities:			
Net income	\$300,899	\$490,563	\$597,949
Noncash items included in net income:			
Write-off of River Bend rate deferrals	-	194,498	-
Cumulative effect of a change in accounting principle	-	-	(35,415)
Gain on Cajun Settlement	(246,022)	-	-
Reserve for regulatory adjustments	381,285	-	-
Amortization of rate deferrals	421,803	414,969	378,776
Other regulatory charges (credits)	(18,545)	(47,542)	29,311
Depreciation, amortization, and decommissioning	980,008	790,948	695,865
Deferred income taxes and investment tax credits	(252,955)	76,920	(31,006)
Allowance for equity funds used during construction	(10,057)	(9,951)	(9,629)
Changes in working capital:			
Receivables	(99,411)	(30,322)	(30,550)
Fuel inventory	20,272	(17,220)	(28,956)
Accounts payable	181,243	4,011	(19,124)
Taxes accrued	143,151	(27,488)	115,250
Interest accrued	(9,849)	7,176	(194)
Other working capital accounts	(130,715)	(121,692)	(85,454)
Changes in other regulatory assets	28,016	(85,051)	(3,876)
Decommissioning trust contributions and realized change in trust assets	(68,139)	(52,204)	(37,756)
Proceeds from settlement of Cajun litigation	102,299	-	-
Other	1,349	(59,566)	(31,509)
	-----	-----	-----
Net cash flow provided by operating activities	1,724,632	1,528,049	1,503,682
	-----	-----	-----
Investing Activities:			
Construction/capital expenditures	(847,223)	(571,890)	(618,436)
Allowance for equity funds used during construction	10,057	9,951	9,629
Nuclear fuel purchases	(89,237)	(123,929)	(207,501)
Proceeds from sale/leaseback of nuclear fuel	144,442	109,980	226,607
Acquisition of London Electricity, net of cash acquired	(1,951,701)	-	-
Acquisition of CitiPower	-	(1,156,112)	-
Acquisition of security companies	(87,669)	(83,000)	-
Investment in other nonregulated/nonutility properties	1,322	-	(172,814)
Proceeds from sale of Hub Power and Transener stock	54,153	26,955	-
Proceeds from sale of Independence 2	-	39,398	-
Other	(17,288)	(25,710)	(28,982)
	-----	-----	-----
Net cash flow used in investing activities	(2,783,144)	(1,774,357)	(791,497)
	-----	-----	-----

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Financing Activities			
Proceeds from the issuance of:			
General and refunding mortgage bonds	64,827	39,608	109,285
First mortgage bonds	129,564	431,906	-
Bank notes and other long-term debt	1,852,891	1,066,858	273,542
Preferred securities of subsidiary trusts and partnership	382,323	125,963	-
Common stock	305,379	118,087	-
Retirement of:			
First mortgage bonds	(402,692)	(821,575)	(225,800)
General and refunding mortgage bonds	(7,622)	(56,000)	(69,200)
Other long-term debt	(341,355)	(145,110)	(221,043)
Redemption of preferred stock	(124,367)	(157,503)	(46,564)
Changes in short-term borrowings - net	142,025	(24,981)	(126,200)
Preferred stock dividends paid	(51,270)	(70,536)	(77,969)
Common stock dividends paid	(438,183)	(405,346)	(408,553)
	-----	-----	-----
Net cash flow provided by (used in) financing activities	1,511,520	101,371	(792,502)
	-----	-----	-----
Effect of exchange rates on cash and cash equivalents	(11,164)	50	-
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	441,844	(144,887)	(80,317)
Cash and cash equivalents at beginning of period	388,703	533,590	613,907
	-----	-----	-----
Cash and cash equivalents at end of period	\$830,547	\$388,703	\$533,590
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$858,871	\$677,535	\$626,531
Income taxes	\$390,238	\$373,247	\$285,738
Noncash investing and financing activities:			
Capital lease obligations incurred	-	\$16,358	-
Change in unrealized appreciation of			
decommissioning trust assets	\$30,951	\$7,803	\$16,614
Acquisition of nuclear fuel	-	\$47,695	-
Treasury shares issued to acquire Ranger American	\$21,464	-	-
Net assets acquired from Cajun settlement	\$319,056	-	-

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	1997	December 31, 1996
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	\$85,067	\$34,807
Temporary cash investments - at cost, which approximates market	700,431	346,782
Special deposits	45,049	7,114
Total cash and cash equivalents	830,547	388,703
Notes receivable	8,157	1,384
Accounts receivable:		
Customer (less allowance for doubtful accounts of \$31.7 million in 1997 and \$9.2 million in 1996)	458,085	324,687
Other	225,523	99,066
Accrued unbilled revenues	580,194	351,429
Deferred fuel	150,596	122,184
Fuel inventory - at average cost	119,331	139,603
Materials and supplies - at average cost	367,870	339,622
Rate deferrals	259,628	444,543
Prepayments and other	171,391	151,312
Total	3,171,322	2,362,533
Other Property and Investments:		
Decommissioning trust funds	589,050	357,962
Non-regulated investments	568,951	513,058
Other	225,818	59,053
Total	1,383,819	930,073
Utility Plant:		
Electric	25,310,122	22,739,797
Plant acquisition adjustment - Entergy Gulf States	439,160	455,425
Electric plant under leases	674,483	679,991
Property under capital leases - electric	134,278	147,277
Natural gas	169,964	168,143
Steam products	82,289	81,743
Construction work in progress	565,667	401,676
Nuclear fuel under capital leases	269,011	250,651
Nuclear fuel	72,875	112,625
Total	27,717,849	25,037,328
Less - accumulated depreciation and amortization	9,585,021	8,866,764
Utility plant - net	18,132,828	16,170,564
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	162,602	399,493
SFAS 109 regulatory asset - net	1,174,187	1,196,041
Unamortized loss on reacquired debt	196,891	217,664
Other regulatory assets	466,780	477,942
Long-term receivables	36,984	216,082
CitiPower license (net of amortization of \$25.6 million in 1997 and \$15.6 million in 1996)	486,153	606,214
London Electricity license (net of \$31.1 million of amortization)	1,327,312	-
Other	461,822	379,419
Total	4,312,731	3,492,855
TOTAL	\$27,000,700	\$22,956,025
	=====	=====

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1997	1996
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	\$390,674	\$345,620
Notes payable	428,964	20,686
Accounts payable	915,800	554,558
Customer deposits	178,162	155,534
Taxes accrued	359,996	180,340
Accumulated deferred income taxes	56,524	78,010
Interest accrued	214,763	203,425
Dividends declared	8,166	8,950
Obligations under capital leases	167,700	151,287
Other	81,303	184,157
	-----	-----
Total	2,802,052	1,882,567
	-----	-----
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	4,567,052	3,760,491
Accumulated deferred investment tax credits	587,781	607,641
Obligations under capital leases	236,000	247,360
Other	1,857,514	1,298,306
	-----	-----
Total	7,248,347	5,913,798
	-----	-----
Long-term debt	9,068,325	7,590,804
Subsidiaries' preferred stock with sinking fund	185,005	216,986
Subsidiary's preference stock	150,000	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated deferrable debentures	215,000	130,000
Company-obligated redeemable preferred securities of subsidiary partnership holding solely junior subordinated deferrable debentures	300,000	-
Shareholders' Equity:		
Subsidiaries' preferred stock without sinking fund	338,455	430,955
Common stock, \$.01 par value, authorized 500,000,000 shares; issued 246,149,198 shares in 1997 and 234,456,457 shares in 1996	2,461	2,345
Paid-in capital	4,613,572	4,320,591
Retained earnings	2,157,912	2,341,703
Cumulative foreign currency translation adjustment	(69,817)	21,725
Less - treasury stock (306,852 shares in 1997 and 1,496,118 shares in 1996)	10,612	45,449
	-----	-----
Total	7,031,971	7,071,870
	-----	-----
Commitments and Contingencies (Notes 2, 9, and 10)		
TOTAL	\$27,000,700	\$22,956,025
	=====	=====

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS AND
PAID-IN CAPITAL

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$2,341,703	\$2,335,579	\$2,223,739
Add:			
Earnings applicable to common stock	247,683	420,027	519,980
Deduct:			
Dividends declared on common stock	432,268	412,250	409,801
Capital stock and other expenses	(794)	1,653	(1,661)
Total	431,474	413,903	408,140
Retained Earnings, December 31	\$2,157,912	\$2,341,703	\$2,335,579
	=====	=====	=====
Paid-in Capital, January 1	\$4,320,591	\$4,201,483	\$4,202,134
Add:			
Gain (loss) on reacquisition of subsidiaries' preferred stock	273	1,795	(26)
Common stock issuances related to stock plans	292,870	117,560	(3,002)
Total	293,143	119,355	(3,028)
Deduct:			
Capital stock discounts and other expenses	162	247	(2,377)
Paid-in Capital, December 31	\$4,613,572	\$4,320,591	\$4,201,483
	=====	=====	=====

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997 (4)	1996 (3)	1995	1994	1993
	(In Thousands, Except Per Share Amounts)				
Operating revenues	\$ 9,561,721	\$ 7,177,657	\$ 6,273,072	\$ 5,981,820	\$ 4,475,224
Income before cumulative effect of a change in accounting principle	\$ 300,899	\$ 490,563	\$ 562,534	\$ 423,559	\$ 514,648
Earnings per share before cumulative effect of accounting changes					
Basic	\$ 1.03	\$ 1.83	\$ 2.13	\$ 1.49	\$ 2.62
Diluted	\$ 1.03	\$ 1.83	\$ 2.13	\$ 1.49	\$ 2.62
Dividends declared per share	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.65
Return on average common equity	3.71%	6.41%	8.11%	5.31%	12.58%
Book value per share, year-end (2)	\$ 27.23	\$ 28.51	\$ 28.41	\$ 27.93	\$ 28.27
Total assets (2)	\$27,000,700	\$22,956,025	\$22,265,930	\$ 22,621,874	\$22,876,697
Long-term obligations (1)(2)	\$10,154,330	\$ 8,335,150	\$ 7,484,248	\$ 7,817,366	\$ 8,177,882

(1) Includes long-term debt (excluding currently maturing debt), preferred and preference stock with sinking fund, preferred securities of subsidiary trusts and partnership, and noncurrent capital lease obligations.

(2) 1993 amounts include the effects of the Merger in accordance with the purchase method of accounting for combinations.

(3) 1996 amounts include the effects of the CitiPower acquisition.

(4) 1997 amounts include the effects of the London Electricity acquisition as of February 7, 1997 (see Note 13).

	1997	1996	1995	1994	1993
	(In Thousands)				
Domestic Utility Electric					
Operating Revenues:					
Residential	\$2,271,363	\$2,277,647	\$2,177,348	\$2,127,820	\$1,594,515
Commercial	1,581,878	1,573,251	1,491,818	1,500,462	1,071,070
Industrial	2,018,625	1,987,640	1,810,045	1,834,155	1,197,695
Governmental	171,773	169,287	154,032	159,840	136,471

Total retail	6,043,639	6,007,825	5,633,243	5,622,277	3,999,751
Sales for resale	359,881	376,011	334,874	293,702	280,505
Other (1)	135,311	67,104	119,901	(123,569)	88,713

Total	\$6,538,831	\$6,450,940	\$6,088,018	\$5,792,410	\$4,368,969
=====					
Billed Electric Energy					
Sales (GWH):					
Residential	28,286	28,303	27,704	26,231	18,946
Commercial	21,671	21,234	20,719	20,050	13,420
Industrial	44,649	44,340	42,260	41,030	24,889
Governmental	2,507	2,449	2,311	2,233	1,887

Total retail	97,113	96,326	92,994	89,544	59,142
Sales for resale	9,707	10,583	10,471	7,908	8,291

Total	106,820	106,909	103,465	97,452	67,433
=====					

(1) 1994 includes the effects of the FERC Settlement, the 1994 NOPSI Settlement, and an Entergy Gulf States reserve for rate refund.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Arkansas, Inc.

We have audited the accompanying balance sheets of Entergy Arkansas, Inc. (formerly Arkansas Power & Light Company) as of December 31, 1997 and 1996, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY ARKANSAS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1997 primarily due to decreases in electric operating revenues and Grand Gulf 1 carrying charges, partially offset by lower income taxes.

Net income decreased in 1996 due primarily to the one-time recording of the cumulative effect of the change in accounting method in 1995 for incremental nuclear refueling outage maintenance costs. Excluding the above mentioned item, net income would have increased \$21.1 million in 1996 primarily due to a decrease in other operation and maintenance expenses.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues and Sales", "Expenses", and "Other" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON," following the financial statements, for information on operating revenues by source and KWH sales.

The changes in electric operating revenues for the twelve months ended December 31, 1997 and 1996 are as follows:

Increase/(Decrease) Description	1997 (In Millions)	1996
Change in base revenues (\$10.1)	(\$8.1)	
Rate riders (5.3)	15.4	
Fuel cost recovery	10.3	8.0
Sales volume/weather	5.9	19.5
Other revenue (including unbilled) (7.1)	(24.2)	
Sales for resale	(27.0)	90.2
Total	(\$27.7)	\$95.2

Electric operating revenues decreased in 1997 due primarily to decreases in sales for resale and other revenue, partially offset by an increase in rate rider revenues and higher fuel adjustment revenues, which do not affect net income. The decrease in sales for resale resulted from a decrease in sales to associated companies primarily due to changes in generation requirements and availability among the domestic utility companies. Other revenue (primarily unbilled revenue) decreased primarily as a result of the volume difference in the unbilled beginning of year amount and due to the \$10.6 million impact of a rate reduction implemented in 1997 related to the transition to competition filing with the APSC. The increase in rate rider revenues was due to an increase in Grand Gulf 1 rate rider revenues as a result of warmer weather during the second half of the year.

Electric operating revenues increased in 1996 due primarily to increased sales for resale and higher sales volume. Sales for resale increased due to an increase in sales to associated companies primarily due to changes in generation requirements and availability among the domestic utility companies. The increase in sales volume resulted from increased customer usage, partially attributable to more severe weather as compared to 1995.

ENTERGY ARKANSAS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Expenses

Operating expenses increased in 1997 primarily due to the recognition of additional regulatory liabilities related to the APSC settlement agreement and the write-off of previously deferred radioactive waste facility costs, partially offset by a decrease in fuel and purchased power expenses. The increase in the amortization of rate deferrals is due to an increase in amortization prescribed in the Grand Gulf 1 rate phase-in plan and the Stipulation and Settlement Agreement with the APSC. See Note 2 for further discussion of the APSC agreement. Fuel and purchased power expenses decreased primarily as a result of significantly lower prices.

Operating expenses increased in 1996 primarily due to an increase in fuel and purchased power expenses, partially offset by reduced other regulatory charges and decreased other operation and maintenance expenses. The increase in fuel and purchased power expenses is largely due to an increase in generation and purchases related to the increase in sales for resale. The decrease in other operation and maintenance expenses resulted from lower payroll expenses. Payroll expenses decreased as a result of restructuring costs recorded in 1995 and the resulting decrease in employees.

Other

Miscellaneous other income - net decreased in 1997 and 1996 due to reduced Grand Gulf 1 carrying charges as a result of a decline in the deferral balance which does not impact net income.

The effective income tax rates for 1997, 1996, and 1995 were 31.6%, 34.9%, and 34.5%, respectively. The decrease in 1997 is primarily due to the impact of recording the tax benefit of Entergy Corporation's expenses as prescribed by the tax allocation agreement. The effective income tax rate for 1996 was relatively unchanged from 1995.

ENTERGY ARKANSAS, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Revenues	\$1,715,714	\$1,743,433	\$1,648,233
<hr/>			
Operating Expenses:			
Operation and maintenance:			
Fuel and fuel-related expenses	254,703	257,008	231,619
Purchased power	419,128	432,825	363,199
Nuclear refueling outage expenses	27,969	29,365	31,754
Other operation and maintenance	360,860	358,789	375,059
Depreciation, amortization, and decommissioning	166,652	167,878	162,087
Taxes other than income taxes	36,700	37,688	38,319
Other regulatory charges (credits)	29,686	18,096	60,227
Amortization of rate deferrals	153,141	131,634	114,102
	<hr/>		
Total	1,448,839	1,433,283	1,376,366
<hr/>			
Operating Income	266,875	310,150	271,867
<hr/>			
Other Income:			
Allowance for equity funds used during construction	3,563	3,886	3,567
Miscellaneous - net	18,663	32,591	46,227
	<hr/>		
Total	22,226	36,477	49,794
<hr/>			
Interest Charges:			
Interest on long-term debt	95,122	98,531	106,853
Other interest - net	3,943	6,257	8,485
Distributions on preferred securities of subsidiary trust	5,100	1,927	-
Allowance for borrowed funds used during construction	(2,261)	(2,330)	(2,424)
	<hr/>		
Total	101,904	104,385	112,914
<hr/>			
Income Before Income Taxes	187,197	242,242	208,747
Income Taxes	59,220	84,444	72,082
<hr/>			
Income before the Cumulative Effect of Accounting Changes	127,977	157,798	136,665
Cumulative Effect of Accounting Changes (net of income taxes)	-	-	35,415
<hr/>			
Net Income	127,977	157,798	172,080
Preferred Stock Dividend Requirements and Other	10,988	16,110	18,093
<hr/>			
Earnings Applicable to Common Stock	\$116,989	\$141,688	\$153,987
<hr/>			
See Notes to Financial Statements.			

ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS

	For the 1997	Years Ended December 1996	31, 1995
	(In Thousands)		
Operating Activities:			
Net income	\$127,977	\$157,798	\$172,080
Noncash items included in net income:			
Cumulative effect of a change in accounting principle	-	-	(35,415)
Amortization of rate deferrals	153,141	139,701	125,504
Other regulatory charges (credits), net	29,686	18,096	60,227
Depreciation, amortization, and decommissioning	166,652	167,878	162,087
Deferred income taxes and investment tax credits	(77,814)	(46,026)	(33,882)
Allowance for equity funds used during construction	(3,563)	(3,886)	(3,567)
Changes in working capital:			
Receivables	9,099	(4,292)	(39,209)
Fuel inventory	29,150	137	(22,895)
Accounts payable	(25,451)	(1,112)	55,732
Taxes accrued	23,133	14,035	(5,080)
Interest accrued	1,201	(2,615)	(824)
Other working capital accounts	(10,220)	(7,529)	(28,375)
Decommissioning trust contributions and realized change in trust assets	(24,956)	(30,474)	(30,568)
Provision for estimated losses and reserves	9,594	4,125	2,849
Other	26,111	(29,258)	(40,306)
	-----	-----	-----
Net cash flow provided by operating activities	433,740	376,578	338,358
	-----	-----	-----
Investing Activities:			
Construction expenditures	(140,913)	(145,529)	(165,071)
Allowance for equity funds used during construction	3,563	3,886	3,567
Nuclear fuel purchases	(59,104)	(26,084)	(41,219)
Proceeds from sale/leaseback of nuclear fuel	59,065	25,451	41,832
	-----	-----	-----
Net cash flow used in investing activities	(137,389)	(142,276)	(160,891)
	-----	-----	-----
Financing Activities:			
Proceeds from issuance of:			
First mortgage bonds	84,064	84,256	-
Other long-term debt	45,500	-	118,662
Preferred securities of subsidiary trust	-	58,168	-
Retirement of:			
First mortgage bonds	(117,587)	(112,807)	(25,800)
Other long-term debt	-	(1,700)	(124,025)
Redemption of preferred stock	(9,000)	(69,624)	(9,500)
Changes in short-term borrowings - net	-	-	(34,000)
Dividends paid:			
Common stock	(128,600)	(142,800)	(153,400)
Preferred stock	(11,194)	(17,736)	(18,362)
	-----	-----	-----
Net cash flow used in financing activities	(136,817)	(202,243)	(246,425)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	159,534	32,059	(68,958)
Cash and cash equivalents at beginning of period	43,857	11,798	80,756
	-----	-----	-----
Cash and cash equivalents at end of period	\$203,391	\$43,857	\$11,798
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$101,839	\$94,662	\$102,851
Income taxes	\$111,394	\$110,211	\$113,080
Noncash investing and financing activities:			
Capital lease obligations incurred	-	\$16,358	-
Acquisition of nuclear fuel	-	\$27,500	-
Change in unrealized appreciation of decommissioning trust assets	\$22,343	\$5,968	\$9,128

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
ASSETS

	1997	December 31, 1996
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	\$6,076	\$5,117
Temporary cash investments - at cost, which approximates market:		
Associated companies	41,389	17,462
Other	110,877	21,278
Special deposits	45,049	-
Total cash and cash equivalents	203,391	43,857
Accounts receivable:		
Customer (less allowance for doubtful accounts of \$1.8 million in 1997 and \$2.3 million in 1996)	71,910	71,144
Associated companies	46,166	45,303
Other	10,282	5,862
Accrued unbilled revenues	89,616	104,764
Fuel inventory - at average cost	28,169	57,319
Materials and supplies - at average cost	79,692	72,976
Rate deferrals	75,249	153,141
Deferred nuclear refueling outage costs	24,335	24,534
Prepayments and other	8,647	16,496
Total	637,457	595,396
Other Property and Investments:		
Investment in subsidiary companies - at equity	11,213	11,211
Decommissioning trust fund	250,573	203,274
Other - at cost (less accumulated depreciation)	4,939	5,058
Total	266,725	219,543
Utility Plant:		
Electric	4,650,065	4,578,728
Property under capital leases	53,843	57,869
Construction work in progress	123,087	83,524
Nuclear fuel under capital lease	92,621	79,103
Nuclear fuel	-	27,500
Total	4,919,616	4,826,724
Less - accumulated depreciation and amortization	2,116,826	1,976,204
Utility plant - net	2,802,790	2,850,520
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	-	75,249
SFAS 109 regulatory asset - net	252,712	244,767
Unamortized loss on reacquired debt	53,780	56,664
Other regulatory assets	79,461	80,257
Other	13,952	31,421
Total	399,905	488,358
TOTAL	\$4,106,877	\$4,153,817

See Notes to Financial Statements.

ENERGY ARKANSAS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	1997	December 31, 1996
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	\$60,650	\$32,465
Notes payable	667	667
Accounts payable:		
Associated companies	59,438	91,205
Other	76,405	97,589
Customer deposits	23,437	21,800
Taxes accrued	77,327	54,194
Accumulated deferred income taxes	32,239	70,506
Interest accrued	28,826	27,625
Co-owner advances	7,666	33,873
Deferred fuel cost	16,244	6,955
Obligations under capital leases	62,623	53,012
Other	21,696	17,967
	-----	-----
Total	467,218	507,858
	-----	-----
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	759,489	785,994
Accumulated deferred investment tax credits	103,899	108,307
Obligations under capital leases	83,841	83,940
Other	169,884	113,998
	-----	-----
Total	1,117,113	1,092,239
	-----	-----
Long-term debt		
Long-term debt	1,244,860	1,255,388
Preferred stock with sinking fund	31,027	40,027
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	60,000	60,000
Shareholder's Equity:		
Preferred stock without sinking fund	116,350	116,350
Common stock, \$0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares	470	470
Additional Paid-in capital	590,134	590,169
Retained earnings	479,705	491,316
	-----	-----
Total	1,186,659	1,198,305
	-----	-----
Commitments and Contingencies (Notes 2, 9 and 10)		
TOTAL	\$4,106,877	\$4,153,817
	=====	=====

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$491,316	\$492,386	\$491,799
Add:			
Net income	127,977	157,798	172,080
Increase in investment in subsidiary	-	42	-
Total	127,977	157,840	172,080
Deduct:			
Dividends declared:			
Preferred stock	10,988	16,110	18,093
Common stock	128,600	142,800	153,400
Total	139,588	158,910	171,493
Retained Earnings, December 31 (Note 8)	\$479,705	\$491,316	\$492,386

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997	1996	1995	1994	1993
	(In Thousands)				
Operating revenues	\$1,715,714	\$1,743,433	\$1,648,233	\$1,590,742	\$1,591,568
Income before cumulative effect of accounting changes	\$ 127,977	\$ 157,798	\$ 136,665	\$ 142,263	\$ 155,110
Total assets	\$4,106,877	\$4,153,817	\$4,204,415	\$4,292,215	\$4,334,105
Long-term obligations (1)	\$1,419,728	\$1,439,355	\$1,423,804	\$1,446,940	\$1,478,203

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, preferred securities of subsidiary trust, and noncurrent capital lease obligations.

	1997	1996	1995	1994	1993
	(In Thousands)				
Electric Operating Revenues:					
Residential	\$551,821	\$546,100	\$542,862	\$506,160	\$528,734
Commercial	332,715	323,328	318,475	307,296	306,742
Industrial	372,083	364,943	362,854	338,988	336,856
Governmental	18,200	16,989	17,084	16,698	16,670

Total retail Sales for resale	1,274,819	1,251,360	1,241,275	1,169,142	1,189,002
Associated companies	213,845	248,211	178,885	212,314	175,784
Non-associated companies	215,249	207,887	195,844	182,920	203,696
Other	11,801	35,975	32,229	26,366	23,086

Total	\$1,715,714	\$1,743,433	\$1,648,233	\$1,590,742	\$1,591,568
	=====				
Billed Electric Energy Sales (GWH):					
Residential	5,988	6,023	5,868	5,522	5,680
Commercial	4,445	4,390	4,267	4,147	4,067
Industrial	6,647	6,487	6,314	5,941	5,690
Governmental	239	234	243	231	230

Total retail Sales for resale	17,319	17,134	16,692	15,841	15,667
Associated companies	9,557	10,471	8,386	10,591	8,307
Non-associated companies	6,828	6,720	5,066	4,906	5,643

Total	33,704	34,325	30,144	31,338	29,617
	=====				

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Gulf States, Inc.

We have audited the accompanying balance sheets of Entergy Gulf States, Inc. (formerly Gulf States Utilities Company) as of December 31, 1997 and 1996, and the related statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, at January 1, 1996 the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY GULF STATES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased in 1997 due to (i) the \$146 million net of tax receipt of funds and property resulting from the settlement of the Cajun litigation, and (ii) the 1996 net of tax write-off of \$174 million of River Bend rate deferrals required by the adoption of SFAS 121. These increases were partially offset by (i) the 1997 \$227 million net of tax reserve for regulatory adjustments; (ii) the 1997 net of tax write-off of \$7.4 million of previously deferred radioactive waste facility costs; and (iii) the 1996 reversal of the Cajun-River Bend litigation accrual. Excluding the effects of the settlement of the Cajun litigation, the 1997 and 1996 write-offs, the reserve for regulatory adjustments, and the accrual reversal, net income for 1997 would have increased approximately \$11 million due to an increase in electric operating revenues.

Net income decreased in 1996 primarily due to the write-off of rate deferrals, offset by the reversal of the Cajun-River Bend litigation accrual as discussed above. Excluding the River Bend rate deferrals and the Cajun-River Bend litigation accrual, net income for 1996 would have increased slightly due to an increase in electric operating revenues and a decrease in other operation and maintenance expenses.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues and Sales", "Expenses", and "Other" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON", following the financial statements, for information on operating revenues by source and KWH sales.

The changes in electric operating revenues for the twelve months ended December 31, 1997 and 1996 are as follows:

Description	Increase / (Decrease)	
	1997	1996
	(In Millions)	
Change in base revenues (\$60.3)	(\$103.8)	
Fuel cost recovery	66.8	152.0
Sales volume/weather	46.2	65.1
Other revenue (including unbilled)	151.1	12.8
Sales for resale (32.6)	(24.8)	
	-----	-----
Total	\$135.5	\$137.0
	=====	=====

Electric operating revenues increased in 1997 as a result of increased other revenue, increased fuel adjustment revenues, which do not affect net income, and increased sales volume. These increases were partially offset by a decrease in base revenues and sales for resale. Other revenue increased due to the gain on the Cajun Settlement for Cajun's 30% of property associated with River Bend. Fuel adjustment revenues increased due to a PUCT order that approved recovery of under-recovered fuel expenses. Sales volume increased primarily due to an increase in sales to industrial customers, in particular, certain cogeneration customers who purchased electricity from Entergy Gulf States for less than their production cost. Base revenues decreased in 1997 due to the reserve for regulatory adjustments, the provision for rate reductions implemented for Louisiana retail customers in November 1996 and February 1997, aggressive pricing strategies for targeted customer segments, and a change in the

ENTERGY GULF STATES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

sales mix from residential customers to industrial customers. Sales for resale decreased due to decreased sales to both associated and non-associated companies. During the fourth quarter of 1997, Entergy Gulf States established reserves for potential regulatory adjustments based on management's estimates of the financial effect of potential adverse rulings in connection with the River Bend plant-related costs and pending rate proceedings in Texas. See Note 2 for further discussion of the PUCT order related to under-recovered fuel expenses, the River Bend plant-related costs, and other pending rate proceedings.

Gas operating revenues increased in 1997 due to an increase in the fuel factor granted by the LPSC. This increase permits recovery of previously deferred gas costs. The increase in gas operating revenues was offset by a decrease in steam operating revenues due to a change in a customer contract in 1997 and an increase in customer requirements in 1996.

Electric operating revenues increased in 1996 primarily due to increased fuel adjustment revenues, which do not affect net income, increased customers, and increased customer usage. These increases were partially offset by rate reductions in effect for both Texas and Louisiana retail customers and increased base revenues for 1995. Base revenues also increased in 1995 as a result of rate refund reserves established in 1994, which were subsequently reduced as a result of an amended PUCT order. Sales for resale to associated companies decreased as a result of changes in generation availability and requirements among the domestic utility companies.

Gas operating revenues and steam operating revenues increased for 1996 primarily due to higher fuel prices and increased usage.

Expenses

Operating expenses increased slightly in 1997 due to increases in fuel and purchased power expenses and in the amortization of rate deferrals, partially offset by decreased other operation and maintenance expenses resulting from the Cajun settlement. Fuel and purchased power expenses increased due to increased gas usage and increased energy requirements resulting from higher sales volume. Amortization of rate deferrals increased based on the LPSC-approved River Bend phase-in plan. See Note 2 for further discussion. The decrease in other operation and maintenance expenses was partially offset by the write-off of radioactive waste facility costs.

Operating expenses increased in 1996 as a result of higher fuel expenses, including purchased power, partially offset by lower other operation and maintenance expenses. Fuel and purchase power expenses, taken together, increased because of higher gas prices and increased energy requirements resulting from higher sales volume. Other operation and maintenance expenses decreased primarily due to lower payroll-related expenses associated with restructuring programs accrued for in 1995.

Other

Other income decreased in 1997 due to the reserve for other regulatory adjustments, partially offset by the 1997 settlement of the Cajun litigation and the 1996 write-off of River Bend rate deferrals. Interest expense decreased in 1997 due to the retirement of long-term debt.

Other income decreased in 1996 due to the write-off of River Bend rate deferrals pursuant to the adoption of SFAS 121. See Note 2 for further discussion. This decrease was partially offset by the Cajun-River Bend litigation accrual reversal.

The effective income tax rates for 1997, 1996, and 1995 were 27.2%, 104.0%, and 35.3%, respectively. The decrease in the effective income tax rate in 1997 is due to a decrease in regulatory operating reserves which receive flow through treatment in 1997 and the \$194.5 million River Bend SFAS 121 write-off in 1996. The change in effective income tax rates in 1996 is primarily due to the River Bend SFAS 121 write-off of \$194.5 million in January 1996.

ENTERGY GULF STATES, INC.
STATEMENTS OF INCOME (LOSS)

	For the 1997	Years Ended December 1996	31, 1995
	(In Thousands)		
Operating Revenues:			
Electric	\$2,061,511	\$1,925,988	\$1,788,964
Natural gas	42,654	34,050	23,715
Steam products	43,664	59,143	49,295
	-----	-----	-----
Total	2,147,829	2,019,181	1,861,974
	-----	-----	-----
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	560,104	520,065	516,812
Purchased power	327,037	295,960	169,767
Nuclear refueling outage expenses	10,829	8,660	10,607
Other operation and maintenance	316,253	402,719	432,647
Depreciation, amortization, and decommissioning	214,644	206,070	202,224
Taxes other than income taxes	109,572	102,170	102,228
Other regulatory charges (credits)	(26,611)	(25,317)	(24,359)
Amortization of rate deferrals	105,455	96,956	90,384
	-----	-----	-----
Total	1,617,283	1,607,283	1,500,310
	-----	-----	-----
Operating Income	530,546	411,898	361,664
	-----	-----	-----
Other Income (Deductions):			
Allowance for equity funds used during construction	2,211	2,618	1,125
Write-off of River Bend rate deferrals	-	(194,498)	-
Miscellaneous - net	(272,135)	69,841	22,573
	-----	-----	-----
Total	(269,924)	(122,039)	23,698
	-----	-----	-----
Interest Charges:			
Interest on long-term debt	163,146	181,071	191,341
Other interest - net	10,026	12,819	8,884
Distributions on preferred securities of subsidiary trust	6,901	-	-
Allowance for borrowed funds used during construction	(1,829)	(2,235)	(1,026)
	-----	-----	-----
Total	178,244	191,655	199,199
	-----	-----	-----
Income Before Income Taxes	82,378	98,204	186,163
Income Taxes	22,402	102,091	63,244
	-----	-----	-----
Net Income (Loss)	59,976	(3,887)	122,919
Preferred and Preference Stock Dividend Requirements and Other	23,865	28,505	29,643
	-----	-----	-----
Earnings (Loss) Applicable to Common Stock	\$36,111	(\$32,392)	\$93,276
	=====	=====	=====

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF CASH FLOWS

	For the 1997	Years Ended 1996	December 31, 1995
	(In Thousands)		
Operating Activities:			
Net income (loss)	\$59,976	(\$3,887)	\$122,919
Noncash items included in net income (loss):			
Write-off of River Bend rate deferrals	-	194,498	-
Gain on Cajun Settlement	(246,022)	-	-
Reserve for regulatory adjustments	381,285	-	-
Amortization of rate deferrals	105,455	96,956	90,384
Other regulatory charges (credits)	(26,611)	(25,317)	(24,359)
Depreciation, amortization, and decommissioning	214,644	206,070	202,224
Deferred income taxes and investment tax credits	(52,486)	101,380	63,231
Allowance for equity funds used during construction	(2,211)	(2,618)	(1,125)
Changes in working capital:			
Receivables	(19,679)	3,691	40,193
Fuel inventory	7,382	(12,868)	(6,357)
Accounts payable	16,999	(26,706)	(4,820)
Taxes accrued	12,171	(1,266)	24,935
Interest accrued	(4,497)	(7,186)	1,510
Reserve for rate refund	-	-	(56,972)
Deferred fuel	(46,254)	(68,349)	(24,840)
Other working capital accounts	(11,765)	(70,775)	(16,079)
Decommissioning trust contributions and realized change in trust assets	(9,540)	(7,436)	(9,513)
Provision for estimated losses and reserves	(5,852)	(1,885)	10,119
Proceeds from settlement of Cajun litigation	102,299	-	-
Other	(8,970)	(51,947)	(10,696)
	-----	-----	-----
Net cash flow provided by operating activities	466,324	322,355	400,754
	-----	-----	-----
Investing Activities:			
Construction expenditures	(132,566)	(154,993)	(185,944)
Allowance for equity funds used during construction	2,211	2,618	1,125
Nuclear fuel purchases	(25,522)	(25,124)	(1,425)
Proceeds from sale/leaseback of nuclear fuel	25,522	26,523	542
	-----	-----	-----
Net cash flow used in investing activities	(130,355)	(150,976)	(185,702)
	-----	-----	-----
Financing Activities:			
Proceeds from the issuance of:			
Long-term debt	-	780	2,277
Preferred securities of subsidiary trust	82,323	-	-
Retirement of:			
First mortgage bonds	(132,240)	(195,417)	-
Other long-term debt	(50,865)	(50,425)	(50,425)
Redemption of preferred and preference stock	(93,367)	(10,179)	(7,283)
Dividends paid:			
Common stock	(77,200)	-	-
Preferred and preference stock	(21,862)	(28,336)	(29,661)
	-----	-----	-----
Net cash flow used in financing activities	(293,211)	(283,577)	(85,092)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	42,758	(112,198)	129,960
Cash and cash equivalents at beginning of period	122,406	234,604	104,644
	-----	-----	-----
Cash and cash equivalents at end of period	\$165,164	\$122,406	\$234,604
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$167,642	\$189,962	\$187,918
Income taxes	\$50,477	\$285	\$208
Noncash investing and financing activities:			
Change in unrealized appreciation of decommissioning trust assets	\$3,939	\$1,604	\$2,121
Net assets acquired from Cajun settlement	\$319,056	-	-

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
ASSETS

	1997	December 31, 1996
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	\$10,549	\$6,573
Temporary cash investments - at cost, which approximates market:		
Associated companies	37,389	45,234
Other	117,226	70,599
Total cash and cash equivalents	165,164	122,406
Accounts receivable:		
Customer (less allowance for doubtful accounts of \$1.8 million in 1997 and \$2.0 million in 1996)	99,762	87,883
Associated companies	9,024	2,777
Other	32,837	30,758
Accrued unbilled revenues	74,825	75,351
Deferred fuel costs	145,757	99,503
Accumulated deferred income taxes	22,093	56,714
Fuel inventory - at average cost	37,627	45,009
Materials and supplies - at average cost	104,690	86,157
Rate deferrals	21,749	105,456
Prepayments and other	21,680	16,321
Total	735,208	728,335
Other Property and Investments:		
Decommissioning trust fund	187,462	41,983
Other - at cost (less accumulated depreciation)	176,953	38,358
Total	364,415	80,341
Utility Plant:		
Electric	7,168,668	7,040,654
Natural Gas	47,656	45,443
Steam products	82,289	81,743
Property under capital leases	67,946	72,800
Construction work in progress	90,333	112,137
Nuclear fuel under capital lease	54,390	49,833
Nuclear fuel	23,051	-
Total	7,534,333	7,402,610
Less - accumulated depreciation and amortization	2,996,147	2,827,275
Utility plant - net	4,538,186	4,575,335
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	98,410	120,158
SFAS 109 regulatory asset - net	376,275	372,817
Unamortized loss on reacquired debt	48,417	54,761
Other regulatory assets	86,819	87,429
Long-term receivables	36,984	216,082
Other	203,923	185,921
Total	850,828	1,037,168
TOTAL	\$6,488,637	\$6,421,179

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	1997	December 31, 1996
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	\$190,890	\$160,865
Accounts payable:		
Associated companies	48,726	55,630
Other	109,444	85,541
Customer deposits	30,311	25,572
Taxes accrued	48,318	36,147
Interest accrued	45,154	49,651
Nuclear refueling reserve	3,386	12,354
Obligations under capital leases	30,280	39,110
Other	17,646	18,186
Total	524,155	483,056
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,124,644	1,190,666
Accumulated deferred investment tax credits	215,438	219,188
Obligations under capital leases	92,055	83,524
Deferred River Bend finance charges	9,330	33,688
Other	914,079	539,752
Total	2,355,546	2,066,818
Long-term debt	1,702,719	1,915,346
Preferred stock with sinking fund	68,978	77,459
Preference stock	150,000	150,000
Company - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	85,000	-
Shareholder's Equity:		
Preferred stock without sinking fund	51,444	136,444
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 100 shares	114,055	114,055
Additional paid-in capital	1,152,575	1,152,689
Retained earnings	284,165	325,312
Total	1,602,239	1,728,500
Commitments and Contingencies (Notes 2, 9 and 10)		
TOTAL	\$6,488,637	\$6,421,179
	=====	=====

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$325,312	\$357,704	\$264,626
Add:			
Net income (loss)	59,976	(3,887)	122,919
Deduct:			
Dividends declared:			
Preferred and preference stock	21,862	28,336	29,482
Common stock	77,200	-	-
Preferred and preference stock redemption and other	2,061	169	359
Total	101,123	28,505	29,841
	-----	-----	-----
Retained Earnings, December 31 (Note 8)	\$284,165	\$325,312	\$357,704
	=====	=====	=====

See Notes to Financial Statements.

ENTERGY GULF STATES, INC. AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997	1996	1995	1994	1993
			(In Thousands)		
Operating revenues	\$2,147,829	\$2,019,181	\$ 1,861,974	\$1,797,365	\$1,827,620
Net income (loss)	\$ 59,976	\$ (3,887)	\$ 122,919	\$ (82,755)	\$ 69,461
Total assets	\$6,488,637	\$6,421,179	\$ 6,861,058	\$6,843,461	\$7,137,351
Long-term obligations (1)	\$2,098,752	\$2,226,329	\$ 2,521,203	\$2,689,042	\$2,772,002

(1) Includes long-term debt (excluding currently maturing debt), preferred and preference stock with sinking fund, preferred securities of subsidiary trust, and noncurrent capital lease obligations.

	1997	1996	1995	1994	1993
			(In Thousands)		
Electric Operating Revenues:					
Residential	\$624,862	\$612,398	\$573,566	\$569,997	\$585,799
Commercial	452,724	444,133	412,601	414,929	415,267
Industrial	740,418	685,178	604,688	626,047	650,230
Governmental	33,774	31,023	25,042	25,242	26,118
Total retail	1,851,778	1,772,732	1,615,897	1,636,215	1,677,414
Sales for resale					
Associated companies	14,260	20,783	62,431	45,263	-
Non-associated companies	57,936	76,173	67,103	52,967	31,898
Other (1)	137,537	56,300	43,533	(15,244)	38,649
Total	\$2,061,511	\$1,925,988	\$1,788,964	\$1,719,201	\$1,747,961
Billed Electric Energy					
Sales (GWH):					
Residential	8,178	8,035	7,699	7,351	7,192
Commercial	6,575	6,417	6,219	6,089	5,711
Industrial	18,038	16,661	15,393	15,026	14,294
Governmental	481	438	311	297	296
Total retail	33,272	31,551	29,622	28,763	27,493
Sales for resale					
Associated companies	414	656	2,935	1,866	-
Non-associated companies	1,503	2,148	2,212	1,650	666
Total Electric Department	35,189	34,355	34,769	32,279	28,159

(1) 1994 includes the effects of an Entergy Gulf States reserve for rate refund.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Louisiana, Inc.

We have audited the accompanying balance sheets of Entergy Louisiana, Inc. (formerly Louisiana Power & Light Company) as of December 31, 1997 and 1996, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY LOUISIANA, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1997 primarily due to a decrease in electric operating revenues and an increase in other operation and maintenance expenses, partially offset by lower income taxes.

Net income decreased in 1996 primarily due to a decrease in base rate revenues, partially offset by decreases in other operation and maintenance expenses and lower interest charges.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues and Sales", "Expenses", and "Other" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON", following the financial statements, for information on operating revenues by source and KWH sales.

The changes in electric operating revenues for the twelve months ended December 31, 1997 and 1996 are as follows:

Description	Increase/(Decrease)	
	1997	1996
	(In Millions)	
Change in base revenues (\$36.4)	(\$26.9)	
Fuel cost recovery	29.7	160.2
Sales volume/weather	(23.8)	19.7
Other revenue (including unbilled)	-	3.9
Sales for resale	(4.6)	6.6
	-----	-----
Total	(\$25.6)	\$154.0
	=====	=====

Electric operating revenues decreased in 1997 primarily as a result of a decrease in base revenues and lower sales volume, partially offset by higher fuel adjustment revenues, which do not affect net income. Base revenues decreased due to base rate reductions that became effective in the third quarters of 1996 and 1997. Sales volume decreased because of milder weather during the first half of 1997 and the loss of a large industrial customer as well as substantially lower sales to another large industrial customer in 1997 due to customer cogeneration. Fuel adjustment revenues increased due to shifting generation requirements as a result of the extended Waterford 3 refueling outage.

Electric operating revenues increased in 1996 due primarily to higher fuel adjustment revenues, which do not affect net income, and to higher sales volume, primarily due to modest growth in the number of customers. These increases were partially offset by the impact of base rate reductions ordered in the second quarters of 1995 and 1996, and by a settlement of related rate issues during the fourth quarter of 1995.

ENTERGY LOUISIANA, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Expenses

Operating expenses increased in 1997 primarily due to increases in fuel and purchased power expenses and other operation and maintenance expenses. Fuel and purchased power expenses increased primarily due to shifting generation requirements resulting from the extended refueling outage at the Waterford 3 nuclear plant, partially offset by lower fuel prices. Other operation and maintenance expenses increased due primarily to the write-off of previously deferred radioactive waste facility costs. Also contributing to the increase in other operation and maintenance expenses were nonfueling outage related contract work at Waterford 3 as well as maintenance performed at Waterford 3 and expenses related to fire damage sustained at the Little Gypsy fossil plant in September 1997.

Operating expenses increased in 1996 primarily due to increases in fuel and purchased power expenses, higher depreciation, and higher taxes other than income taxes. These increases were partially offset by a decrease in other operation and maintenance expenses as a result of restructuring charges recorded in 1995 and by the recording of rate deferrals in 1996, as discussed below. The increase in fuel and purchased power expenses is due to both higher gas costs and higher sales volume. Depreciation expense increased due to capital improvements to transmission lines and substations and due to an increase in the depreciation rate associated with Waterford 3. Taxes other than income taxes increased largely as a result of the expiration of Waterford 3's local property tax exemption in December 1995. This increase was offset for the first six months of 1996 by the recording of the LPSC-approved rate deferral for these taxes as discussed in Note 2.

Other

Interest charges on long-term debt decreased for 1996 and 1997 due to the retirement and refinancing of higher-cost long-term debt.

The effective income tax rates for 1997, 1996, and 1995 were 41.1%, 38.3%, and 36.8%, respectively. The increase in 1997 is primarily due to decreased amortization of deferred income taxes on property fully depreciated for income tax purposes. The effective income tax rate for 1996 was relatively unchanged from 1995.

ENERGY LOUISIANA, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Revenues	\$1,803,272	\$1,828,867	\$1,674,875
Operating Expenses:			
Operation and maintenance:			
Fuel and fuel-related expenses	429,823	419,331	300,015
Purchased power	413,532	403,322	351,583
Nuclear refueling outage expenses	18,634	15,885	17,675
Other operation and maintenance	318,856	297,667	311,535
Depreciation, amortization, and decommissioning	172,035	167,779	161,023
Taxes other than income taxes	71,558	72,329	55,867
Other regulatory charges (credits)	5,505	(3,752)	-
Amortization of rate deferrals	5,749	19,860	28,422
Total	1,435,692	1,392,421	1,226,120
Operating Income	367,580	436,446	448,755
Other Income (Deductions):			
Allowance for equity funds used during construction	1,149	862	1,950
Miscellaneous - net	(517)	2,933	2,831
Total	632	3,795	4,781
Interest Charges:			
Interest on long-term debt	116,715	122,604	129,691
Other interest - net	5,885	6,938	7,210
Distributions on preferred securities of subsidiary trust	6,300	2,870	-
Allowance for borrowed funds used during construction	(1,410)	(1,493)	(2,016)
Total	127,490	130,919	134,885
Income Before Income Taxes	240,722	309,322	318,651
Income Taxes	98,965	118,560	117,114
Net Income	141,757	190,762	201,537
Preferred Stock Dividend Requirements and Other	13,355	19,947	21,307
Earnings Applicable to Common Stock	\$128,402	\$170,815	\$180,230

See Notes to Financial Statements.

ENERGY LOUISIANA, INC.
STATEMENTS OF CASH FLOWS

	For the 1997	Years Ended December 31, 1996	1995
		(In Thousands)	
Operating Activities:			
Net income	\$141,757	\$190,762	\$201,537
Noncash items included in net income:			
Amortization of rate deferrals	5,749	19,860	28,422
Other regulatory charges (credits)	5,505	(3,752)	-
Depreciation, amortization, and decommissioning	172,035	167,779	161,023
Deferred income taxes and investment tax credits	(15,456)	18,809	2,450
Allowance for equity funds used during construction	(1,149)	(862)	(1,950)
Changes in working capital:			
Receivables	2,445	(4,889)	(8,069)
Accounts payable	9,140	22,838	4,420
Taxes accrued	17,853	(11,222)	20,472
Interest accrued	(14,678)	5,047	1,215
Other working capital accounts	19,329	(26,831)	(16,993)
Decommissioning trust contributions and realized change in trust assets	(11,191)	(11,620)	(9,180)
Provision for estimated losses and reserves	3,986	3,240	(1,996)
Other	5,801	(17,488)	3,306
	-----	-----	-----
Net cash flow provided by operating activities	341,126	351,671	384,657
	-----	-----	-----
Investing Activities:			
Construction expenditures	(84,767)	(103,187)	(120,244)
Allowance for equity funds used during construction	1,149	862	1,950
Nuclear fuel purchases	(43,332)	-	(44,707)
Proceeds from sale/leaseback of nuclear fuel	43,332	-	47,293
	-----	-----	-----
Net cash flow used in investing activities	(83,618)	(102,325)	(115,708)
	-----	-----	-----
Financing Activities:			
Proceeds from the issuance of:			
First mortgage bonds	-	113,994	-
Other long-term debt	-	-	16,577
Preferred securities of subsidiary trust	-	67,795	-
Retirement of:			
First mortgage bonds	(34,000)	(130,000)	(75,000)
Other long-term debt	(288)	(270)	(308)
Redemption of preferred stock	(7,500)	(67,824)	(11,256)
Changes in short-term borrowings - net	(31,066)	(45,393)	49,305
Dividends paid:			
Common stock	(145,400)	(179,200)	(221,500)
Preferred stock	(13,251)	(19,072)	(21,115)
	-----	-----	-----
Net cash flow used in financing activities	(231,505)	(259,970)	(263,297)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	26,003	(10,624)	5,652
Cash and cash equivalents at beginning of period	23,746	34,370	28,718
	-----	-----	-----
Cash and cash equivalents at end of period	\$49,749	\$23,746	\$34,370
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$132,199	\$118,007	\$128,485
Income taxes	\$68,323	\$125,924	\$96,066
Noncash investing and financing activities:			
Acquisition of nuclear fuel	-	\$32,685	-
	-----	-----	-----
Change in unrealized appreciation of decommissioning trust assets	\$3,432	\$301	\$2,304

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
ASSETS

	1997	December 31, (In Thousands)	1996
Current Assets:			
Cash and cash equivalents:			
Cash	\$5,148		\$1,804
Temporary cash investments - at cost, which approximates market	44,601		21,942
	-----		-----
Total cash and cash equivalents	49,749		23,746
Accounts receivable:			
Customer (less allowance for doubtful accounts of \$1.2 million in 1997 and \$1.4 million in 1996)	69,566		73,823
Associated companies	15,035		11,606
Other	7,441		7,053
Accrued unbilled revenues	61,874		63,879
Deferred fuel costs	-		18,347
Accumulated deferred income taxes	10,994		1,465
Materials and supplies - at average cost	82,850		78,449
Rate deferrals	-		5,749
Deferred nuclear refueling outage costs	27,176		5,300
Prepaid income tax	-		24,651
Prepayments and other	10,793		10,234
	-----		-----
Total	335,478		324,302
	-----		-----
Other Property and Investments:			
Nonutility property	22,525		22,525
Decommissioning trust fund	65,104		50,481
Investment in subsidiary companies - at equity	14,230		14,230
	-----		-----
Total	101,859		87,236
	-----		-----
Utility Plant:			
Electric	5,058,130		4,997,456
Property under capital leases	233,513		232,582
Construction work in progress	52,632		56,180
Nuclear fuel under capital lease	57,811		38,157
Nuclear fuel	1,560		34,191
	-----		-----
Total	5,403,646		5,358,566
Less - accumulated depreciation and amortization	2,021,392		1,881,847
	-----		-----
Utility plant - net	3,382,254		3,476,719
	-----		-----
Deferred Debits and Other Assets:			
Regulatory assets:			
SFAS 109 regulatory asset - net	278,234		295,836
Unamortized loss on reacquired debt	33,468		37,552
Other regulatory assets	29,991		30,320
Other	14,116		27,313
	-----		-----
Total	355,809		391,021
	-----		-----
TOTAL	\$4,175,400		\$4,279,278
	=====		=====

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31,	
	1997	1996
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	\$35,300	\$34,275
Notes payable - associated companies	-	31,066
Accounts payable:		
Associated companies	43,508	73,389
Other	95,886	89,550
Customer deposits	55,331	59,070
Taxes accrued	25,243	7,390
Interest accrued	34,571	49,249
Dividends declared	3,253	3,489
Deferred fuel costs	3,268	-
Obligations under capital leases	29,232	28,000
Other	8,578	4,940
Total	334,170	380,418
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	813,748	831,093
Accumulated deferred investment tax credits	134,276	139,899
Obligations under capital leases	28,579	10,156
Deferred interest - Waterford 3 lease obligation	17,799	16,809
Other	119,519	114,665
Total	1,113,921	1,112,622
Long-term debt		
Preferred stock with sinking fund	1,338,464	1,373,233
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	85,000	92,500
	70,000	70,000
Shareholder's Equity:		
Preferred stock without sinking fund	100,500	100,500
Common stock, no par value, authorized		
250,000,000 shares; issued and outstanding		
165,173,180 shares	1,088,900	1,088,900
Capital stock expense and other	(2,321)	(2,659)
Retained earnings	46,766	63,764
Total	1,233,845	1,250,505
Commitments and Contingencies (Notes 2, 9 and 10)		
TOTAL	\$4,175,400	\$4,279,278

See Notes to Financial Statements.

ENERGY LOUISIANA, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$63,764	\$72,150	\$113,420
Add:			
Net income	141,757	190,762	201,537
Deduct:			
Dividends declared:			
Preferred stock	13,016	17,412	20,775
Common stock	145,400	179,200	221,500
Capital stock expenses	339	2,536	532
Total	158,755	199,148	242,807
	-----	-----	-----
Retained Earnings, December 31 (Note 8)	\$46,766	\$63,764	\$72,150
	=====	=====	=====

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997	1996	1995	1994	1993
		(In Thousands)			
Operating revenues	\$1,803,272	\$ 1,828,867	\$1,674,875	\$1,710,415	\$1,731,541
Net income	\$ 141,757	\$ 190,762	\$ 201,537	\$ 213,839	\$ 188,808
Total assets	\$4,175,400	\$ 4,279,278	\$4,331,523	\$4,435,439	\$4,463,998
Long-term obligations (1)	\$1,522,043	\$ 1,545,889	\$1,528,542	\$1,530,558	\$1,611,436

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, preferred securities of subsidiary trust, and noncurrent capital lease obligations.

	1997	1996	1995	1994	1993
		(In Thousands)			
Electric Operating Revenues:					
Residential	\$606,173	\$609,308	\$583,373	\$577,084	\$572,738
Commercial	379,131	374,515	353,582	358,672	345,254
Industrial	708,356	727,505	641,196	659,061	652,574
Governmental	34,171	33,621	31,616	31,679	29,723
Total retail	1,727,831	1,744,949	1,609,767	1,626,496	1,600,289
Sales for resale					
Associated companies	3,817	5,065	1,178	352	4,849
Non-associated companies	55,345	58,685	48,987	36,928	46,414
Other	16,279	20,168	14,943	46,639	79,989
Total	\$1,803,272	\$1,828,867	\$1,674,875	\$1,710,415	\$1,731,541
=====					
Billed Electric Energy					
Sales (GWH):					
Residential	7,826	7,893	7,855	7,449	7,368
Commercial	4,906	4,846	4,786	4,631	4,435
Industrial	16,390	17,647	16,971	16,561	15,914
Governmental	460	457	439	423	398
Total retail	29,582	30,843	30,051	29,064	28,115
Sales for resale					
Associated companies	104	143	44	10	112
Non-associated companies	805	982	1,293	776	1,213
Total	30,491	31,968	31,388	29,850	29,440
=====					

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Mississippi, Inc.

We have audited the accompanying balance sheets of Entergy Mississippi, Inc. (formerly Mississippi Power & Light Company) as of December 31, 1997 and 1996, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY MISSISSIPPI, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1997 as a result of a decrease in electric operating revenues and an increase in other operation and maintenance expenses, partially offset by lower income taxes.

Net income increased in 1996 primarily due to reduced other operation and maintenance expenses, partially offset by higher income taxes.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues and Sales", "Expenses", and "Other" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON", following the financial statements, for information on operating revenues by source and KWH sales.

The changes in electric operating revenues for the twelve months ended December 31, 1997 and 1996 are as follows:

Increase/(Decrease) Description	1997	1996
	(In Millions)	
Change in base revenues (\$2.2)	(\$7.7)	
Grand Gulf rate rider	(19.0)	7.1
Fuel cost recovery	(14.5)	33.6
Sales volume/weather	3.8	8.5
Other revenue (including unbilled) (2.1)	(1.6)	
Sales for resale	18.0	23.7
Total	(\$21.0)	\$68.6
	=====	=====

Electric operating revenues decreased in 1997 primarily due to a decrease in the Grand Gulf 1 rate rider and fuel adjustment revenues, which do not affect net income, partially offset by an increase in sales for resale. In connection with an annual MPSC review, in October 1996, Entergy Mississippi's Grand Gulf 1 rate rider was decreased based on the estimate of costs over the next year. Therefore, Grand Gulf 1 rate rider revenues for 1997 were lower than those in 1996. The decrease in fuel adjustment revenues is due to an MPSC order, effective May 1, 1997, that changed fuel recovery pricing to a fixed fuel factor. Sales for resale increased because of an increase in sales to associated companies due to changes in generation requirements and availability among the domestic utility companies.

ENTERGY MISSISSIPPI, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Electric operating revenues increased in 1996 primarily due to increases in fuel adjustment revenues, the Grand Gulf 1 rate rider, sales for resale, and higher sales volume. Fuel adjustment revenues increased in response to higher fuel costs. In connection with an annual MPSC review, in October 1995, Entergy Mississippi's Grand Gulf 1 rate rider was adjusted upward as a result of its undercollection of Grand Gulf 1 costs. The fuel adjustment clause and the Grand Gulf 1 rate rider do not affect net income. Sales for resale increased because of an increase in sales to associated companies due to changes in generation requirements and availability among the domestic utility companies. The increase in sales volume is primarily due to increased customer usage.

Expenses

Operating expenses increased in 1997 due to an increase in purchased power expenses and other operation and maintenance expenses, partially offset by decreases in fuel expense and net rate deferral activity. The increase in purchased power expenses in 1997 compared to 1996 is due both to the shift in use from higher priced fuel to lower priced purchased power and to an increase in generation and purchases related to increases in sales volume and sales for resale. The increase in other operation and maintenance expenses is due to increases in contract labor and loss reserves. Contract labor increased because of maintenance and plant outage expenses in 1997. Loss reserves expense increased as a result of increased litigation reserves.

The other regulatory credits reducing operating expenses in 1996 and 1997 principally represents the deferral of Entergy Mississippi's portion of the proposed System Entergy rate increase. See Note 2 for further discussion.

Operating expenses increased in 1996 due to an increase in fuel and purchased power expenses, partially offset by a decrease in other operation and maintenance expenses. Fuel and purchased power expenses increased as a result of higher fuel costs and higher sales volume. Other operation and maintenance expenses decreased as a result of lower payroll, contract work, and materials and supplies expenses. Payroll expenses decreased due to restructuring costs recorded in 1995 and the resulting decrease in employees. Contract work and materials and supplies expenses decreased because of the turbine repairs at some of Entergy Mississippi's generating plants in 1995.

Other

The effective income tax rates for 1997, 1996, and 1995 were 28.6%, 34.2%, and 33.7% respectively. The decrease in 1997 is primarily due to the impact of recording the tax benefit of Entergy Corporation's expenses as prescribed by the tax allocation agreement. The effective income tax rate for 1996 was relatively unchanged from 1995.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Revenues	\$937,395	\$958,430	\$889,843
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses	199,880	207,116	163,198
Purchased power	285,447	272,812	240,519
Other operation and maintenance	129,812	122,628	144,183
Depreciation and amortization	43,300	40,313	38,197
Taxes other than income taxes	43,142	43,389	46,019
Other regulatory charges (credits)	(20,731)	(23,026)	(6,965)
Amortization of rate deferrals	119,797	130,602	114,304
Total	800,647	793,834	739,455
Operating Income	136,748	164,596	150,388
Other Income:			
Allowance for equity funds used during construction	543	1,143	950
Miscellaneous - net	919	1,662	3,036
Total	1,462	2,805	3,986
Interest Charges:			
Interest on long-term debt	40,791	44,137	46,998
Other interest - net	4,483	3,870	4,638
Allowance for borrowed funds used during construction	(469)	(923)	(806)
Total	44,805	47,084	50,830
Income Before Income Taxes	93,405	120,317	103,544
Income Taxes	26,744	41,106	34,877
Net Income	66,661	79,211	68,667
Preferred Stock Dividend Requirements and Other	4,044	5,010	7,515
Earnings Applicable to Common Stock	\$62,617	\$74,201	\$61,152

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Activities:			
Net income	\$66,661	\$79,211	\$68,667
Noncash items included in net income:			
Amortization of rate deferrals	119,797	130,602	114,304
Other regulatory charges (credits)	(20,731)	(23,026)	(6,965)
Depreciation and amortization	43,300	40,313	38,197
Deferred income taxes and investment tax credits	(32,204)	(32,887)	(36,774)
Allowance for equity funds used during construction	(543)	(1,143)	(950)
Changes in working capital:			
Receivables	2,978	(4,123)	(5,277)
Fuel inventory	3,275	20	(1,901)
Accounts payable	(9,246)	88	15,553
Taxes accrued	5,832	(2,157)	7,818
Interest accrued	(6,600)	(925)	1,457
Other working capital accounts	(12,283)	4,074	(21,108)
Other	(1,150)	(8,081)	11,922
	-----	-----	-----
Net cash flow provided by operating activities	159,086	181,966	184,943
	-----	-----	-----
Investing Activities:			
Construction expenditures	(50,334)	(85,018)	(79,146)
Allowance for equity funds used during construction	543	1,143	950
	-----	-----	-----
Net cash flow used in investing activities	(49,791)	(83,875)	(78,196)
	-----	-----	-----
Financing Activities:			
Proceeds from the issuance of general and refunding mortgage bonds	64,827	-	79,480
Retirement of:			
General and refunding mortgage bonds	(96,000)	(26,000)	(45,000)
First mortgage bonds	-	(35,000)	(20,000)
Other long-term debt	(15)	(15)	(965)
Redemption of preferred stock	(14,500)	(9,876)	(15,000)
Changes in short-term borrowings - net	(3,091)	50,253	(30,000)
Dividends paid:			
Common stock	(59,200)	(79,900)	(61,700)
Preferred stock	(3,998)	(5,000)	(6,215)
	-----	-----	-----
Net cash flow used in financing activities	(111,977)	(105,538)	(99,400)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(2,682)	(7,447)	7,347
Cash and cash equivalents at beginning of period	9,498	16,945	9,598
	-----	-----	-----
Cash and cash equivalents at end of period	\$6,816	\$9,498	\$16,945
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$50,194	\$46,769	\$48,617
Income taxes	\$51,598	\$73,687	\$67,746

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS

	1997	December 31, (In Thousands)	1996
Current Assets:			
Cash and cash equivalents:			
Cash	\$6,816		\$2,384
Special deposits	-		7,114
	-----		-----
Total cash and cash equivalents	6,816		9,498
Accounts receivable:			
Customer (less allowance for doubtful accounts of \$1 million in 1997 and \$1.4 million and 1996)	36,636		44,809
Associated companies	6,842		4,382
Other	4,139		2,014
Accrued unbilled revenues	49,993		49,383
Fuel inventory - at average cost	3,386		6,661
Materials and supplies - at average cost	17,657		17,567
Rate deferrals	127,295		142,504
Prepayments and other	17,537		7,434
	-----		-----
Total	270,301		284,252
	-----		-----
Other Property and Investments:			
Investment in subsidiary companies - at equity	5,531		5,531
Other - at cost (less accumulated depreciation)	7,757		7,923
	-----		-----
Total	13,288		13,454
	-----		-----
Utility Plant:			
Electric	1,687,400		1,633,484
Construction work in progress	22,960		47,373
	-----		-----
Total	1,710,360		1,680,857
Less - accumulated depreciation and amortization	656,828		635,754
	-----		-----
Utility plant - net	1,053,532		1,045,103
	-----		-----
Deferred Debits and Other Assets:			
Regulatory assets:			
Rate deferrals	-		104,588
SFAS 109 regulatory asset - net	22,993		11,813
Unamortized loss on reacquired debt	8,404		9,254
Other regulatory assets	64,827		46,309
Other	6,216		6,693
	-----		-----
Total	102,440		178,657
	-----		-----
TOTAL	\$1,439,561		\$1,521,466
	=====		=====

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	1997	December 31, (In Thousands) 1996
Current Liabilities:		
Currently maturing long-term debt	\$20	\$96,015
Notes payable - associated companies	47,162	50,253
Accounts payable:		
Associated companies	36,057	32,878
Other	11,276	23,701
Customer deposits	24,084	26,258
Taxes accrued	32,314	26,482
Accumulated deferred income taxes	44,277	58,634
Interest accrued	14,309	20,909
Other	2,806	3,065
Total	212,305	338,195
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	244,464	249,522
Accumulated deferred investment tax credits	23,915	25,422
Other	15,892	19,445
Total	284,271	294,389
Long-term debt	464,156	399,054
Preferred stock with sinking fund	-	7,000
Shareholder's Equity:		
Preferred stock without sinking fund	50,381	57,881
Common stock, no par value, authorized 15,000,000 shares; issued and outstanding 8,666,357 shares	199,326	199,326
Capital stock expense and other	(59)	(143)
Retained earnings	229,181	225,764
Total	478,829	482,828
Commitments and Contingencies (Notes 2 and 9)		
TOTAL	\$1,439,561	\$1,521,466

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$225,764	\$231,463	\$232,011
Add:			
Net income	66,661	79,211	68,667
Deduct:			
Dividends declared:			
Preferred stock	3,656	4,803	5,971
Common stock	59,200	79,900	61,700
Preferred stock expenses	388	207	1,544
Total	63,244	84,910	69,215
	-----	-----	-----
Retained Earnings, December 31 (Note 8)	\$229,181	\$225,764	\$231,463
	=====	=====	=====

See Notes to Financial Statements

ENTERGY MISSISSIPPI, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997	1996	1995	1994	1993
			(In Thousands)		
Operating revenues	\$ 937,395	\$ 958,430	\$ 889,843	\$ 859,845	\$ 883,818
Net Income	\$ 66,661	\$ 79,211	\$ 68,667	\$ 48,779	\$ 69,037
Total assets	\$1,439,561	\$1,521,466	\$1,581,983	\$1,637,828	\$1,681,992
Long-term obligations (1)	\$ 464,156	\$ 406,054	\$ 511,613	\$ 507,555	\$ 563,612

(1) Includes long-term debt (excluding currently maturing debt) and preferred stock with sinking fund.

	1997	1996	1995	1994	1993
			(In Thousands)		
Electric Operating Revenues:					
Residential	\$342,818	\$358,264	\$336,194	\$332,567	
\$341,620					
Commercial	274,195	281,626	262,786	257,154	
251,285					
Industrial	173,152	185,351	178,466	184,637	
182,060					
Governmental	26,882	29,093	27,410	27,495	
28,530					

Total retail	817,047	854,334	804,856	801,853	
803,495					
Sales for resale					
Associated companies	78,233	58,749	35,928	37,747	
34,640					
Non-associated companies	21,276	22,814	21,906	16,728	
21,100					
Other	20,839	22,533	27,153	3,517	
24,583					

Total	\$937,395	\$958,430	\$889,843	\$859,845	
\$883,818					

=====

Billed Electric Energy

Sales (GWH):					
Residential	4,323	4,355	4,233	4,014	
3,983					
Commercial	3,673	3,508	3,368	3,151	
2,928					
Industrial	3,089	3,063	3,044	2,985	
2,787					
Governmental	333	346	336	330	
336					

Total retail	11,418	11,272	10,981	10,480	
10,034					
Sales for resale					
Associated companies	1,918	1,368	959	1,079	
758					
Non-associated companies	412	521	692	512	
670					

Total	13,748	13,161	12,632	12,071	
11,462					

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy New Orleans, Inc.

We have audited the accompanying balance sheets of Entergy New Orleans, Inc. (formerly New Orleans Public Service Inc.) as of December 31, 1997 and 1996, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY NEW ORLEANS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1997 primarily due to an increase in taxes other than income taxes, partially offset by lower income taxes.

Net income decreased in 1996 primarily due to the electric and gas rate refund recorded in December 1996, based on the Council's review of Entergy New Orleans' 1996 earnings. This decrease in net income was partially offset by reduced other operation and maintenance expenses.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues and Sales", "Expenses", and "Other" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON", following the financial statements, for information on electric operating revenues by source and KWH sales.

The changes in electric operating revenues for the twelve months ended December 31, 1997 and 1996 are as follows:

Description	Increase/(Decrease)	
	1997	1996
	(In Millions)	
Change in base revenues (\$8.5)	(\$13.6)	
Fuel cost recovery	(2.2)	28.5
Sales volume/weather (4.8)	(0.8)	
Other revenue (including unbilled) (1.4)	16.7	
Sales for resale (0.5)	6.8	
	-----	-----
Total	\$6.9	\$13.3
	=====	=====

Electric operating revenues increased in 1997 primarily due to increases in other revenue and sales for resale, partially offset by a decrease in base revenues. Other revenue increased as a result of a rate refund recorded in 1996. Sales for resale increased as a result of an increase in electric sales to associated companies primarily due to changes in generation requirements and availability among the domestic utility companies. The decrease in base revenues is caused by 1996 and 1997 reductions in residential and commercial rates. Electric operating revenues increased in 1996 primarily due to higher fuel adjustment revenues, as a result of higher fuel prices, which do not affect net income. This increase was partially offset by a rate refund recorded in 1996, as discussed in "Net Income" above, and lower sales attributable to a significant reduction in electricity usage by a large industrial customer.

Gas operating revenues decreased in 1997 primarily due to lower gas prices. Gas operating revenues increased in 1996 primarily due to higher gas prices. This increase was partially offset by the rate refund recorded in 1996, as discussed in "Net Income" above.

ENTERGY NEW ORLEANS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Expenses

Operating expenses increased in 1997 due primarily to increases in taxes other than income taxes and lower other regulatory credits. These increases were partially offset by a decrease in total fuel expenses, including purchased power and gas purchased for resale. Taxes other than income taxes increased because of higher franchise taxes resulting from a December 1996 Council order increasing Entergy New Orleans' annual franchise fee from 2.5% to 5% of gross revenues. The decrease in other regulatory credits is primarily a result of the 1996 deferral of Entergy New Orleans' portion of the proposed System Energy rate increase. See Note 2 for further discussion. Fuel and purchased power expenses decreased in 1997 primarily due to a shift from higher priced purchased power to lower priced fuel.

Operating expenses increased in 1996 primarily due to higher fuel expenses, including purchased power and gas purchased for resale and increased amortization of rate deferrals, partially offset by an increase in other regulatory credits and a decrease in other operation and maintenance expenses. Fuel expenses, including gas purchased for resale, increased as a result of significantly higher unit prices. Purchased power increased due to changes in generation availability and requirements among the domestic utility companies. Other regulatory credits increased due to the deferral of a portion of the System Energy rate increase being billed to Entergy New Orleans, as discussed in Note 2. Other operation and maintenance expenses decreased primarily due to lower payroll expenses as a result of restructuring and reduced regulatory commission expenses.

Other

The effective income tax rates for 1997, 1996, and 1995 were 44.0%, 37.7%, and 37.3%, respectively. The increase in 1997 is primarily due to decreased amortization of deferred income taxes on property fully depreciated for federal income tax purposes. The effective income tax rate for 1996 was relatively unchanged from 1995.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF INCOME

	For the	Years Ended	December 31,
	1997	1996	1995
	(In Thousands)		
Operating Revenues:			
Electric	\$410,131	\$403,254	\$390,002
Natural gas	94,691	101,023	80,276
Total	----- 504,822	----- 504,277	----- 470,278
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	141,902	129,059	102,314
Purchased power	156,542	176,450	145,920
Other operation and maintenance	72,748	71,421	76,510
Depreciation and amortization	21,107	20,007	19,420
Taxes other than income taxes	38,964	27,388	27,805
Other regulatory charges (credits)	(6,394)	(13,543)	(3,985)
Amortization of rate deferrals	37,662	35,917	31,564
Total	----- 462,531	----- 446,699	----- 399,548
Operating Income	----- 42,291	----- 57,578	----- 70,730
Other Income (Deductions):			
Allowance for equity funds used during construction	380	321	158
Miscellaneous - net	(77)	1,146	1,639
Total	----- 303	----- 1,467	----- 1,797
Interest Charges:			
Interest on long-term debt	13,918	15,268	15,948
Other interest - net	1,369	1,036	1,853
Allowance for borrowed funds used during construction	(286)	(252)	(127)
Total	----- 15,001	----- 16,052	----- 17,674
Income Before Income Taxes	----- 27,593	----- 42,993	----- 54,853
Income Taxes	----- 12,142	----- 16,217	----- 20,467
Net Income	----- 15,451	----- 26,776	----- 34,386
Preferred Stock Dividend Requirements and Other	----- 965	----- 965	----- 1,411
Earnings Applicable to Common Stock	----- \$14,486	----- \$25,811	----- \$32,975
See Notes to Financial Statements.	=====	=====	=====

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Activities:			
Net income	\$15,451	\$26,776	\$34,386
Noncash items included in net income:			
Amortization of rate deferrals	37,662	35,917	31,564
Other regulatory charges (credits)	(6,394)	(13,543)	(3,985)
Depreciation and amortization	21,107	20,007	19,420
Deferred income taxes and investment tax credits	(1,957)	(12,274)	(1,998)
Allowance for equity funds used during construction	(380)	(321)	(158)
Changes in working capital:			
Receivables	(1,260)	832	(5,468)
Accounts payable	540	(5,638)	12,566
Taxes accrued	4,066	(4,350)	3,225
Interest accrued	(276)	214	(131)
Income tax refund	-	-	20,172
Other working capital accounts	(18,148)	(5,216)	(4,803)
Other	(1,823)	1,602	(5,515)
	-----	-----	-----
Net cash flow provided by operating activities	48,588	44,006	99,275
	-----	-----	-----
Investing Activities:			
Construction expenditures	(16,137)	(27,956)	(27,836)
Allowance for equity funds used during construction	380	321	158
	-----	-----	-----
Net cash flow used in investing activities	(15,757)	(27,635)	(27,678)
	-----	-----	-----
Financing Activities:			
Proceeds from the issuance of general and refunding mortgage bonds	-	39,608	29,805
Retirement of:			
First mortgage bonds	(12,000)	(23,250)	-
General and refunding mortgage bonds	-	(30,000)	(24,200)
Redemption of preferred stock	-	-	(3,525)
Dividends paid:			
Common stock	(26,000)	(34,000)	(30,600)
Preferred stock	(965)	(965)	(1,362)
	-----	-----	-----
Net cash flow used in financing activities	(38,965)	(48,607)	(29,882)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(6,134)	(32,236)	41,715
Cash and cash equivalents at beginning of period	17,510	49,746	8,031
	-----	-----	-----
Cash and cash equivalents at end of period	\$11,376	\$17,510	\$49,746
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$14,951	\$15,357	\$17,187
Income taxes - net	\$10,981	\$31,870	(\$941)

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
ASSETS

	1997	December 31, (In Thousands)	1996
Current Assets:			
Cash and cash equivalents:			
Cash	\$4,321		\$1,015
Temporary cash investments - at cost, which approximates market:			
Associated companies	1,918		7,435
Other	5,137		9,060
Total cash and cash equivalents	----- 11,376		----- 17,510
Accounts receivable:			
Customer (less allowance for doubtful accounts of \$0.7 million in 1997 and 1996)	26,913		27,430
Associated companies	1,081		714
Other	4,155		1,764
Accrued unbilled revenues	16,083		17,064
Deferred electric fuel and resale gas costs	9,384		7,290
Materials and supplies - at average cost	9,389		9,904
Rate deferrals	35,336		37,692
Prepayments and other	6,087		7,157
Total	----- 119,804		----- 126,525
Other Property and Investments:			
Investment in subsidiary companies - at equity	3,259		3,259
Utility Plant:			
Electric	508,338		503,061
Natural gas	122,308		122,700
Construction work in progress	19,184		18,247
Total	----- 649,830		----- 644,008
Less - accumulated depreciation and amortization	355,854		347,790
Utility plant - net	----- 293,976		----- 296,218
Deferred Debits and Other Assets:			
Regulatory assets:			
Rate deferrals	64,192		99,498
SFAS 109 regulatory asset - net	1,202		6,051
Unamortized loss on reacquired debt	1,435		1,647
Other regulatory assets	13,392		15,908
Other	890		890
Total	----- 81,111		----- 123,994
TOTAL	----- \$498,150		----- \$549,996

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	1997	December 31, (In Thousands)	1996
Current Liabilities:			
Currently maturing long-term debt	\$-		\$12,000
Accounts payable:			
Associated companies	15,922		18,757
Other	17,505		14,130
Customer deposits	16,982		18,974
Taxes accrued	5,270		1,204
Accumulated deferred income taxes	11,544		5,584
Interest accrued	5,049		5,325
Provision for rate refund	3,108		19,465
Other	2,231		1,521
Total	77,611		96,960
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	61,000		72,895
Accumulated deferred investment tax credits	7,396		7,984
Accumulated provision for property insurance	15,487		15,666
Other	16,327		24,713
Total	100,210		121,258
Long-term debt	168,953		168,888
Shareholder's Equity:			
Preferred stock without sinking fund	19,780		19,780
Common Shareholder's Equity:			
Common stock, \$4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares	33,744		33,744
Additional paid-in capital	36,294		36,294
Retained earnings subsequent to the elimination of the accumulated deficit on November 30, 1988	61,558		73,072
Total	151,376		162,890
Commitments and Contingencies (Notes 2 and 9)			
TOTAL	\$498,150		\$549,996
	=====		=====

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1997	1996	1995
Retained Earnings, January 1	\$73,072	(In Thousands) \$81,261	\$78,886
Add:			
Net income	15,451	26,776	34,386
Deduct:			
Dividends declared:			
Preferred stock	965	965	1,231
Common stock	26,000	34,000	30,600
Capital stock expenses	-	-	180
Total	26,965	34,965	32,011
Retained Earnings, December 31 (Note 8)	\$61,558	\$73,072	\$81,261

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997	1996	1995	1994	1993
			(In Thousands)		
Operating revenues	\$504,822	\$ 504,277	\$470,278	\$447,787	\$
514,822					
Net Income	\$ 15,451	\$ 26,776	\$ 34,386	\$ 13,211	\$
36,761					
Total assets	\$498,150	\$ 549,996	\$596,206	\$592,894	\$
647,605					
Long-term obligations (1)	\$168,953	\$ 168,888	\$155,958	\$167,610	\$
193,262					

(1) Includes long-term debt (excluding currently maturing debt).

	1997	1996	1995	1994	1993
	(In Thousands)				
Electric Operating Revenues:					
Residential	\$145,688	\$151,577	\$141,353	\$142,013	
\$151,423					
Commercial	143,113	149,649	144,374	162,410	
167,788					
Industrial	24,616	24,663	22,842	25,422	
26,205					
Governmental	58,746	58,561	52,880	58,726	
61,548					

Total retail	372,163	384,450	361,449	388,571	
406,964					
Sales for resale					
Associated companies	10,342	2,649	3,217	2,061	
2,487					
Non-associated companies	8,996	9,882	9,864	7,512	
9,291					
Other (1)	18,630	6,273	15,472	(37,714)	
5,088					

Total	\$410,131	\$403,254	\$390,002	\$360,430	
\$423,830					
=====					
Billed Electric Energy					
Sales (GWH):					
Residential	1,971	1,998	2,049	1,896	
1,914					
Commercial	2,072	2,073	2,079	2,031	
1,989					
Industrial	484	481	537	518	
499					
Governmental	994	974	983	951	
924					

Total retail	5,521	5,526	5,648	5,396	
5,326					
Sales for resale					
Associated companies	316	66	149	92	
89					
Non-associated companies	160	212	297	202	
262					

Total	5,997	5,804	6,094	5,690	
5,677					
=====					

(1) 1994 includes the effects of the 1994 NOPSI Settlement.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholder of System Energy Resources, Inc.

We have audited the accompanying balance sheets of System Energy Resources, Inc. as of December 31, 1997 and 1996, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1996 the Company changed its method of accounting for incremental nuclear plant outage maintenance costs.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased slightly in 1997 and 1996 primarily due to lower interest charges attributed to the refinancing of higher-cost debt.

Significant factors affecting the results of operations and causing variances between the years 1997 and 1996, and between the years 1996 and 1995, are discussed under "Revenues", "Expenses", and "Other" below.

Revenues

Operating revenues recover operating expenses, depreciation, and capital costs attributable to Grand Gulf 1. Capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf 1 and adding to such amount System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf 1. See Note 2 herein for a discussion of System Energy's proposed rate increase.

Expenses

Operating expenses increased in 1997 due to higher nuclear refueling outage expenses and higher depreciation, amortization, and decommissioning expenses. Nuclear refueling outage expenses increased due to costs that were deferred from the November 1996 outage, which are now being amortized over an 18-month period that began in December 1996. Prior to this outage, such costs were expensed as incurred and no such expenses were incurred in 1996. The increase in depreciation, amortization, and decommissioning expense is due to the reduction of the regulatory asset set up to defer the depreciation associated with the sale and leaseback in 1989 of a portion of Grand Gulf 1. The depreciation was deferred to match the collection of lease principal and revenues with the depreciation of the asset. Grand Gulf 1 was on-line for 365 days in 1997 as compared to 322 days in 1996.

Operating expenses increased in 1996 due primarily to increases in other operation and maintenance expenses, and depreciation, amortization, and decommissioning expenses. Other operation and maintenance expenses increased primarily because of higher waste disposal costs and medical benefit charges for the year. The increase in decommissioning costs and depreciation rates is reflected in the 1995 System Energy FERC rate increase filing, subject to refund (see Note 2). These increases were partially offset by a decrease in nuclear refueling outage expenses. The decrease in nuclear outage expenses was primarily due to the effect of deferring the nuclear refueling outage expenses in the fourth quarter of 1996 rather than recognizing those expenses as incurred (see Note 1). Grand Gulf 1 was on-line for 322 days in 1996 as compared with 285 days in 1995. The increase in the on-line days was primarily due to the unit's shorter eighth refueling outage that lasted from October 19, 1996 to November 30, 1996 (41 days), compared to a 68-day outage in 1995, and to a lesser extent, unplanned outages in 1996 totaling 3 days, compared to 12 days for 1995.

Other

Interest charges decreased in both 1997 and in 1996 due primarily to the retirement and refinancing of higher-cost long-term debt.

The effective income tax rates in 1997, 1996, and 1995 were 42.2%, 45.4%, and 44.8%, respectively. The decrease in 1997 is primarily due to the impact of recording the tax benefit of Entergy Corporation's expenses as prescribed by the tax allocation agreement. The effective income tax rate for 1996 was relatively unchanged from 1995.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Revenues	\$633,698	\$623,620	\$605,639
Operating Expenses:			
Operation and maintenance:			
Fuel and fuel-related expenses	48,475	43,761	40,262
Nuclear refueling outage expenses	16,425	1,239	24,935
Other operation and maintenance	101,269	105,453	98,441
Depreciation, amortization, and decommissioning	147,859	128,474	100,747
Taxes other than income taxes	26,477	27,654	27,549
Total	340,505	306,581	291,934
Operating Income	293,193	317,039	313,705
Other Income:			
Allowance for equity funds used during construction	2,209	1,122	1,878
Miscellaneous - net	8,517	5,234	2,492
Total	10,726	6,356	4,370
Interest Charges:			
Interest on long-term debt	121,633	135,376	143,020
Other interest - net	7,020	8,344	8,491
Allowance for borrowed funds used during construction	(1,683)	(1,114)	(1,968)
Total	126,970	142,606	149,543
Income Before Income Taxes	176,949	180,789	168,532
Income Taxes	74,654	82,121	75,493
Net Income	\$102,295	\$98,668	\$93,039

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS

	For the 1997	Years Ended December 31, 1996 (In Thousands)	1995
Operating Activities:			
Net income	\$102,295	\$98,668	\$93,039
Noncash items included in net income:			
Depreciation, amortization, and decommissioning	147,859	128,474	100,747
Deferred income taxes and investment tax credits	(39,370)	48,975	(45,337)
Allowance for equity funds used during construction	(2,209)	(1,122)	(1,878)
Changes in working capital:			
Receivables	(9,543)	3,436	(66,433)
Accounts payable	11,172	560	(18,955)
Taxes accrued	7,852	(4,825)	37,266
Interest accrued	8,127	(2,548)	(4,053)
Other working capital accounts	19,054	(13,430)	(21,874)
Decommissioning trust contributions and realized change in trust assets	(22,452)	(21,366)	(7,507)
FERC Settlement - refund obligation	(4,539)	(4,009)	(3,540)
Provision for estimated losses and reserves	43,216	46,919	3,167
Other	16,684	7,125	31,818
	-----	-----	-----
Net cash flow provided by operating activities	278,146	286,857	96,460
	-----	-----	-----
Investing Activities:			
Construction expenditures	(35,141)	(29,469)	(21,747)
Allowance for equity funds used during construction	2,209	1,122	1,878
Nuclear fuel purchases	(16,524)	(44,704)	(51,455)
Proceeds from sale/leaseback of nuclear fuel	16,524	43,971	52,188
	-----	-----	-----
Net cash flow used in investing activities	(32,932)	(29,080)	(19,136)
	-----	-----	-----
Financing Activities:			
Proceeds from the issuance of:			
First mortgage bonds	-	233,656	-
Other long-term debt	-	133,933	73,343
Retirement of:			
First mortgage bonds	(10,000)	(325,101)	(105,000)
Other long-term debt	(7,319)	(92,700)	(45,320)
Changes in short-term borrowings - net	-	(2,990)	2,990
Common stock dividends paid	(113,800)	(112,500)	(92,800)
	-----	-----	-----
Net cash flow used in financing activities	(131,119)	(165,702)	(166,787)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	114,095	92,075	(89,463)
Cash and cash equivalents at beginning of period	92,315	240	89,703
	-----	-----	-----
Cash and cash equivalents at end of period	\$206,410	\$92,315	\$240
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	\$103,684	\$138,483	\$147,492
Income taxes	\$105,621	\$36,397	\$87,016
Noncash investing and financing activities:			
Change in unrealized appreciation (depreciation) of decommissioning trust assets	\$1,237	(\$70)	\$3,061

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS

	1997	December 31, (In Thousands)	1996
Current Assets:			
Cash and cash equivalents:			
Cash	\$792		\$26
Temporary cash investments - at cost, which approximates market:			
Associated companies	55,891		41,600
Other	149,727		50,689
Total cash and cash equivalents	206,410		92,315
Accounts receivable:			
Associated companies	79,262		71,337
Other	4,140		2,522
Materials and supplies - at average cost	63,782		66,302
Deferred nuclear refueling outage costs	7,777		24,005
Prepayments and other	3,658		4,929
Total	365,029		261,410
Other Property and Investments:			
Decommissioning trust fund	85,912		62,223
Utility Plant:			
Electric	3,025,389		2,994,445
Electric plant under leases	440,970		447,409
Construction work in progress	36,445		41,362
Nuclear fuel under capital lease	64,190		83,558
Total	3,566,994		3,566,774
Less - accumulated depreciation and amortization	1,086,820		974,472
Utility plant - net	2,480,174		2,592,302
Deferred Debits and Other Assets:			
Regulatory assets:			
SFAS 109 regulatory asset - net	243,027		264,758
Unamortized loss on reacquired debt	51,386		57,785
Other regulatory assets	192,290		207,214
Other	14,213		15,601
Total	500,916		545,358
TOTAL	\$3,432,031		\$3,461,293
	=====		=====

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	1997	December 31, 1996
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	\$70,000	\$10,000
Accounts payable:		
Associated companies	29,131	18,245
Other	19,122	18,836
Taxes accrued	75,675	67,823
Interest accrued	42,322	34,195
Obligations under capital leases	41,977	28,000
Other	1,341	2,306
	-----	-----
Total	279,568	179,405
	-----	-----
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	562,051	624,020
Accumulated deferred investment tax credits	100,171	103,647
Obligations under capital leases	22,213	55,558
FERC Settlement - refund obligation	48,300	52,839
Other	227,847	165,517
	-----	-----
Total	960,582	1,001,581
	-----	-----
Long-term debt	1,341,948	1,418,869
Common Shareholder's Equity:		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares	789,350	789,350
Retained earnings	60,583	72,088
	-----	-----
Total	849,933	861,438
	-----	-----
Commitments and Contingencies (Notes 2, 9 and 10)		
TOTAL	\$3,432,031	\$3,461,293
	=====	=====

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$72,088	\$85,920	\$85,681
Add:			
Net income	102,295	98,668	93,039
Deduct:			
Dividends declared	113,800	112,500	92,800
	-----	-----	-----
Retained Earnings, December 31 (Note 8)	\$60,583	\$72,088	\$85,920
	=====	=====	=====

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1997	1996	1995	1994	1993
			(In Thousands)		
Operating revenues	\$ 633,698	\$ 623,620	\$ 605,639	\$ 474,963	\$ 650,768
Net income	\$ 102,295	\$ 98,668	\$ 93,039	\$ 5,407	\$ 93,927
Total assets	\$3,432,031	\$3,461,293	\$3,431,012	\$3,613,359	\$ 3,891,066
Long-term obligations (1)	\$1,364,161	\$1,474,427	\$1,264,024	\$1,456,993	\$ 1,536,593
Electric energy sales (GWH)	9,735	8,302	7,212	8,653	7,113

(1) Includes long-term debt (excluding current maturities) and noncurrent capital lease obligations.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy London Investments plc

We have audited the accompanying consolidated balance sheet of Entergy London Investments plc and Subsidiary as of December 31, 1997, and the related consolidated statements of loss, retained earnings and cash flows for the year ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entergy London Investments plc and Subsidiary as of December 31, 1997, and the results of their operations and their cash flows for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

ENERGY LONDON INVESTMENTS PLC AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Background

Entergy London (formerly Entergy Power UK plc) was incorporated as a public limited company under the laws of England and Wales in October 1996, as a vehicle for the acquisition of London Electricity. In February 1997, Entergy London gained effective control of London Electricity, having acquired over 90% of its shares. In May 1997, Entergy London acquired the remaining shares of London Electricity. Total consideration for the acquisition was approximately \$2.0 billion, based on the exchange rate at the time of the acquisition. Entergy London's sole significant asset is the stock of London Electricity. Entergy London has no operations outside of its investment in London Electricity.

Accounting for the Acquisition

Entergy London's acquisition of London Electricity effective February 1, 1997 was accounted for as a purchase in accordance with US GAAP. Accordingly, the results of operations of London Electricity have been consolidated into the results of operations for Entergy London beginning on such date. In accordance with the purchase method of accounting, Entergy London has allocated the price paid for London Electricity to London Electricity's assets and liabilities based on their estimated fair market values with the remainder allocated to London Electricity's distribution license which represents an other identifiable intangible asset. The assets and liabilities acquired as of February 1, 1997 were as follows (in millions):

Current assets	\$ 518.2
Network assets	2,134.3
Other long term assets	1,601.2
Current liabilities (614.8)	
Long term debt (333.9)	
Other long term liabilities (1,285.9)	

Total purchase price	\$2,019.1
	=====

The principal adjustments to London Electricity's historical cost of its assets and liabilities include: (a) increase in the value of network assets (\$782.9 million); (b) increase in pension asset for defined benefit pension plan under US GAAP (\$108.6 million); (c) recordation of distribution license (\$1,335.8 million); and (d) recordation of liability for unfavorable long term contracts (\$159.4 million). Additionally, the Company provided for the deferred income tax effect of these adjustments at a rate of 33%, which is included in other long term liabilities. Entergy London is amortizing the adjustments for network assets and the distribution license over estimated useful lives of 40 years and the adjustment for unfavorable long term contracts over their remaining lives ranging from 14 to 18 years. Entergy London's asset recorded for the defined benefit pension plan will be increased or decreased on a prospective basis based on future actuarial studies of the plan's projected benefit obligation and fair value of pension plan assets. The liability for unfavorable long term contracts is based on the estimated fair market value of these contracts over the present value of the future cash flows under the contracts at the applicable discount rates and prices. Although amortization of the liability for unfavorable long-term contracts will reduce the expense related to these contracts, it will not impact Entergy London's actual payments or cash flow obligations.

London Electricity has utilized a portion of the pension plan surplus to increase benefits to members and reduce employer and employee contributions. A recent court ruling in the UK upheld such uses of pension surplus. However, the decision is under appeal and should the decision be reversed on appeal, Entergy London could be required to repay pension surplus utilized and recompute Entergy London's prepaid pension asset, which was \$241 million at December 31, 1997.

ENERGY LONDON INVESTMENTS PLC AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Results of Operations - Successor Company

The following discussion compares the results of operations for the year ended December 31, 1997 for Entergy London with the results of operations of London Electricity for the ten month period ended January 31, 1997 (London Electricity's fiscal year ended on March 31, prior to its acquisition). The year ended December 31, 1997 for Entergy London includes eleven months results for London Electricity due to its acquisition on February 1, 1997. Periods prior to February 1, are included for comparative purposes, however, they do not include the effects of acquisition adjustments described above under "Accounting for the Acquisition".

Operating Income

Operating income was \$187 million for the year ended December 31, 1997 which included London Electricity for the eleven month period from February 1, 1997 through December 31, 1997. This represented an increase of \$18 million compared to the historical London Electricity results for the ten month period from April 1, 1996 through January 31, 1997. This increase was due principally to higher revenue from an additional month's results of operations in the later period and restructuring charges of \$19 million during the earlier period. Partially offsetting this were increases of \$59 million in depreciation and amortization expense due principally to acquisition adjustments and \$17 million in other operation and maintenance costs. The above variances were all impacted by an increase in the US dollar to BPS average exchange rate from 1.58 to 1.00 in the ten month period from April 1, 1996 through January 31, 1997 to 1.64 to 1.00 for the eleven month period ending December 31, 1997.

Operating income by segments for the year ended December 31, 1997 was \$141 million, \$15 million, and \$31 million for the distribution, supply, and other segments, respectively. Income (loss) from those segments for the ten month period from April 1, 1996 through January 31, 1997 was \$159 million, \$(1) million, and \$11 million, respectively.

The decrease in distribution operating income was principally due to additional depreciation and amortization expense of \$59 million in the later period attributable to acquisition adjustments for fixed assets and the distribution license based on 40-year useful lives partially offset by one additional month of operations in the later period. Increases in the supply and other segments are due principally to one additional month of operations in the later period and improved margins in the non-Franchise supply market and one-time charges in the period ending January 31, 1997 relating to the disposal of certain subsidiaries and associated undertakings.

Net Income

Net income decreased by \$245 million, from \$98 million during the period from April 1, 1996 to January 31, 1997, to a loss of \$147 million for the year ended December 31, 1997. The net loss for the later period includes a one-time charge of \$234 million (reflected in income taxes) for the windfall profits tax enacted by the UK government in July 1997. The windfall profits tax is not deductible for UK corporation tax purposes. This charge was partially offset by a reduction of \$65 million in the Company's deferred income tax liability, in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," due to the UK government also reducing the UK corporation tax rate from 33% to 31%, effective April 1, 1997. Acquisition related adjustments including increased depreciation and amortization of approximately \$59 million (\$41 million after tax effect) and increased interest expense, principally on acquisition debt, of approximately \$152 million (\$105 million after tax effect) also contributed to the reduction in net income. The increase in operating income of \$18 million (\$12 million after tax effect) and an increase in interest and dividend income of \$17 million (\$12 million after tax effect) partially offset the above impacts.

ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Revenues

Operating revenues increased by \$82 million (5%) from \$1,765 million during the ten month period from April 1, 1996 to January 31, 1997 to \$1,847 million for the year ended December 31, 1997, as follows:

Period	Operating Revenues Increase (Decrease) from ten-month from April 1, 1996 through January 31, 1997 to the year ended
	December 31, 1997 (In millions)
Electricity distribution	\$64
Electricity supply	26
Other	(4)
Intra-business	(4)

Total operating revenues	\$82 ===

Two principal factors determine the amount of revenues produced by the main electricity distribution business: the unit price of the electricity distributed (which is controlled by the Distribution Price Control Formula) and the number of electricity units distributed which depends on the demand of London Electricity's customers for electricity within its Franchise Area. Demand varies based upon weather conditions and economic activity. Following London Electricity's regulatory distribution price review in 1994, London Electricity's allowable expected distribution revenues were reduced by 14%, during the fiscal year ended March 31, 1996. Subsequently, the Regulator announced a further allowed distribution price reduction of 11% beginning April 1, 1996, and an additional 3%, beginning April 1, 1997. These price reductions have reduced and will continue to reduce London Electricity's distribution revenues.

Revenues from the distribution business increased by \$64 million (15%) from \$435 million for the ten month period from April 1, 1996 to January 31, 1997 to \$499 million for the year ended December 31, 1997, principally due to an 11% increase in units distributed as a result of there being eleven months of London Electricity operations in the year ended December 31, 1997 compared to only ten months in the earlier period. Also contributing to the total increase was the increase in the U.S. dollars to BPS exchange rate during the year ended December 31, 1997.

Two principal factors determine the amount of revenues produced by the supply business: the unit price of the electricity supplied (which, in the case of the franchise supply customers, is controlled by the Supply Price Control Formula) and the number of electricity units supplied. London Electricity is expected to have the exclusive right to supply all franchise supply customers in its Franchise Area until late 1998.

Franchise supply customers, who are generally residential and small commercial customers, comprised 56% of total sales volume for the February 1, 1997 through December 31, 1997 period of London Electricity's inclusion in Entergy London's 1997 results of operations. The volume of unit sales of electricity for franchise supply customers is influenced largely by the number of customers in London Electricity's Franchise Area, weather conditions and prevailing economic conditions. Unit sales to non-franchise supply customers, who are typically large commercial and industrial businesses, constituted 44% of total sales volume for the period from

ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

February 1, 1997 through December 31, 1997. Sales to non-franchise supply customers are determined primarily by the success of the supply business in contracting to supply customers with electricity who are located both inside and outside London Electricity's Franchise Area.

During the February 1, 1997 through December 31, 1997 period that London Electricity was included in Entergy London's 1997 results of operations, the number of electricity units supplied increased by 5% while total revenues produced by the supply business increased by 2% (\$26 million) to \$1,689 million from \$1,663 million for the ten month period from April 1, 1996 to January 31, 1997. While volume increased for both Franchise Supply Customers and Non-Franchise Supply Customers due to the additional month included in the later period, this was partially offset by lower average unit prices for both customer categories. Reductions in prices for Franchise Supply Customers are due primarily to pass-through of reduced costs of purchased power. Reductions in prices for Non-Franchise Supply Customers are due primarily to competitive pressures in this market as purchased power costs decline.

Other revenues for the February 1, 1997 through December 31, 1997 period that London Electricity was included in Entergy London's 1997 results of operations were \$103 million, a decrease of \$4 million compared to the ten month period from April 1, 1996 to January 31, 1997. This was due principally to reduced revenues in the contracting business and the exclusion of revenues from subsidiaries disposed of in the period ending January 31, 1997.

Expenses

Operating expenses increased by \$64 million (4%) from \$1,596 million in the ten month period from April 1, 1996 to January 31, 1997 to \$1,660 million in the February 1, 1997 through December 31, 1997 period that London Electricity was included in Entergy London's 1997 results of operations. This increase was due principally to one additional month's operations in the later period and to increases of \$59 million in depreciation and amortization expense related to the acquisition adjustments for fixed assets and distribution license based on 40-year useful lives and of \$17 million in other operation and maintenance costs. These increases were partially offset by restructuring charges of \$19 million during the earlier period and a decrease in purchase power costs due to a decline in the average purchase price per unit which was offset by an increase in the exchange rate. Also contributing to the total increase was the increase in the U.S. dollars to BPS exchange rate during the year ended December 31, 1997.

Other

Interest Expense, Net

Interest expense, net increased by \$152 million from \$27 million during the ten month period from April 1, 1996 to January 31, 1997 to \$179 million for the year ended December 31, 1997. This increase was principally as a result of the financing costs associated with the debt facilities entered into to finance the acquisition of London Electricity, effective February 1, 1997.

ENERGY LONDON INVESTMENTS PLC AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Income Taxes

Energy London's effective income tax rate was approximately 596% and 34% for the year ended December 31, 1997, and for the ten month period from April 1, 1996 to January 31, 1997, respectively. The effective rate in the 1997 period was affected by the recording of a one-time charge of \$234 million during the year ended December 31, 1997 for the windfall profits tax enacted by the UK government in July 1997 and the non-deductibility, for UK corporation tax purposes, of this charge. This impact was partially offset by the \$65 million favorable impact of the reduction in the UK corporation tax rate from 33% to 31%, as discussed above.

Energy London's 34% effective income tax rate for the ten month period from April 1, 1996 to January 31, 1997, approximated the statutory rate of 33%.

ENERGY LONDON INVESTMENTS PLC AND SUBSIDIARY
CONSOLIDATED STATEMENT OF LOSS

Ended	For the Year
	December 31, 1997
	(In Thousands)
Operating Revenues	\$1,847,042
Operating Expenses:	
Purchased power	1,222,034
Depreciation and amortization	121,365
Other operation and maintenance costs	316,833
Total	1,660,232
Operating Income	186,810
Other income (deductions):	
Interest and dividend income	22,328
Miscellaneous - net	(803)
Total	21,525
Interest Charges:	
Distributions on preferred securities of subsidiaries	3,019
Other interest - net	175,628
Total	178,647
Income Before Income Taxes	29,688
Income tax expense	177,023
Net Loss	(\$147,335)
See Notes to Financial Statements.	=====

ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

Ended	For the Year December 31, 1997 (In Thousands)
Operating Activities:	
Net loss	(\$147,335)
Noncash items included in net income:	
Depreciation and amortization	121,365
Deferred income taxes	(56,217)
Changes in assets and liabilities:	
Inventory	375
Accounts receivable and unbilled revenue	(66,019)
Other receivables	42,506
Prepayments and other	(4,340)
Long-term receivables and other	4,546
Accounts payable	116,091
Income taxes accrued	81,568
Interest accrued	(8,270)
Deferred revenue and other current liabilities	(32,383)
Other liabilities	(37,002)
Other	36,372

Net cash flow provided by operating activities	51,257

Investing Activities:	
Construction expenditures	(181,165)
Acquisition of London Electricity, net of cash acquired	(1,951,701)
Other investments	1,321

Net cash flow used in investing activities	(2,131,545)

Financing Activities:	
Proceeds from the issuance of:	
Bank notes and other long-term debt	1,559,748
Common Stock	505,953
Preferred securities of subsidiary partnership	300,000
Payment of long-term debt	(259,428)
Changes in short-term borrowings - net	(25,460)

Net cash flow provided by financing activities	2,080,813

Effect of exchange rates on cash and cash equivalents	(10,615)

Net decrease in cash and cash equivalents	(10,090)
Cash and cash equivalents at beginning of period	54,478

Cash and cash equivalents at end of period	\$44,388
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$139,578
Cash paid for income taxes	\$127,585

See Notes to Financial Statements.

ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
ASSETS

December 31, 1997
(In Thousands)

Current Assets:

Cash and cash equivalents	
Cash	\$ -
Temporary cash investments	44,388

Total cash and cash equivalents	44,388
Notes receivable	7,364
Accounts receivable:	
Customer (less allowance for doubtful accounts of \$21.9 million)	139,265
Other	39,764
Accrued unbilled revenue	262,818
Accumulated deferred income taxes	12,401
Inventory	1,976
Prepayments and other	13,623

Total	521,599

Property, Plant, and Equipment:

Property, plant and equipment	2,283,549
Construction work in progress	81,306

Total	2,364,855
Less - accumulated depreciation and amortization	90,021

Property, plant, and equipment - net	2,274,834

Other Property, Investments, and Assets:

Investments, long-term	11,413
Distribution license (net of accumulated amortization of \$31.1 million)	1,327,312
Long-term receivables	17,172
Prepaid pension asset	241,216
Other	10,079

Total	1,607,192

TOTAL	\$4,403,625
	=====

See Notes to Financial Statements.

ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

December 31, 1997
(In Thousands)

Current Liabilities:	
Currently maturing long-term debt	\$33,814
Notes payable	240,794
Accounts payable	349,821
Customer deposits	24,946
Taxes accrued	120,981
Interest accrued	14,201
Other	805
Total	785,362
Other Liabilities:	
Accumulated deferred income taxes	995,865
Other	250,470
Total	1,246,335
Long-term debt	1,706,096
Company-obligated redeemable preferred securities of subsidiary partnership holding solely junior subordinated deferrable debentures	300,000
Shareholders' Equity:	
Common stock, BPS1 par value, authorized, issued, and outstanding 50,000 shares	114,081
Paid-in capital	391,900
Accumulated deficit	(132,390)
Cumulative foreign currency translation adjustment	(7,759)
Total	365,832
Commitments and Contingencies (Notes 2, 9 and 10)	
TOTAL	\$4,403,625
See Notes to Financial Statements.	

ENERGY LONDON INVESTMENTS PLC AND SUBSIDIARY
STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Ended	For the Year
	December 31, 1997
	(In Thousands)
Retained Earnings, January 1	\$ -
Add:	
Net loss	(147,335)
Imputed interest on parent company debt	14,945

Accumulated Deficit, December 31	(\$132,390)
	=====

See Notes to Financial Statements.

ENERGY LONDON INVESTMENTS PLC AND SUBSIDIARY

SELECTED FINANCIAL DATA

	1997
Thousands)	(In
Operating revenues	\$1,847,042
Net loss	\$(147,335)
Total assets	\$4,403,625
Long-term obligations (1)	\$2,006,096

(1) Includes long-term debt (excluding currently maturing debt) and preferred securities of subsidiary partnership.

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Entergy Corporation,

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries, including the domestic utility companies, System Energy, and Entergy London, whose financial statements are included in this document. Except for London Electricity, which was the predecessor company to Entergy London (see Note 13), the financial statements presented herein result from these companies having registered securities with the SEC.

All significant intercompany transactions have been eliminated. Entergy Corporation's domestic utility subsidiaries maintain accounts in accordance with FERC and other regulatory guidelines. Certain previously reported amounts have been reclassified to conform to current classifications, with no effect on net income or shareholders' equity.

Use of Estimates in the Preparation of Financial Statements

The preparation of Entergy Corporation and its subsidiaries' financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

Revenues and Fuel Costs

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electricity (primarily to retail customers) in Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electricity primarily to retail customers in Texas and Louisiana; distributes gas at retail primarily in Baton Rouge, Louisiana, and also sells steam to a large refinery complex in Baton Rouge. Entergy New Orleans sells both electricity and gas to retail customers in the City of New Orleans (except for Algiers, where Entergy Louisiana is the electricity supplier). London Electricity, Entergy London's sole asset, distributes and supplies electricity to customers in the London metropolitan area.

System Energy's operating revenues recover operating expenses, depreciation, and capital costs attributable to Grand Gulf 1 from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf 1, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf 1. See Note 2 for a discussion of System Energy's proposed rate increase.

A portion of Entergy Arkansas' and Entergy Louisiana's purchase of power from Grand Gulf has not been included in the determination of the cost of service to retail customers by the APSC and LPSC, respectively, as described in Note 2.

The domestic utility companies and Entergy London accrue estimated revenues for energy delivered since the latest billings. Entergy London records revenue net of value-added tax.

The domestic utility companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, both of which allow either current recovery or deferrals of fuel costs until such costs are reflected in the related revenues. Fixed fuel factors remain in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing.

Entergy London purchases power primarily from the wholesale trading market for electricity in England and Wales (Electricity Pool). The Electricity Pool monitors supply and demand between generators and suppliers, sets prices for generation, and provides centralized settlement of amounts due between generators and suppliers.

Price Control

Certain supply customers of Entergy London are subject to price control formulas through December 1998 which allow a maximum charge per unit of electricity. Distribution customers are subject to price control formulas which allow a maximum charge per unit of electricity. Differences in the charges, or in the purchase cost of electricity, can result in the under or over-recovery of revenues in a particular year.

Where there is an over-recovery of supply or distribution business revenues against the regulated maximum allowable amount, revenues are deferred in an amount equivalent to the over-recovered amount. The deferred amount is deducted from operating revenues and included in other liabilities. Where there is an under-recovery, no asset is recorded in anticipation of any potential future recovery.

Utility Plant

Utility plant is stated at original cost. The original cost of utility plant retired or removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the utility plant is subject to liens from mortgage bond indentures.

Utility plant includes the portions of Grand Gulf 1 and Waterford 3 that have been sold and leased back. For financial reporting purposes, these sale and leaseback arrangements are reflected as financing transactions.

Net utility plant, by company and functional category, as of December 31, 1997 is shown below (in millions):

	Entergy	Entergy	Entergy	Entergy	Entergy	Entergy	System	Entergy
	Arkansas	Gulf States	Louisiana	Mississippi	New Orleans	Energy	London	
Production								
Nuclear	\$ 7,559	\$ 951	\$ 2,312	\$ 1,940	\$ -	\$ -	\$ 2,356	\$ -
Other	1,538	366	631	224	213	14	-	-
Transmission	1,703	450	467	329	304	21	10	-
Distribution	5,370	916	788	731	424	162	-	1,976
Other	859	131	189	107	90	17	13	218
Plant acquisition adjustment-								
Entergy Gulf States	439	-	-	-	-	-	-	-
Other	93	-	32	-	-	61	-	-
Construction Work								
in Progress	566	123	90	52	23	19	37	81
Nuclear Fuel								
(leased and owned)	342	93	78	59	-	-	64	-
Accumulated Provision								
For Decommissioning (1)	(336)	(227)	(49)	(60)	-	-	-	-
Utility Plant - Net	\$18,133	\$ 2,803	\$ 4,538	\$ 3,382	\$ 1,054	\$ 294	\$2,480	\$ 2,275

(1) System Energy's decommissioning liability is recorded on the Balance Sheet in "Deferred Credits and Other Liabilities - Other"

Depreciation is computed on the straight-line basis at rates based on the estimated service lives and costs of removal of the various classes of property. Depreciation rates on average depreciable property are shown below:

	Entergy	Entergy	Entergy	Entergy	Entergy	System	Entergy
	Arkansas	Gulf States	Louisiana	Mississippi	New Orleans	Energy	London
1997	3.2%	3.1%	2.8%	3.0%	2.5%	3.1%	3.4%
1996	3.0%	3.2%	2.7%	3.0%	2.4%	3.1%	3.3%
1995	2.9%	3.3%	2.7%	3.0%	2.4%	3.1%	2.9%

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC increases both utility plant and earnings, it is only realized in cash through depreciation provisions included in rates.

Jointly-Owned Generating Stations

Certain Entergy Corporation subsidiaries jointly own electric generating facilities with third parties, and record the investments and expenses associated with these generating stations to the extent of their respective undivided ownership interests. As of December 31, 1997, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel Type	Total Megawatt Capability	Ownership	Investment	Accumulated Depreciation
(In Thousands)						
Entergy Arkansas Independence	Unit 1	Coal	836	31.50%	\$117,515	\$45,471
	Common Facilities	Coal		15.75%	29,568	10,591
White Bluff	Units 1 and 2	Coal	1,659	57.00%	397,304	174,227
Entergy Gulf States (1)						
Roy S. Nelson	Unit 6	Coal	550	70.00%	400,409	177,305
Big Cajun 2	Unit 3	Coal	540	42.00%	222,957	92,960
Entergy Mississippi - Independence	Units 1 and 2	Coal	1,678	25.00%	224,081	85,860
System Energy - Grand Gulf	Unit 1	Nuclear	1,200	90.00%(2)	3,454,067	1,086,820
Entergy Power - Independence	Unit 2	Coal	842	21.50%	121,138	41,883

(1) On December 23, 1997, Cajun's 30% ownership interest in River Bend Unit 1, a 936 MW nuclear unit located near St. Francisville, Louisiana, was transferred to Entergy Gulf States, which previously had owned the other 70% of the unit. See Note 9.

(2) Includes an 11.5% leasehold interest held by System Energy. See Note 10.

Income Taxes

Entergy Corporation and its subsidiaries file a U.S. consolidated federal income tax return. Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. SEC regulations require that no Entergy Corporation subsidiary pay more taxes than it would have paid if a separate income tax return had been filed. Entergy London, as a member of an affiliated group in the UK, is eligible for group relief. Group relief enables current losses to be surrendered by one affiliated company to another affiliated company. It is the policy of Entergy London's affiliated group to apply the group relief provisions in order to minimize the UK corporation income tax of the group. In accordance with SFAS 109, "Accounting for Income Taxes", deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities, and for certain credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Investment tax credits are deferred and amortized based upon the average useful life of the related property, in accordance with rate treatment.

Distribution Licenses

Distribution licenses represent the identifiable intangible assets related to Entergy London and CitiPower which exclusively permit distribution services to be provided within defined territories. These licenses are being amortized over 40 years using the straight-line method. Entergy's future net cash flows are expected to be sufficient to recover the amortization of the cost of the CitiPower and Entergy London licenses.

Reacquired Debt

The premiums and costs associated with reacquired debt of the domestic utility companies and System Energy (except that allocable to the deregulated operations of Entergy Gulf States) are being amortized over the life of the related new issuances, in accordance with ratemaking treatment.

Cash and Cash Equivalents

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

Investments

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities", in accounting for investments. As a result, Entergy has recorded on the consolidated balance sheet an additional \$53 million in decommissioning trust funds of the domestic utility companies. Such increase represents the amount by which the fair value of the securities held in such funds exceeds the

amounts deposited from rate recovery, plus the related earnings on the amounts deposited. In accordance with the regulatory treatment for decommissioning trust funds, Entergy has recorded an offsetting amount in unrealized gains on investment securities as a regulatory liability in other deferred credits.

Entergy London accounts for investments whose fair market values are readily determinable in accordance with SFAS 115. These securities are considered available-for-sale securities under SFAS 115 and their fair values approximate cost. Other securities whose fair market values are not readily determinable and in which Entergy London does not have a significant interest are recorded at cost.

Investments in which Entergy London's ownership interest ranges from 20% to 50%, or which are less than 20% owned but over which Entergy London exercises significant influence over operating and financial policies, are accounted for using the equity method. The following are Entergy London's principal equity method investments as of December 31, 1997:

Investment Ownership	Percentage
Thames Valley Power Ltd	50%
London Total Energy Ltd	50%
Barking Power Limited	13.5%

These investments were acquired effective February 1, 1997, as part of Entergy's acquisition of London Electricity.

Foreign Currency Translation

In accordance with SFAS 52, "Foreign Currency Translation," all assets and liabilities of Entergy's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of the period, and revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation adjustments are reflected in a separate component of shareholders' equity. Current exchange rates are used for U.S. dollar disclosures of future obligations denominated in foreign currencies. No representation is made that the foreign currency denominated amounts have been, could have been, or could be converted into U.S. dollars at the rates indicated or at any other rates.

Earnings per Share - SFAS 128

The FASB issued SFAS 128, "Earnings per Share", in February 1997, effective for calendar year-end 1997 financial statements. Entergy adopted SFAS 128 and has included a dual presentation of basic and diluted earnings per share on its consolidated statement of income. The average number of common shares outstanding for the presentation of diluted earnings per share for the years 1997, 1996, and 1995 were greater by approximately 90,000, 91,000, and 60,000 shares, respectively, than the number of such shares for the presentation of basic earnings per share due to Entergy's stock option and other stock compensation plans discussed more fully in Note 5.

Options to purchase approximately 120,000, 235,000, and 155,000 shares of common stock at various prices were outstanding at the end of 1997, 1996, and 1995, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the market price of the common shares at the end of each of the years presented.

Application of SFAS 71

The domestic utility companies and System Energy currently account for the effects of regulation pursuant to SFAS 71, "Accounting for the Effects of Certain Types of Regulation". This statement applies to the financial statements of a rate-regulated enterprise that meets three criteria. The enterprise must have rates that (i) are approved by the regulator; (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility's business, such as the generation or transmission functions, or to specific classes of customers. If an enterprise meets these criteria, it may capitalize costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. SFAS 71 requires that rate-regulated enterprises assess the probability of recovering their regulatory assets at each balance sheet date. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity's balance sheet.

SFAS 101, "Accounting for the Discontinuation of Application of FASB Statement No. 71", specifies how an enterprise that ceases to meet the criteria for application of SFAS 71 for all or part of its operations should report that event in its financial statements. In general, SFAS 101 requires that the enterprise report the discontinuation of the application of SFAS 71 by eliminating from its balance sheet all regulatory assets and liabilities related to the applicable segment. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs and therefore no longer qualifies for SFAS 71 accounting, it is possible that an impairment (see further discussion below) may exist which

could require further write-offs of plant assets.

During 1997, EITF 97-4: "Deregulation of the Pricing of Electricity - Issues Related to the Application of FASB Statements No. 71 and 101" was issued and specifies that SFAS 71 should be discontinued at a date no later than when the details of the transition to competition plan for all or a portion of the entity subject to such plan are known. However, other factors could cause the discontinuation of SFAS 71 before that date. Additionally, EITF 97-4 promulgates that regulatory assets to be recovered through cash flows derived from another portion of the entity which continues to apply SFAS 71 should not be written off; rather, they should be considered regulatory assets of the segment which will continue to apply SFAS 71.

As of December 31, 1997, the majority of the domestic utility companies' and System Energy's operations continue to meet each of the criteria required for the use of SFAS 71, and the companies have recorded significant regulatory assets.

During 1996, FERC issued Orders No. 888 and 889, which require utilities to provide open access to their transmission system to promote a more competitive market for wholesale power sales. As described in Note 2, the domestic utility companies have filed transition to competition proposals with their regulators providing, among other things, for accelerated recovery of certain capitalized costs to facilitate for an orderly transition to a competitive retail power market. In response to these filings, certain regulatory commissions have begun proceedings to consider retail competition in their jurisdictions.

Regulators have generally deferred action on the plans in lieu of their general proceedings on competition. Entergy cannot, at this time, predict the completion dates or ultimate outcome of all of these proceedings. Accordingly, the domestic utility companies and System Energy anticipate that they will continue to meet the criteria for the application of SFAS 71 in the foreseeable future.

Entergy's foreign utility operations are not subject to cost-based rate regulation in the jurisdictions in which they operate, but rather are subject to price cap regulation in certain instances and to competitive market forces in other instances. Therefore, the provisions of SFAS 71 do not apply to Entergy's foreign utility operations.

Domestic Deregulated Operations

Entergy Gulf States discontinued regulatory accounting principles for its wholesale jurisdiction and its steam department during 1989 and for the Louisiana retail deregulated portion of River Bend in 1991. The results of these deregulated operations (before interest charges) for the years ended December 31, 1997, 1996, and 1995 are as follows:

	1997	1996	1995
	(In Thousands)		
Operating Revenues	\$155,471	\$174,751	\$141,171
Operating Expenses:			
Fuel, operating, and maintenance	89,987	119,784	115,799
Depreciation	36,351	31,455	31,129
	-----	-----	-----
Total Operating Expenses	126,338	151,239	146,928
Income Taxes	9,416	9,598	
(6,979)			
	-----	-----	-----
Net Income from Deregulated Utility Operations	\$19,717	\$13,914	\$1,222
	=====	=====	=====

The net investment associated with these deregulated operations was approximately \$964 million as of December 31, 1997, which includes Cajun's interest in River Bend which was transferred by Cajun's Trustee in Bankruptcy to Entergy Gulf States in late 1997 at a fair value of \$139 million, based on management's estimate of such value at the time of transfer.

Impairment of Long-Lived Assets

Note 2 describes regulatory assets of \$169 million (net of tax)

related to Texas retail deferred River Bend operating and carrying costs which were written off upon the adoption of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), in the first quarter of 1996.

In accordance with the provisions of SFAS 121, Entergy periodically reviews long-lived assets whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the net cash flows expected to

result from such operations and assets. Projected net cash flows depend on the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy over the remaining life of the assets. Based on current estimates of future cash flows, management anticipates that future revenues from such assets and operations of Entergy will fully recover all related costs.

Assets regulated under traditional cost-of-service ratemaking, and thereby subject to SFAS 71 accounting, are generally not subject to impairment, because this form of regulation is designed to assure that all allowed costs are subject to recovery. However, certain deregulated assets and other operations of the domestic utility companies totaling approximately \$1.5 billion (pre-tax) could be affected in the future. Those assets include Entergy Arkansas' and Entergy Louisiana's retained shares of Grand Gulf 1, Entergy Gulf States' Louisiana deregulated asset plan, the Texas jurisdiction abeyed portion of the River Bend plant, and wholesale jurisdiction and steam department operations.

Change in Accounting for Nuclear Refueling Outage Costs (Entergy Corporation, Entergy Arkansas, and System Energy)

In December 1995, at the recommendation of FERC, Entergy Arkansas changed its method of accounting for nuclear refueling outage costs. The change, effective January 1, 1995, results in Entergy Arkansas deferring incremental maintenance costs incurred during an outage and amortizing those costs over the operating period immediately following the nuclear refueling outage, which is the period when the charges are billed to customers. Previously, estimated costs of refueling outages were accrued over the period (generally 18 months) preceding each scheduled outage. The effect of the change for the year ended December 31, 1995, was to decrease net income by \$5.1 million (net of income taxes of \$3.3 million) or \$.02 per share. The cumulative effect of the change was to increase net income \$35.4 million (net of income taxes of \$22.9 million) or \$.15 per share.

System Energy filed a rate increase request with FERC in May 1995 (see Note 2), which, among other things, proposed a change in the accounting recognition of nuclear refueling outage costs from that of expensing those costs as incurred to the deferral and amortization method described above with respect to Entergy Arkansas. As described in Note 2, the FERC ALJ issued an initial decision in this proceeding in July 1996, agreeing to the change in recognition of outage costs proposed by System Energy. Accordingly, System Energy deferred the refueling outage costs incurred in the fourth quarter of 1996. As of December 31, 1996, System Energy's current assets included \$24.0 million in deferred nuclear refueling outage costs which are being amortized over the next fuel cycle (approximately 18 months). Amortization of these costs in the fourth quarter of 1996 and in 1997 amounted to \$1.2 million and \$16.4 million, respectively, and the deferred outage costs amounted to \$7.8 million as of December 31, 1997. This change has no impact on the net income of either Entergy or System Energy because System Energy will recover the refueling outage costs from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and these companies, in turn, will recover these costs from their ratepayers.

Derivative Financial Instruments

Entergy uses a variety of derivative financial instruments, including interest rate and foreign currency swaps, natural gas and electricity futures, natural gas and electricity options, and energy trading swaps and contracts for differences, as a part of its overall risk management strategy. Entergy accounts for its derivative financial instruments in accordance with SFAS No. 80, "Accounting for Futures Contracts," SFAS No. 52, "Foreign Currency Translation," and various EITF pronouncements. If the interest rate swaps were to be sold or terminated, any gain or loss would be deferred and amortized over the remaining life of the debt instrument being hedged by the interest rate swap. If the debt instrument being hedged by the interest rate swaps were to be extinguished, any gain or loss attributable to the swap would be recognized in the period of the transaction.

Entergy uses energy trading swaps and contracts for differences primarily to hedge its UK and Australian supply businesses against the price risk of electricity purchases. Use of these instruments is carried out within the framework of Entergy's purchasing strategy and hedging guidelines. Risk of loss is monitored through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings. Entergy recognizes gains or losses on these instruments when settlement is made on a basis consistent with the treatment of the underlying energy customer contract being hedged.

Entergy's domestic energy and natural gas marketing business enters into sales and purchases of electricity and natural gas for delivery up to 12 months in the future. To hedge price risk on such transactions, this business utilizes natural gas and electricity futures and option contracts. Gains or losses are recognized on such instruments when settlement is made on a basis consistent with treatment of the underlying sales and purchases of electricity and natural gas.

See Notes 6, 7, and 9 for additional information concerning Entergy's derivative instruments outstanding as of December 31, 1997.

Fair Value Disclosures

The estimated fair value of financial instruments was determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. The estimated fair value of derivative financial instruments is based on market quotes of the applicable interest or foreign currency exchange rates, or a survey of foreign Electricity Pool forward prices. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market

exchange. In addition, gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore not accrue to the benefit or detriment of stockholders.

Entergy considers the carrying amounts of 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. In addition, Entergy does not expect that performance of its obligations will be required in connection with certain off-balance sheet commitments and guarantees considered financial instruments. For these reasons, and because of the related-party nature of these commitments and guarantees, determination of fair value is not considered practicable. See Notes 5, 7, and 9 for additional disclosure.

NOTE 2. RATE AND REGULATORY MATTERS

River Bend (Entergy Corporation and Entergy Gulf States)

In 1988 the PUCT granted Entergy Gulf States a permanent increase in annual revenues of \$59.9 million resulting from the inclusion in rate base of approximately \$1.6 billion of company-wide River Bend plant investment and approximately \$182 million of related Texas retail jurisdiction deferred River Bend costs (Allowed Deferrals). At the same time, the PUCT disallowed as imprudent \$63.5 million of company-wide River Bend plant costs and placed in abeyance, with no finding as to prudence, approximately \$1.4 billion of company-wide River Bend plant investment and approximately \$157 million of Texas retail jurisdiction deferred River Bend operating and carrying costs (Abeyed Deferrals). As a result of the application of the company's long-lived asset impairment policy, Entergy Gulf States wrote off Abeyed Deferrals of \$169 million, net of tax, effective January 1, 1996.

The PUCT's order has been the subject of several appellate proceedings, culminating in an appeal to the Texas Supreme Court (Supreme Court). On January 31, 1997, the Supreme Court issued an opinion reversing the PUCT's order and remanding the case to the PUCT for further proceedings.

On January 14, 1998, the commissioners of the PUCT voted by a 2 to 1 majority to disallow recovery of \$1.4 billion of company-wide abeyed plant costs. The Texas share of these costs, which is not currently in rates, is approximately \$624 million, based on 1988 costs and the jurisdictional allocation included in current rates. The PUCT is expected to enter an order pursuant to its vote, but has not yet done so. As of December 31, 1997, the River Bend plant costs disallowed for retail ratemaking purposes in Texas and the River Bend plant costs held in abeyance totaled (net of taxes and depreciation) approximately \$12 million and \$252 million, respectively. See "Filings with the PUCT and Texas Cities" below for information related to additional rulings by the PUCT and other retail rate proceedings as well as the proposed agreement in principle between the parties to the Entergy Gulf States rate proceedings in Texas.

Retail Rate Proceedings

Filings with the APSC (Entergy Corporation and Entergy Arkansas)

On December 12, 1997, the APSC resolved the rate application that Entergy Arkansas filed in October 1996 by approving the settlement agreement among Entergy Arkansas and four other parties that was filed with the APSC on October 9, 1997. The settlement agreement as approved provides for accelerated amortization of Entergy Arkansas' Grand Gulf purchased power obligation in an amount totaling \$165.3 million over the period January 1, 1999 through June 30, 2004, and the establishment of a transition cost account to collect earnings in excess of 11% return on equity through a streamlined annual earnings review for offset against stranded costs when retail access is implemented. Rates will be frozen for at least a three-year period. As of December 31, 1997, Entergy Arkansas established an estimated reserve of \$16.6 million in the transition cost account. This estimated reserve will be trued up once the APSC has determined, in a mid-year streamlined earnings review procedure, the actual amount of 1997 overearnings that should go towards the transition cost account. The APSC's Order also established four generic dockets to address competition and transition issues that must be resolved prior to retail access. Finally, the APSC Order approved the rate decreases agreed to in the settlement agreement totaling \$200 million over the two-year period 1998-1999, most involving the ending of the Grand Gulf deferrals and other mechanisms, such that the net income effect from these reductions is only approximately \$22 million. In management's opinion, Entergy Arkansas continues to meet each of the criteria required for the application of SFAS 71. Refer to "Application of SFAS 71" in Note 1 for a discussion of SFAS 71 and 101, as well as EITF 97-4.

Filings with the PUCT and Texas Cities (Entergy Corporation and Entergy Gulf States)

In March 1994, the Texas Office of Public Utility Counsel and certain cities served by Entergy Gulf States instituted an investigation of the reasonableness of Entergy Gulf States' rates. On March 20, 1995, the PUCT ordered a retroactive annual base rate reduction of \$52.9 million, which was amended to an annual level of \$36.5 million. The PUCT's action was based, in part, upon a Texas Supreme Court decision not to require a utility to use the prospective tax benefits generated by disallowed expenses to reduce rates. The May 26, 1995, amended order no longer required Entergy Gulf States to pass such prospective tax benefits on to its customers. The rate refund ordered by the PUCT in its March 20, 1995, order, retroactive to March 31, 1994, was approximately \$61.8 million (including interest) and was refunded to customers in September, October, and November 1995. Entergy Gulf States and other parties have appealed the PUCT order, but no assurance can be given as to the timing or outcome of the appeal.

In December 1995, Entergy Gulf States filed a petition with the PUCT for reconciliation of fuel and purchased power expenses for the period January 1, 1994 through June 30, 1995. Entergy Gulf States believes that there was an under-recovered fuel balance, including interest, of \$22.4 million as of June 1995. Hearings were concluded in October 1996, and in April 1997 the PUCT issued an order which approved recovery of approximately \$18.8 million of the under-recovered fuel balance, including interest. In June 1997, the PUCT issued a subsequent order based on a rehearing, which reduced the approved recovery to \$18.5 million. Entergy Gulf States has appealed portions of the PUCT's order to the Texas District Court. No assurance can be given as to the timing or outcome of these appeals.

In accordance with the Merger agreement, Entergy Gulf States filed a rate proceeding with the PUCT in November 1996. In April 1996, certain cities served by Entergy Gulf States (Cities) instituted investigations of the reasonableness of Entergy Gulf States' rates. In May 1996, the Cities agreed to forego their pending investigation based on the assurance that any rate decrease ordered in the November 1996 filing would be retroactive to June 1, 1996, with accrued interest until refunded. The agreement further provides that no base rate increase will be retroactive. Subsequent to the November 1996 filing, the Cities passed ordinances reducing Entergy Gulf States' rates by \$43.6 million. Entergy Gulf States has appealed these ordinances to the PUCT, and these appeals have been consolidated in the pending rate proceeding. Included in the November 1996 filing was a proposal to achieve an orderly transition to retail electric competition in Texas, similar to the filing described below that Entergy Gulf States made with the LPSC. This filing with the PUCT was litigated in four phases as follows: (i) fuel factor/fuel reconciliation phase, of which Entergy Gulf States believes there was an under-recovered fuel balance of \$41.4 million, including interest, for the period July 1, 1995 through June 30, 1996; (ii) revenue requirement phase; (iii) cost allocation/rate design phase; and (iv) competitive issues phase. Hearings on all of the phases have been completed. A supplemental filing with respect to the fourth phase was made with the PUCT on April 4, 1997, outlining a comprehensive market reform proposal calling for the establishment of retail competition, service quality standards, a regional power exchange, and an independent system operator. Entergy Gulf States requested from the PUCT a reciprocal commitment to provide an opportunity for the full recovery of prudently incurred investments previously approved by regulators. The rebuttal testimony of Entergy Gulf States in the competition phase of the case modified its position to include elements from the 1997 proposed Texas legislation addressing retail access. Most notable were the provisions calling for a transition period through the year 2001 and rate reductions for residential and most commercial customers. The PUCT has not issued an order with respect to the completed phases.

In addition to the January 14, 1998 ruling discussed above in "River Bend," the PUCT upheld an ALJ's ruling disallowing recovery of approximately \$40 million of Entergy Services' affiliate costs allocated to Entergy Gulf States in Texas. Entergy Services is responsible for managing Entergy Gulf States' fossil generating plants and transmission and distribution systems, as well as providing human resources, accounting, and other necessary services to Entergy Gulf States and Entergy Corporation's other electric utility subsidiaries. In another matter, the PUCT also issued an order establishing service quality standards and rate of return adjustments for Entergy Gulf States and its Texas retail service territory. A portion of the adjustments will be retroactive and a portion will be prospective. The PUCT will evaluate Entergy Gulf States' future performance based on several criteria including feeder reliability, billing error rates, customer call center performance, service installation performance, line extension performance and street light replacements.

In March 1998, the parties to the Entergy Gulf States rate proceedings in Texas reached an agreement in principle, subject to approval by the PUCT and the Cities, which would resolve all of the pending rate issues. The proposed agreement in principle would include a base rate reduction of \$40 million on an annual basis, with a refund retroactive to June 1, 1996; additionally it would provide for a recovery of \$25 million of deferred fuel costs; the base rates would remain at the same level for the next four years after the reduction; a total service quality credit of \$9 million retroactive to June 1996; and the recovery of a portion of the abeyed portion of River Bend such that at the end of the four year rate freeze there will remain \$125 million of net plant related to that abeyed portion. Entergy Gulf States has established reserves for the probable effects of this agreement in principle based on management's estimates of the terms thereof. These reserves of approximately \$381 million (or \$227 million net of taxes) were recorded in the fourth quarter of 1997. The results of operations of Entergy Gulf States for the year ended December 31, 1997, reflect corresponding charges to operating revenues and other income (deductions) of \$70 million and \$311 million, respectively. The parties are working to finalize a definitive agreement. Entergy Gulf States has agreed to implement the refunds and rate reductions, subject to final approval of the agreement in principle. Final approval of the agreement in principle would resolve all regulatory issues discussed above.

Filings with the LPSC

(Entergy Corporation and Entergy Gulf States)

Annual Earnings Reviews

On May 31, 1995, Entergy Gulf States filed its second required post-Merger earnings analysis with the LPSC. Hearings on this review were held in December 1995. On October 4, 1996, the LPSC issued an order requiring a \$33.3 million annual base rate reduction and a \$9.6 million refund. One component of the rate reduction removes from base rates approximately \$13.4 million annually of costs that will be recovered in the future through the fuel adjustment clause. On October 23, 1996, Entergy Gulf States appealed the LPSC's order and obtained an injunction to stay the order, except insofar as it requires the \$13.4 million reduction, which Entergy Gulf States implemented in November 1996. In addition, pursuant to an October 1996 settlement with the LPSC, Entergy Gulf States will be allowed to recover \$8.1 million annually related to certain gas transportation and storage facilities costs. This amount will be applied as an offset against any refund that may be required by a final

judgment in Entergy Gulf States' appeal of the second post-Merger earnings review order.

On May 31, 1996, Entergy Gulf States filed its third required post-Merger earnings analysis with the LPSC. Based on this earnings filing, on June 1, 1996, Entergy Gulf States implemented a \$5.3 million annual rate reduction. Hearings on this filing concluded in March 1997. An additional rate reduction may be required upon the issuance by the LPSC of a final rate order, which is expected in early 1998.

On May 30, 1997, Entergy Gulf States filed its fourth post-Merger earnings analysis with the LPSC. This filing showed a revenue deficiency such that no rate reduction is warranted. Entergy Gulf States' filing will be subject to further review by the LPSC. Hearings are scheduled to begin in March 1998.

LPSC Fuel Cost Review

In September 1996, the LPSC completed the second phase of its review of Entergy Gulf States' fuel costs, which covered the period October 1991 through December 1994 (Phase II). On October 7, 1996, the LPSC issued an order requiring a \$34.2 million refund. The ordered refund includes a disallowance of \$14.3 million of capital costs (including interest) related to certain gas transportation and storage facilities, which were recovered through the fuel clause, and which have been refunded pursuant to the October 1996 LPSC Settlement. Entergy Gulf States will be permitted to recover these costs in the future through base rates. On October 23, 1996, Entergy Gulf States appealed and received an injunction to stay this order, except insofar as the order requires the \$14.3 million refund. On September 19, 1997, the 19th Judicial District Court of Louisiana reversed the LPSC's order with respect to several disallowances associated with the operation of River Bend, affirmed the LPSC's order with respect to the remainder of the ordered disallowances, and ordered a refund of \$8.8 million, plus interest from December 31, 1995 until payment to the ratepayers. Pleadings seeking appeals to the Louisiana Supreme Court have been filed.

(Entergy Corporation, Entergy Gulf States, and Entergy Louisiana)

In September 1996, Entergy Gulf States and Entergy Louisiana filed proposals with the LPSC designed to achieve an orderly transition to retail electric competition in Louisiana, while protecting certain classes of ratepayers from bearing the burden of cost shifting. The proposals do not increase rates for any customer class. However, these proposals do provide for a universal service charge for customers that remain connected to Entergy Gulf States' or Entergy Louisiana's electric facilities but choose to purchase their electricity from another source. In addition, the proposals include a base rate freeze, which would be put into effect for seven years in the Louisiana areas serviced by Entergy Gulf States and Entergy Louisiana. Although these proposals allow for the complete recovery, over a seven-year period, of the remaining plant investment associated with River Bend and Waterford 3 as of December 31, 1995, the NRC operating licenses for these plants permit continued operation until the years 2025 and 2024, respectively. Hearings on these proposals have been delayed until 1998.

In February 1997, the LPSC identified certain issues embodied in the Entergy Gulf States and Entergy Louisiana proposals that will be addressed in those companies' existing rate dockets, and other issues that will be addressed in an ongoing generic regulatory proceeding examining electric utility industry restructuring.

(Entergy Corporation and Entergy Louisiana)

On April 15, 1996, Entergy Louisiana made its first annual performance-based formula rate plan filing based on the 1995 test year. On June 19, 1996, the LPSC approved a \$12 million annual reduction in base rates effective July 1, 1996. This reduction was based upon the 1995 test year results under the formula rate plan and reflected the expiration of the Waterford 3 phase-in plan discussed below, which was partially offset by the recovery of the property taxes on Waterford 3 and the related deferral discussed below. Subsequently, additional issues were resolved by means of a settlement conference, increasing the base rate reduction from \$12 million to \$16.5 million. Hearings have been conducted to review Entergy Louisiana's allowed return on equity and to address certain other disputed issues. This may result in an additional rate reduction, which would be prospective only.

On May 30, 1997, Entergy Louisiana made its annual formula rate plan filing with the LPSC for the 1996 test year. This filing showed the necessity to reduce rates by approximately \$27.8 million. Additionally, in order to reflect certain Waterford 3 related items (property tax and termination of the phase-in plan) that are addressed outside the formula rate plan, the filing showed the necessity to reduce rates further by approximately \$26.7 million. These two reductions produced a total reduction of approximately \$54.5 million, which was implemented beginning in the first filing cycle of July 1997. The May 30 filing is the final filing in the two-year period of the formula rate plan. There has been no determination to date by the LPSC as to whether the formula rate plan should be extended, modified, or terminated. On January 21, 1998, the LPSC approved a \$4 million refund to reflect lower rates effective July 1, 1997, as well as an \$8 million prospective annual rate reduction.

Filings with the MPSC (Entergy Corporation and Entergy Mississippi)

On March 15, 1997, Entergy Mississippi filed its annual earnings review with the MPSC under its formula rate plan for the 1996 test year. In April 1997, the MPSC issued an order approving a prospective rate reduction of \$11.2 million. This rate reduction went into effect May 1, 1997.

Entergy Mississippi initiated discussions with the MPSC regarding an orderly transition to a more competitive market for electricity. In August 1996, Entergy Mississippi filed a proposal with the MPSC for a rate rider to assure recovery of all Grand Gulf costs incurred to serve customers. The rider would maintain current rates for electric service provided by Entergy Mississippi and would apply to customers within Entergy Mississippi's service area who obtain electricity in the future from a source other than Entergy Mississippi. Entergy Mississippi designed this rider to assure that commitments made under the current system of regulation are honored and that cost burdens are not unfairly transferred from departing customers to those who remain on the Entergy Mississippi system. On August 22, 1996, the MPSC remanded this proposal and established a generic docket to consider competition for retail electric service. Hearings on this docket concluded in April 1997. In early July 1997 the MPSC issued an order directing the Mississippi Public Utilities Staff to submit a report outlining a plan for restructuring the electric utility industry in Mississippi. On November 3, 1997, the Mississippi Public Utilities Staff submitted to the MPSC a proposed transition plan for retail competition in the electric industry in Mississippi. The plan represents the staff's current position on how retail competition can be implemented in Mississippi and includes an implementation schedule in which retail competition would begin on January 1, 2001. The plan assumes the passage of necessary enabling legislation in 1999. The plan also provides for a transition period, from January 1, 2001, through December 31, 2004, for the recovery of any allowed stranded costs through a non-bypassable charge. Parties filed comments on the plan during January and February of 1998 and a hearing is scheduled to be conducted by the MPSC in April 1998.

Filings with the Council (Entergy Corporation and Entergy New Orleans)

In March 1997, the Council established new dockets regarding electric and gas utility service competition in the City of New Orleans. The dockets will address competitive issues, including competition, stranded costs, consumer savings, cost shifting, and potential conflicts among federal, state, and local regulators, as such issues relate to electric and gas service. Comments were filed by interested parties in April 1997. Public hearings on these issues were held in May, July, and October of 1997.

The Council issued a resolution in February 1997 indicating that it will conduct an investigation of Entergy New Orleans' allowed rate of return, base rates, and adjustment clauses. The Council conducted hearings in April 1997 on the issue of rate of return, and directed Entergy New Orleans to make a cost of service and revenue requirement filing on May 1, 1997. That filing was later deferred until September 1997. In July 1997, Entergy New Orleans and the Council agreed to implement an \$18 million annual reduction in base rates effective May 1, 1997, even though an allowed rate of return had not yet been determined by the Council.

Entergy New Orleans made its cost of service and revenue requirement filing in conjunction with its transition to competition plan on September 17, 1997. On November 6, 1997, the Council severed the traditional ratemaking issues from the transition filings and established a procedural schedule for the second phase of the rate proceeding, pursuant to which hearings will be conducted in July 1998. Additionally, the Council ordered Entergy New Orleans to file unbundled gas rates, in preparation for an investigation of issues relating to gas industry competition. The electric transition to competition filing is generally similar to those filed for the other domestic utility companies. It includes a rate cap coupled with a continuing right of the Council to conduct reviews of Entergy New Orleans' earnings, an offer to seek authority from FERC for accelerated recovery of Grand Gulf purchased power obligations, and implementation of a non-bypassable universal service charge for all existing customers, together with functional unbundling of electric rates. Entergy New Orleans' transition filing will be subject to further review by the Council. A procedural schedule on that filing has not been set, although public comment has been requested by the Council.

Deregulated Asset Plan (Entergy Corporation and Entergy Gulf States)

A deregulated asset plan representing an unregulated portion (approximately 25%) of River Bend (plant costs, generation, revenues, and expenses) was established pursuant to a January 1992 LPSC order. The plan allows Entergy Gulf States to sell such generation to Louisiana retail customers at 4.6 cents per KWH or off-system at higher prices, with certain provisions for sharing such incremental revenue above 4.6 cents per KWH between ratepayers and shareholders.

River Bend Cost Deferrals (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States deferred approximately \$369 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges, pursuant to a 1986 PUCT accounting order. Approximately \$182 million of these costs are being amortized over a 20-year period, and the remaining \$187 million was written off in the first quarter of 1996 in accordance with SFAS 121, as discussed above. As of December 31, 1997, the unamortized balance of the remaining costs was \$107 million. Entergy Gulf States deferred approximately \$400.4 million of similar costs pursuant to a 1986 LPSC accounting order, which is being amortized over a 10-year period ending in February 1998. Approximately \$5 million was unamortized as of December 31, 1997.

In accordance with a phase-in plan approved by the LPSC, Entergy Gulf States deferred \$294 million of its River Bend costs related to the period February 1988 through February 1991. Entergy Gulf States has amortized \$286 million through December 31, 1997. The remaining \$8 million will be recovered in the first quarter of 1998. In connection with the completion of the phase-in plan, on February 18, 1998, the LPSC approved an annual prospective rate reduction of \$87 million.

Grand Gulf 1 and Waterford 3 Deferrals

(Entergy Corporation and Entergy Arkansas)

Under the settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas agreed to retain a portion of its Grand Gulf 1-related costs, recover a portion of such costs currently, and defer a portion of such costs for future recovery. In 1996 and subsequent years, Entergy Arkansas retains 22% of its 36% share (approximately 7.92%) of Grand Gulf 1 costs and recovers the remaining 78%. The deferrals ceased in 1990, and Entergy Arkansas is recovering a portion of the previously deferred costs each year through 1998. As of December 31, 1997, the balance of deferred costs was \$75 million. Entergy Arkansas is permitted to recover on a current basis the incremental costs of financing the unrecovered deferrals. In the event Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided energy cost, which is currently less than Entergy Arkansas' cost of energy from its retained share.

(Entergy Corporation and Entergy Louisiana)

In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Waterford 3 and Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. With respect to Waterford 3, Entergy Louisiana was granted an increase aggregating \$170.9 million over the period 1985-1988, and agreed to permanently absorb, and not recover from retail ratepayers, \$284 million of its investment in the unit and to defer \$266 million of its costs related to the years 1985-1988, which was recovered from April 1988 through June 1997.

With respect to Grand Gulf 1, in November 1988, Entergy Louisiana agreed to retain and not recover from retail ratepayers, 18% of its 14% share (approximately 2.52%) of the costs of Grand Gulf 1 capacity and energy. Entergy Louisiana is allowed to recover through the fuel adjustment clause 4.6 cents per KWH for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to nonaffiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval.

(Entergy Corporation and Entergy Mississippi)

Entergy Mississippi entered into a plan with the MPSC that provides, among other things, for the recovery by Entergy Mississippi, in equal annual installments over 10 years beginning October 1, 1988, of all Grand Gulf 1-related costs deferred through September 30, 1988, pursuant to a final order by the MPSC. Additionally, the plan provided that Entergy Mississippi would defer, in decreasing amounts, a portion of its Grand Gulf 1-related costs over four years beginning October 1, 1988. These deferrals are being recovered by Entergy Mississippi over a six-year period that began in October 1992 and will end in September 1998. As of December 31, 1997, the uncollected balance of Entergy Mississippi's deferred costs was approximately \$127 million. The plan also allows for the current recovery of carrying charges on all deferred amounts.

(Entergy Corporation and Entergy New Orleans)

Under Entergy New Orleans' various rate settlements with the Council in 1986, 1988, and 1991, Entergy New Orleans agreed to absorb and not recover from ratepayers a total of \$96.2 million of its Grand Gulf 1 costs. Entergy New Orleans was permitted to implement annual rate increases in decreasing amounts each year through 1995, and to defer certain costs and related carrying charges for recovery on a schedule extending from 1991 through 2001. As of December 31, 1997, the uncollected balance of Entergy New Orleans' deferred costs was \$99 million.

Proposed Rate Increase

(System Energy)

System Energy filed an application with FERC on May 12, 1995, for a \$65.5 million rate increase. The request seeks changes to System Energy's rate schedule, including increases in the revenue requirement associated with decommissioning costs, the depreciation rate, and the rate of return on common equity. The request also includes a proposed change in the accounting recognition of nuclear refueling outage costs from that of expensing those costs as incurred to the deferral and amortization method described in Note 1 with respect to Entergy Arkansas. On December 12, 1995, System Energy implemented the \$65.5 million rate increase, subject to refund, for which a portion has been reserved. Hearings on System Energy's request began in January 1996 and were completed in February 1996. On July 11, 1996, the ALJ issued an initial decision in this proceeding that agreed with certain of System Energy's proposals, including the change in accounting for nuclear refueling outage costs, while rejecting a proposed increase in return on common equity and recommending a slight decrease. The ALJ also rejected the proposed change in the decommissioning cost methodology. The decision of the ALJ is preliminary and may be modified in the final decision by FERC. Management is unable to predict the final outcome of the rate increase request or the amount of any refunds in excess of reserves that may be required.

(Entergy Mississippi)

Entergy Mississippi's allocation of the proposed System Energy wholesale rate increase is \$21.6 million annually. In July 1995, Entergy

Mississippi filed a schedule with the MPSC that defers the retail recovery of the System Energy rate increase. The deferral plan, which was approved by the MPSC, began in December 1995, the effective date of the System Energy rate increase, and will end after the issuance of a final order by FERC. The deferral period ends September 1998, and the deferred amount is to be amortized over 48 months beginning in October 1998.

(Entergy New Orleans)

Entergy New Orleans' allocation of the proposed System Energy wholesale rate increase is \$11.1 million annually. In February 1996, Entergy New Orleans filed a plan with the Council to defer 50% of the amount of the System Energy rate increase. The deferral began in February 1996 and will end after the issuance of a final order by FERC.

FERC Settlement (Entergy Corporation and System Energy)

In November 1994, FERC approved an agreement settling a long-standing dispute involving income tax allocation procedures of System Energy. In accordance with the agreement, System Energy will refund a total of approximately \$62 million, plus interest, to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans through June 2004. System Energy also reclassified from utility plant to other deferred debits approximately \$81 million of other Grand Gulf 1 costs. Although such costs are excluded from rate base, System Energy is recovering them over a 10- year period. Interest on the \$62 million refund and the loss of the return on the \$81 million of other Grand Gulf 1 costs will reduce Entergy's and System Energy's net income by approximately \$10 million annually until 2004.

Entergy London Regulatory Matters (Entergy Corporation and Entergy London)

Distribution Business

The distribution business of London Electricity is regulated under its PES license, pursuant to which revenue of the distribution business is controlled by the Distribution Price Control Formula (DPCF). The DPCF determines the maximum average price per unit of electricity (expressed in kilowatt hours) that a REC may charge. The elements used in the DPCF are established for a five-year period and are subject to review by the Regulator at the end of each period and at other times at the discretion of the Regulator. At each review the Regulator can adjust the value of certain elements in the DPCF. Following a review by the Regulator in August 1994, a 14% price reduction was set for London Electricity, effective April 1, 1995. In July 1995, a further review of distribution prices was concluded by the Regulator for fiscal years 1997 to 2000. As a result of this further review, London Electricity's distribution prices were reduced an additional 11% effective April 1, 1996; 3% effective April 1, 1997; and will be reduced by a further 3% on both April 1, 1998 and 1999.

Supply Business

The supply business of London Electricity is also regulated by the Regulator, and prices are established based upon the Supply Price Control Formula (SPCF) which is similar to the DPCF; however, the SPCF currently allows full pass through for all properly incurred costs and is set for a four-year period by the Regulator.

At present, London Electricity has an exclusive right to supply electricity to residential and small industrial and commercial customers in its franchise area with demand of less than 100 KW. In late 1998, this segment of the supply business will become open to competition, subject to a six-month transition period. This means the market will be fully opened with all customers having access to competition by June 1999. Although the advent of competition for all customers will permit all RECs to compete on a national level, London Electricity may be more sensitive to competition from its neighboring RECs due to its high customer concentration. London Electricity is in the process of developing its strategy to meet expanded competition in its supply business, which will focus on active marketing and customer service to defend its residential customer base and expanding product offerings to larger business customers. Such strategy may include the development of strategic alliances in the provision of energy and related services and the increased use of hedging of electricity prices to mitigate the increased risk from the expansion of competition. There can be no assurance that this strategy will be successful in avoiding a significant loss of customers of London Electricity's supply business.

On October 16, 1997, the Regulator published final proposals for new supply price restraints to apply for two years beginning April 1, 1998. The proposals were accepted on November 16, 1997. Among other things, these proposals implement a price reduction for London Electricity's domestic and small business supply customers of 11.8% compared to the supply price tariff in effect in August 1997. A further 3% reduction is proposed to be effective on April 1, 1999. The 11.8% price reduction to be effective on April 1, 1998, would be decreased by the supply tariff reductions announced by London Electricity on September 29, 1997, and effective from October 1, 1997, which will return over-recoveries experienced under the current SPCF. The license modifications which took effect December 31, 1997, discontinued the automatic pass-through of all costs previously passed through to domestic and small business customers, including purchased power costs from the Electricity Pool.

London Electricity expects to incur approximately \$49 million (a portion of which is expected to be capitalized) in fiscal year 1998 for re-engineering and technology costs to prepare infrastructure services for full competition in supply beginning September 1998. London Electricity, along with the other PES license-holders, petitioned the Regulator to recover such costs from customers. In the Regulator's supply

price restraint proposals published on October 16, 1997, the Regulator proposed, within the SPCF, to provide for an annual allowance of \$7.6 million for each PES license-holder over the 5 years ending March 31, 2003, to cover data management services set-up costs plus an annual allowance of \$1.6 million plus \$1.60 per customer to cover operating costs for the period 1998 through 2000. London Electricity estimates that these proposals will result in an aggregate allowance for London Electricity of approximately \$12.6 million per annum for the period 1998 through 2000. On November 16, 1997, London Electricity accepted the Regulator's new SPCF to be applied beginning April 1, 1998. In its fiscal year 1998 (ends March 31, 1998), London Electricity also expects to incur a total of \$8.2 million to procure settlement software for the Electricity Pool designed to interface with RECs' data management software. These costs are expected to be recouped through Electricity Pool settlement charges.

The non-franchise supply market, which typically includes larger commercial and industrial customers, was opened to competition for all customers with usage above 1 MW upon privatization of the industry in 1990. The non-franchise supply markets of 100 KW or more were opened to full competition starting in April 1994.

NOTE 3. INCOME TAXES

Entergy and its registrant subsidiaries' income tax expenses for 1997, 1996, and 1995 consist of the following (in thousands):

1997	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
Current:								
Federal	\$433,444	\$113,278	\$ 68,881	\$ 94,448	\$ 49,472	\$12,003	\$98,428	\$ -
Foreign	237,337	-	-	-	-	-	-	234,080
State	76,905	23,756	6,007	19,974	9,476	2,096	15,596	-
Total	747,686	137,034	74,888	114,422	58,948	14,099	114,024	234,080
Deferred -- net	(312,691)	(73,406)	(104,435)	(9,833)	(30,697)	(1,369)	(35,894)	(57,057)
Investment tax credit adjustments -- net	36,346	(4,408)	51,949	(5,624)	(1,507)	(588)	(3,476)	-
Recorded income tax expense	\$471,341	\$ 59,220	\$ 22,402	\$ 98,965	\$ 26,744	\$ 12,142	\$74,654	\$177,023
=====								
1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	
Current:								
Federal	\$272,036	\$ 108,583	\$ 510	\$ 78,629	\$ 64,358	\$ 23,860	\$ 19,637	
State	72,204	21,888	201	21,122	9,635	4,631	13,508	
Total	344,240	130,471	711	99,751	73,993	28,491	33,145	
Deferred -- net	100,572	(41,261)	106,715	24,656	(29,390)	(11,587)	52,447	
Investment tax credit adjustments -- net	(23,653)	(4,766)	(5,335)	(5,847)	(3,497)	(687)	(3,471)	
Recorded income tax expense	\$421,159	\$ 84,444	\$ 102,091	\$ 118,560	\$ 41,106	\$ 16,217	\$ 82,121	
=====								
1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	
Current:								
Federal	\$ 306,910	\$ 87,937	\$ 13	\$ 93,670	\$ 62,436	\$ 19,071	\$108,920	
State	60,278	18,027	-	20,994	9,215	3,394	11,910	
Total	367,188	105,964	13	114,664	71,651	22,465	120,830	
Deferred -- net	13,333	(5,363)	67,703	8,148	(35,224)	(1,364)	(41,871)	
Investment tax credit adjustments -- net	(21,478)	(5,658)	(4,472)	(5,698)	(1,550)	(634)	(3,466)	
Recorded income tax expense	\$ 359,043	\$ 94,943	\$ 63,244	\$117,114	\$ 34,877	\$ 20,467	\$ 75,493	
=====								
Charged to cumulative effect	\$ 22,861	\$ 22,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
=====								

Entergy and its registrant subsidiaries' total income taxes differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 1997, 1996, and 1995 are (amounts in thousands):

1997	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
Computed at statutory rate (35%) (31%	\$ 270,284	\$ 64,470	\$ 28,833	\$ 84,253	\$ 32,691	\$ 9,658	\$ 61,932	\$ 9,196
for Entergy London)								
Increases (reductions) in tax								
resulting from:								
State income taxes net of								
federal income tax effect	33,272	8,382	1,274	12,106	3,110	1,191	7,209	-
Depreciation	25,471	(2,784)	(3,670)	13,162	964	2,236	15,563	-
Rate deferrals - net	3,484	1,543	5,575	(526)	(3,504)	396	-	-
Amortization of investment								
tax credits	(19,592)	(4,404)	(3,981)	(5,627)	(1,512)	(589)	(3,479)	-
Flow-through/permanent								
differences	(6,537)	(308)	(6,133)	47	(78)	(65)	-	-
UK windfall profits tax	234,080	-	-	-	-	-	-	234,080
Change in UK statutory rate	(64,670)	-	-	-	-	-	-	(64,670)
Non-deductible franchise fees	17,234							
Interest on perpetual instruments	(9,094)							
Benefit of Entergy Corporation								
expenses	-	(4,920)	-	(4,788)	(2,704)	(831)	(4,037)	-
Other -- net	(12,591)	(2,759)	504	338	(2,223)	146	(2,534)	(1,583)
Total income taxes	\$ 471,341	\$ 59,220	\$ 22,402	\$ 98,965	\$ 26,744	\$ 12,142	\$ 74,654	\$ 177,023
Effective Income Tax Rate	61.0%	31.6%	27.2%	41.1%	28.6%	44.0%	42.2%	596.8%

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	\$ 319,103	\$ 84,785	\$ 34,371	\$ 108,262	\$ 42,111	\$ 15,048	\$ 63,626
Increases (reductions) in tax							
resulting from:							
State income taxes net of							
federal income tax effect	54,801	10,796	19,389	11,535	4,188	1,449	7,444
Depreciation	15,829	(2,102)	(6,305)	6,722	1,604	402	15,508
Rate deferrals - net	1,973	1,115	5,537	(1,829)	(3,430)	580	-
Amortization of investment							
tax credits	(20,349)	(4,608)	(4,380)	(5,664)	(1,582)	(635)	(3,480)
Flow-through/permanent							
differences	1,059	(845)	2,792	(449)	(275)	(164)	-
SFAS 121 write-off	48,265	-	48,265	-	-	-	-
Other -- net	478	(4,697)	2,422	(17)	(1,510)	(463)	(977)
Total income taxes	\$ 421,159	\$ 84,444	\$ 102,091	\$ 118,560	\$ 41,106	\$ 16,217	\$ 82,121
Effective Income Tax Rate	46.2%	34.9%	104.0%	38.3%	34.2%	37.7%	45.4%

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	\$ 334,944	\$ 93,458	\$ 65,157	\$ 111,528	\$ 36,240	\$ 19,198	\$ 58,986
Increases (reductions) in tax							
resulting from:							
State income taxes net of							
federal income tax effect	42,599	11,551	8,375	11,532	3,344	1,971	7,036
Depreciation	1,670	(1,510)	(13,073)	2,693	739	(661)	13,482
Rate deferrals - net	1,699	975	6,240	(2,626)	(3,465)	575	-
Amortization of investment							
tax credits	(20,549)	(5,658)	(4,475)	(5,711)	(1,548)	(634)	(3,480)
Other -- net	(1,320)	(3,873)	1,020	(302)	(433)	18	(531)
Total income taxes	\$ 359,043	\$ 94,943	\$ 63,244	\$ 117,114	\$ 34,877	\$ 20,467	\$ 75,493
Effective Income Tax Rate	37.5%	35.5%	34.0%	36.7%	33.7%	37.3%	44.8%

Significant components of Entergy and its registrant subsidiaries' net deferred tax liabilities as of December 31, 1997 and 1996, are as follows (in thousands):

1997	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
Deferred Tax Liabilities:								
Net regulatory assets/ (liabilities)	(1,378,858)	\$(293,433)	\$(437,397)	\$(329,903)	\$(32,140)	\$(4,642)	\$(281,343)	\$-
Plant-related basis differences	(3,574,260)	(475,950)	(991,253)	(716,512)	(192,402)	(52,295)	(494,564)	(572,896)
Rate deferrals	(177,609)	(26,164)	(33,665)	-	(74,427)	(43,353)	-	-
Pension-related items	(74,777)	-	-	-	-	-	-	(74,777)
Distribution License	(411,467)	-	-	-	-	-	-	(411,467)
Other	(181,306)	(53,666)	(66,995)	(32,101)	(7,494)	(4,336)	(16,714)	-
Total	\$(5,798,277)	\$(849,213)	\$(1,529,310)	\$(1,078,516)	\$(306,463)	\$(104,626)	\$(792,621)	\$(1,059,140)
Deferred Tax Assets:								
Accumulated deferred investment tax credit	204,414	40,721	61,122	51,669	9,147	3,440	38,315	-
Investment tax credit carryforwards	83,080	-	83,080	-	-	-	-	-
NOL carryforwards	2,137	-	2,137	-	-	-	-	-
Foreign tax credits (including foreign tax on unremitted earnings)	248,897	-	-	-	-	-	-	-
Alternative minimum tax credit	40,658	-	40,658	-	-	-	-	-
Sale and leaseback	235,668	-	-	108,944	-	-	126,724	-
Removal cost	105,477	1,198	27,027	63,759	2,590	10,903	-	-
Unbilled revenues	45,505	-	23,848	16,970	(1,195)	5,882	-	-
Pension-related items	33,724	-	12,897	9,653	1,801	6,097	3,276	-
Rate refund	195,484	6,504	154,153	-	-	-	34,827	-
FERC Settlement	17,193	-	-	-	-	-	17,193	-
Other	211,361	9,062	21,837	24,767	5,379	5,760	10,235	75,676
Valuation Allowance	(248,897)	-	-	-	-	-	-	-
Total	\$ 1,174,701	\$ 57,485	\$ 426,759	\$ 275,762	\$ 17,722	\$ 32,082	\$ 230,570	\$ 75,676
Net deferred tax liability	\$(4,623,576)	\$(791,728)	\$(1,102,551)	\$(802,754)	\$(288,741)	\$(72,544)	\$(562,051)	\$(983,464)

1996	Entergy	Entergy	Entergy	Entergy	Entergy	System	
	Entergy	Arkansas	Gulf States	Louisiana	Mississippi	New Orleans	Energy
Deferred Tax Liabilities:							
Net regulatory assets/ (liabilities)	\$(1,406,921)	\$(287,217)	\$ (434,380)	\$(349,667)	\$ (21,537)	\$ (9,717)	\$(304,403)
Plant-related basis differences	(2,976,724)	(476,364)	(1,006,347)	(716,974)	(185,038)	(50,435)	(512,519)
Rate deferrals	(322,530)	(84,826)	(68,282)	(2,839)	(113,669)	(52,914)	-
Other	(143,792)	(59,592)	(9,243)	(31,433)	(7,604)	(6,193)	(24,917)
Total	\$(4,849,967)	\$(907,999)	\$(1,518,252)	\$(1,100,913)	\$ (327,848)	\$(119,259)	\$(841,839)
Deferred Tax Assets:							
Accumulated deferred investment tax credit	210,879	42,450	61,563	53,831	9,724	3,666	39,645
Investment tax credit carryforwards	138,779	-	138,779	-	-	-	-
NOL carryforwards	24,990	-	24,990	-	-	-	-
Alternative minimum tax credit	40,658	-	40,658	-	-	-	-
Sale and leaseback	233,823	-	-	108,390	-	-	125,433
Removal cost	102,268	-	27,391	61,716	2,454	10,707	-
Unbilled revenues	37,692	-	17,824	14,965	(343)	5,246	-
Pension-related items	30,869	-	11,291	8,838	2,008	5,987	2,745
Rate refund	25,409	-	-	-	-	7,077	18,332
FERC Settlement	19,079	-	-	-	-	-	19,079
Other	147,020	9,049	61,804	23,545	5,849	8,097	12,585
Total	\$ 1,011,466	\$ 51,499	\$ 384,300	\$ 271,285	\$ 19,692	\$ 40,780	\$ 217,819
Net deferred tax liability	\$(3,838,501)	\$(856,500)	\$(1,133,952)	\$(829,628)	\$ (308,156)	\$ (78,479)	\$(624,020)

As of December 31, 1997, Entergy has investment tax credit (ITC) carryforward of \$83.1 million and state net operating loss carryforward of \$26.7 million, all related to Entergy Gulf States operations. The ITC carryforwards include the 35% reduction required by the Tax Reform Act of 1986 and may be applied solely against federal income tax liability of Entergy Gulf States and, if not utilized, will expire between 1998 and 2002. The alternative minimum tax (AMT) credit carryforwards as of December 31, 1997 were \$40.7 million, all related to Entergy Gulf States operations. This AMT credit can be carried forward indefinitely and may be applied solely against the federal income tax liability of Entergy Gulf States.

The valuation allowance is provided primarily against foreign tax credit carryforwards and foreign tax credits on unremitted earnings which can be utilized against future taxable income in the United States.

NOTE 4. LINES OF CREDIT AND RELATED SHORT-TERM BORROWINGS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

In November 1996, SEC authorization was received by Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy increasing short-term borrowing limits to \$235 million, \$340 million, \$225 million, \$103 million, \$35 million, and \$140 million, respectively (for a total of \$1.078 billion). These authorizations are effective through November 30, 2001. Of these companies, only Entergy Mississippi had borrowings outstanding as of December 31, 1997. Entergy Mississippi had \$47.2 million of borrowings outstanding under the money pool, an inter-company borrowing arrangement designed to reduce the domestic utility companies' dependence on external short-term borrowings. Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi had undrawn lines of credit as of December 31, 1997, of \$18 million, \$64.2 million, and \$24 million, respectively.

In July 1995, Entergy Corporation obtained a \$300 million bank credit facility. Thereafter, a three-year credit agreement was signed with a group of banks in October 1995 to provide up to \$300 million of loans to Entergy Corporation. As of December 31, 1997, \$75 million was outstanding against this facility. In January 1997, the SEC authorized an increase in borrowings under Entergy's bank credit facilities from \$300 million to a maximum of \$500 million.

On September 13, 1996 Entergy Corporation and ETHC obtained a three-year \$100 million bank line of credit which was increased to \$250 million in 1997, and that can be drawn by either Entergy Corporation or ETHC (with a guarantee from Entergy Corporation). The proceeds are to be used exclusively for exempt telecommunication investments. As of December 31, 1997, \$111 million borrowed by Entergy Corporation was outstanding under this facility.

Other Entergy companies have SEC authorization to borrow through the money pool, from Entergy Corporation, and from commercial banks in the aggregate principal amounts up to \$265 million, of which \$98.2 million was outstanding as of December 31, 1997. Some of these borrowings are restricted as to use, and are secured by certain assets.

In total, Entergy had short-term commitments in the amount of \$1,029.7 million as of December 31, 1997, of which \$745.2 million was unused. The weighted-average interest rate on the outstanding borrowings of Entergy as of December 31, 1997 and 1996, was 7.09% and 6.10%, respectively. Included in these short-term commitments is \$452.5 million of London Electricity's commitments, which had an outstanding balance of \$100 million as of December 31, 1997. The weighted average interest rate incurred on Entergy London's short-term borrowings was 7.64% for the period from February 1, 1997 to December 31, 1997. Commitment fees on the lines of credit for Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi are .125% of the undrawn amounts. The commitment fees for Entergy Corporation's \$300 million credit facility and

	Shares		Total		Call Price Per Share as of December 31, 1997
	Authorized and Outstanding 1997	1996	Dollar Value 1997	1996	
Entergy Arkansas Preferred Stock					
Without sinking fund:					
Cumulative, \$100 par value					
4.32% Series	70,000	70,000	\$ 7,000	\$ 7,000	\$103.65
4.72% Series	93,500	93,500	9,350	9,350	\$107.00
4.56% Series	75,000	75,000	7,500	7,500	\$102.83
4.56% 1965 Series	75,000	75,000	7,500	7,500	\$102.50
6.08% Series	100,000	100,000	10,000	10,000	\$102.83
7.32% Series	100,000	100,000	10,000	10,000	\$103.17
7.80% Series	150,000	150,000	15,000	15,000	\$103.25
7.40% Series	200,000	200,000	20,000	20,000	\$102.80
7.88% Series	150,000	150,000	15,000	15,000	\$103.00
Cumulative, \$0.01 par value:					
\$1.96 Series (a)(b)	600,000	600,000	15,000	15,000	-
Total without sinking fund	1,613,500	1,613,500	\$116,350	\$116,350	
With sinking fund:					
Cumulative, \$100 par value					
8.52% Series	250,000	300,000	\$ 25,000	\$ 30,000	\$104.26
Cumulative, \$25 par value					
9.92% Series	241,085	401,085	6,027	10,027	\$26.32
Total with sinking fund	491,085	701,085	\$ 31,027	\$ 40,027	
Fair Value of Preferred Stock with sinking fund (d)			\$ 32,018	\$ 41,835	

	Shares		Total		Call Price Per Share as of December 31, 1997
	Authorized and Outstanding 1997	1996	Dollar Value		
			1997	1996	
Entergy Gulf States Preferred and Preference Stock					
Preference Stock					
Cumulative, without par value					
7% Series (a)(b)	6,000,000	6,000,000	\$150,000	\$150,000	-
	=====	=====	=====	=====	
Preferred Stock					
Authorized 6,000,000, \$100 par value, cumulative					
Without sinking fund:					
4.40% Series	51,173	51,173	\$ 5,117	\$ 5,117	\$108.00
4.50% Series	5,830	5,830	583	583	\$105.00
4.40%-1949 Series	1,655	1,655	166	166	\$103.00
4.20% Series	9,745	9,745	975	975	\$102.82
4.44% Series	14,804	14,804	1,480	1,480	\$103.75
5.00% Series	10,993	10,993	1,099	1,099	\$104.25
5.08% Series	26,845	26,845	2,685	2,685	\$104.63
4.52% Series	10,564	10,564	1,056	1,056	\$103.57
6.08% Series	32,829	32,829	3,283	3,283	\$103.34
7.56% Series	350,000	350,000	35,000	35,000	\$101.80
8.52% Series	-	500,000	-	50,000	-
9.96% Series	-	350,000	-	35,000	-
	-----	-----	-----	-----	
Total without sinking fund	514,438	1,364,438	\$ 51,444	\$136,444	
	=====	=====	=====	=====	
With sinking fund:					
8.80% Series	162,283	184,595	\$ 16,228	\$ 18,459	\$100.00
8.64% Series	112,000	140,000	11,200	14,000	\$101.00
Adjustable Rate - A, 7.42%(c)	168,000	180,000	16,800	18,000	\$100.00
Adjustable Rate - B, 7.47%(c)	247,500	270,000	24,750	27,000	\$100.00
	-----	-----	-----	-----	
Total with sinking fund	689,783	774,595	\$ 68,978	\$ 77,459	
	=====	=====	=====	=====	
Fair Value of Preference Stock and Preferred Stock with sinking fund (d)			\$220,413	\$214,475	
			=====	=====	

	Shares		Total		Call Price Per Share as of December 31, 1997
	Authorized and Outstanding 1997	1996	Dollar Value		
	1997	1996	1997	1996	
Entergy Louisiana Preferred Stock					
Without sinking fund:					
Cumulative, \$100 par value					
4.96% Series	60,000	60,000	\$ 6,000	\$ 6,000	\$104.25
4.16% Series	70,000	70,000	7,000	7,000	\$104.21
4.44% Series	70,000	70,000	7,000	7,000	\$104.06
5.16% Series	75,000	75,000	7,500	7,500	\$104.18
5.40% Series	80,000	80,000	8,000	8,000	\$103.00
6.44% Series	80,000	80,000	8,000	8,000	\$102.92
7.84% Series	100,000	100,000	10,000	10,000	\$103.78
7.36% Series	100,000	100,000	10,000	10,000	\$103.36
Cumulative, \$25 par value:					
8.00% Series (b)	1,480,000	1,480,000	37,000	37,000	-
Total without sinking fund	2,115,000	2,115,000	\$100,500	\$100,500	
With sinking fund:					
Cumulative, \$100 par value					
7.00% Series (b)	500,000	500,000	\$ 50,000	\$ 50,000	-
8.00% Series (b)	350,000	350,000	35,000	35,000	-
Cumulative, \$25 par value					
12.64% Series	-	300,000	-	7,500	-
Total with sinking fund	850,000	1,150,000	\$ 85,000	\$ 92,500	
Fair Value of Preferred Stock with sinking fund (d)			\$ 87,288	\$ 93,825	

	Shares		Total		Call Price Per Share as of December 31, 1997
	Authorized and Outstanding 1997	1996	Dollar Value		
	1997	1996	1997	1996	
Entergy Mississippi Preferred Stock					
Without sinking fund:					
Cumulative, \$100 par value					
4.36% Series	59,920	59,920	\$ 5,992	\$ 5,992	\$103.86
4.56% Series	43,888	43,888	4,389	4,389	\$107.00
4.92% Series	100,000	100,000	10,000	10,000	\$102.88
7.44% Series	100,000	100,000	10,000	10,000	\$102.81
8.36% Series(b)	200,000	200,000	20,000	20,000	-
9.16% Series	-	75,000	-	7,500	-
Total without sinking fund	503,808	578,808	\$ 50,381	\$ 57,881	
With sinking fund:					
Cumulative, \$100 par value					
9.76% Series	-	70,000	\$ -	\$ 7,000	-
Total with sinking fund	-	70,000	\$ -	\$ 7,000	
Fair Value of Preferred Stock with sinking fund (d)				\$ 7,000	

	Shares		Total		Call Price Per Share as of December 31, 1997
	Authorized and Outstanding 1997	1996	Dollar Value		
	1997	1996	1997	1996	
Entergy New Orleans Preferred Stock Without sinking fund:					
Cumulative, \$100 par value					
4.75% Series	77,798	77,798	\$ 7,780	\$ 7,780	\$105.00
4.36% Series	60,000	60,000	6,000	6,000	\$104.57
5.56% Series	60,000	60,000	6,000	6,000	\$102.59
	-----	-----	-----	-----	
Total without sinking fund	197,798	197,798	\$ 19,780	\$ 19,780	
	=====	=====	=====	=====	

	Shares		Total		Call Price Per Share as of December 31, 1997
	Authorized and Outstanding 1997	1996	Dollar Value 1997	1996	
Entergy Corporation Subsidiary's Preference Stock (a)(b)	6,000,000 =====	6,000,000 =====	\$150,000 =====	\$150,000 =====	-
Subsidiaries' Preferred Stock Without sinking fund	4,944,544 =====	5,869,544 =====	\$338,455 =====	\$430,955 =====	
With sinking fund	2,030,868 =====	2,695,680 =====	\$185,005 =====	\$216,986 =====	
Fair Value of Preference Stock and Preferred Stock with sinking fund (d)			\$339,719 =====	\$357,135 =====	

- (a) The total dollar value represents the involuntary liquidation value of \$25 per share.
- (b) These series are not redeemable as of December 31, 1997.
- (c) Represents weighted-average annualized rates for 1997.
- (d) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. See Note 1 for additional disclosure of fair value of financial instruments.

Changes in the preferred stock, with and without sinking fund, preference stock, and common stock of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans during the last three years were:

	Number of Shares		
	1997	1996	1995
Preferred stock retirements			
Entergy Arkansas			
\$100 par value	(50,000)	(50,000)	(25,000)
\$25 par value	(160,000)	(560,000)	(280,000)
\$0.01 par value	-	(2,000,000)	-
Entergy Gulf States			
\$100 par value	(934,812)	(101,943)	(72,834)
Entergy Louisiana			
\$100 par value	-	(100,000)	-
\$25 par value	(300,000)	(2,300,370)	(450,211)
Entergy Mississippi			
\$100 par value	(145,000)	(97,700)	(150,000)
Entergy New Orleans			
\$100 par value	-	-	(34,495)

Cash sinking fund requirements and mandatory redemptions for the next five years for preferred and preference stock, outstanding as of December 31, 1997, are:

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana
	(In Thousands)			
1998	\$14,225	\$4,500	\$5,966	\$3,759
1999	60,466	4,500	5,966	50,000
2000	160,466	4,500	155,966	-
2001	45,466	4,500	5,966	35,000
2002	10,466	4,500	5,966	-

Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana have the annual noncumulative option to redeem, at par, additional amounts of certain series of their outstanding preferred stock.

Entergy Corporation from time to time reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), the Equity Ownership Plan of Entergy Corporation and Subsidiaries (Equity Plan), and certain other stock benefit plans. The Directors' Plan awards to nonemployee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation common stock. Shares awarded under the Directors' Plan were 9,104, 6,750, and 9,251 during 1997, 1996, and 1995, respectively.

During 1997 Entergy Corporation issued 1,189,266 shares of its

	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning-of-year balance	527,909	\$26.42	457,909	\$25.94	170,409	\$34.86
Options granted	255,000	25.84	82,500	29.38	315,000	21.39
Options exercised	(2,500)	23.38	(7,500)	23.38	(12,500)	23.38
Options forfeited	(107,500)	25.43	(5,000)	35.88	(15,000)	33.79
	-----		-----		-----	
End-of-year balance	672,909	\$26.37	527,909	\$26.42	457,909	\$25.94
	=====		=====		=====	
Options exercisable at year-end	422,909		277,909		207,909	
Weighted average fair value of options granted	\$ 4.49		\$ 3.51		\$ 2.48	

The following table summarizes information about stock options outstanding as of December 31, 1997:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	As of 12/31/97	Weighted-Avg Remaining Contractual Life-Yrs.	Weighted- Avg. Exercise Price	As of 12/31/97	Weighted Avg. Exercise Price	
\$20 - \$30	554,302	7.7	\$24.29	304,302	\$27.09	
\$30 - \$40	118,607	5.6	\$36.10	118,607	\$36.10	
\$20 - \$40	672,909	7.3	\$26.37	422,909	\$29.62	
	=====			=====		

To meet the requirements of the Employee Stock Investment Plan (ESIP), Entergy Corporation was authorized to issue or acquire, through March 31, 1997, up to 2,000,000 shares of its common stock to be held as treasury shares. In February 1997, Entergy received authority from the SEC to extend the ESIP for an additional three years ending on March 31, 2000. Under the extended plan, Entergy Corporation may issue either treasury shares or previously authorized but unissued shares. Under the terms of the ESIP, employees can choose each year to have up to 10% of their regular annual salary (not to exceed \$25,000) withheld to purchase the Company's common stock at a purchase price equal to 85% of the lower of the market value on the first or last business day of the plan year. The 1997 plan year runs from April 1, 1997, to March 31, 1998. Under the plan, the number of subscribed shares was 319,457, 327,017, and 247,122 in 1997, 1996, and 1995, respectively.

The fair value of shares granted was estimated on the date of the grant using the Black-Scholes option-pricing model with expected stock price volatility of 19% in 1997 and 1995 and 18% in 1996 and additional assumptions for each of those years as follows: risk-free interest rates of 6.1%, 5.4%, and 6.3% in 1997, 1996, and 1995, respectively, an average expected life of one year, and dividends of \$1.80 per share. The weighted-average fair value of those purchase rights granted was \$4.75, \$5.41, and \$4.02, in 1997, 1996, and 1995, respectively. The impact on Entergy's net income would have been \$48,000, \$894,000, and (\$315,000) in 1997, 1996, and 1995, respectively, had compensation cost for the ESIP been determined based on the fair value at the grant date for awards under the ESIP consistent with the method prescribed by SFAS 123.

Entergy sponsors the Employee Stock Ownership Plan of Entergy Corporation and Subsidiaries (ESOP) and the Savings Plan of Entergy Corporation and Subsidiaries (Savings Plan). Both plans are defined contribution plans covering eligible employees of Entergy and its subsidiaries who have completed certain service requirements. Entergy's subsidiaries' contributions to the ESOP and the Savings Plan, and any income thereon, are invested in shares of Entergy Corporation common stock. The allowed contributions to the ESOP are accrued based on the expected utilization of additional investment tax credits in the applicable federal income tax return of Entergy and its subsidiaries, and on expected voluntary participant contributions. Entergy's subsidiaries contributed \$22.8 million to the ESOP for the year ended December 31, 1995. There were no contributions in the years ended December 31, 1996 and 1997.

The Savings Plan provides that the employing Entergy subsidiary may make matching contributions to the plan in an amount equal to 50% of the participant's basic contribution up to 6% of their salary. In 1997, 1996, and 1995, Entergy's subsidiaries contributed \$13.2 million annually to the Entergy Savings Plan.

Entergy Gulf States sponsors the Gulf States Utilities Company Employee Stock Ownership Plan (GSU ESOP) and the Gulf States Utilities Company Employees' Thrift Plan (GSU Thrift Plan), which are both defined contribution plans. The GSU ESOP is available to all Entergy Gulf States employees, pre-Merger Entergy Gulf States employees, and post-Merger employees of Entergy Operations, whose primary work location is River Bend, upon completion of certain eligibility requirements. All contributions to the plan are invested in shares of Entergy Corporation common stock. Entergy Gulf States makes contributions to the GSU ESOP based on expected utilization of additional investment tax credits in the Entergy Gulf States federal tax return and on expected participants' contributions. No additional contributions were made to the GSU ESOP during 1997, 1996, and 1995. The GSU Thrift Plan is available to certain Entergy Operations employees whose primary work location is River Bend. Entergy Gulf States makes matching contributions to the GSU Thrift Plan equal to 50% of a participant's basic contribution which may be invested, at the participant's discretion, in shares of Entergy Corporation common stock. Entergy Gulf States' contributions to the GSU Thrift Plan for the years ended December 31, 1997, 1996, and 1995 were \$306,000, \$300,000, and \$1.1 million, respectively.

NOTE 6. COMPANY-OBLIGATED REDEEMABLE PREFERRED SECURITIES

(Entergy Arkansas, Entergy Louisiana, Entergy Gulf States)

Entergy Arkansas Capital I, Entergy Louisiana Capital I, and Entergy Gulf States Capital I (Trusts) were established as financing subsidiaries of Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States, respectively, for the purpose of issuing common and preferred securities. The Trusts issued Cumulative Quarterly Income Preferred Securities (Preferred Securities) to the public and common securities to their respective parent companies and used the proceeds from the sale to purchase, from their respective parent company, junior subordinated deferrable interest debentures (Debentures). The Debentures held by each Trust are its only assets and each Trust will use interest payments received on the Debentures owned by it to make cash distributions on the Preferred Securities.

Trusts	Date of Issue	Preferred Securities Issued	Common Securities Issued	Interest Rate Securities Debentures	Trust's Investment in Securities	Fair Market Value of Preferred Securities at 12/31/97
Arkansas Capital I	8-14-96	\$60.0	\$1.9	8.50%	\$61.9	\$62.0
Louisiana Capital I	7-16-96	\$70.0	\$2.2	9.00%	\$72.2	\$74.0
Gulf States Capital I	1-28-97	\$85.0	\$2.6	8.75%	\$87.6	\$88.6

The Preferred Securities of the Trusts of Entergy Arkansas and Entergy Louisiana will mature on September 30, 2045 and will mature on March 31, 2046 for Entergy Gulf States. The Preferred Securities are redeemable at 100% of their principal amount at the option of Entergy Arkansas and Entergy Louisiana beginning in 2001, and at the option of Entergy Gulf States beginning in 2002, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the Debentures. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States have, pursuant to certain agreements, fully and unconditionally guaranteed payment of distributions on the Preferred Securities issued by their respective trusts. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States are the owners of all of the common securities of their individual Trusts, which constitute 3% of each Trust's total capital.

(Entergy London)

Entergy London Capital, L.P. (Entergy London Capital), a limited partnership, was established as a financing subsidiary of Entergy London for the purpose of issuing preferred securities. On November 19, 1997, the limited partnership issued \$300 million in aggregate liquidation preference amount of 8.625% Cumulative Quarterly Income Preferred Securities in a public offering. All of the proceeds from the sale of these preferred securities were invested by Entergy London Capital in the Perpetual Junior Subordinated Debentures issued by Entergy London to Entergy London Capital. Entergy London used the net proceeds from such investment, together with other funds available to Entergy London, to repay a portion of indebtedness incurred in connection with the acquisition of London Electricity. These debentures will be payable in U.S. dollars. Management's estimate of the fair value of these preferred securities as of December 31, 1997, was \$303 million, based on the New York Stock Exchange closing price.

Entergy London has entered into currency exchange rate swap agreements to hedge the risk associated with exchange rate fluctuations. The exchange rate swap agreements hedging this risk involve the exchange of fixed rate U.S. dollars and BPS interest payments periodically over seven years. Management's estimate of the fair value of the currency swaps outstanding as of December 31, 1997, based on quoted interest and currency exchange rates, is a net asset of approximately \$2.0 million.

The preferred securities of the partnership, as well as the debentures, have no stated date of maturity. The preferred securities are redeemable at the option of Entergy London on or after November 19, 2002, at 100% of their principal amount, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the debentures. Entergy London is the sole General Partner in Entergy

London Capital, and has agreed to maintain ownership of 1% of all capital of Entergy London Capital.

NOTE 7. LONG - TERM DEBT (Entergy Corporation, Entergy Arkansas,

Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

The long-term debt of Entergy Corporation's subsidiaries, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London as of December 31, 1997, was:

Maturities		Interest		Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
From	To	From	To								
(In Thousands)											
First Mortgage Bonds											
1998	1999	6.000%	11.375%	\$491,000	\$15,000	\$211,000	\$35,000			\$230,000	
2000	2004	6.000%	8.250%	1,435,270	265,000	603,750	361,520			205,000	
2005	2009	6.650%	7.500%	313,000	215,000	98,000					
2010	2019	9.750%		75,000	75,000						
2020	2026	7.000%	10.000%	939,011	289,061	444,950	205,000				
G&R Bonds											
2000	2023	6.625%	8.800%	590,000				\$420,000	\$170,000		
Governmental Obligations(a)											
1998	2008	5.900%	8.750%	104,617	47,190	45,010	11,532	885			
2009	2026	5.600%	9.875%	1,596,735	286,200	435,735	412,170	46,030		416,600	
Debentures											
1998	2000	7.380%	9.720%	125,000		50,000				75,000	
Eurobonds											
2003	2005	8.000%	8.625%	325,940							\$325,940
Loan Notes Due 2003(b)											
Revolving Bank Debt Facility:				33,814							33,814
Facility A, avg rate 8.789% due 2002				1,332,774							1,332,774
Facility B,(Entergy International Ltd LLC)				117,000							
EPDC Revolving Credit Facility due 2000				70,307							
Saltend Project Senior Credit Facility/2014				39,610							
Long-Term DOE Obligation (Note 9)				123,506	123,506						
Waterford 3 Lease Obligation 8.09% (Note 10)				353,600			353,600				
Grand Gulf Lease Obligation 7.02% (Note 10)				489,162						489,162	
EP Edegel, Inc. Note Payable, due 2000				67,000							
CitiPower Crt Line avg rate 8.31% due 2000				715,330							
Other Long-Term Debt				149,201		9,937					47,382
Unamortized Premium and Discount - Net				(27,878)	(10,447)	(4,773)	(5,058)	(2,739)	(1,047)	(3,814)	
Total Long-Term Debt				9,458,999	1,305,510	1,893,609	1,373,764	464,176	168,953	1,411,948	1,739,910
Less Amount Due Within One Year				390,674	60,650	190,890	35,300	20	-	70,000	33,814
Long-Term Debt Excluding Amount Due Within One Year				\$9,068,325	\$1,244,860	\$1,702,719	\$1,338,464	\$464,156	\$168,953	\$1,341,948	\$1,706,096
Fair Value of Long-Term Debt (c)				\$8,635,583	\$1,223,591	\$1,990,881	\$1,074,053	\$488,145	\$171,199	\$969,724	\$1,708,743

The long-term debt of Entergy Corporation's subsidiaries, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, as of December 31, 1996, was:

Maturities From	To	Interest From	To	Entergy (In Thousands)	Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	
First Mortgage Bonds											
1997	1999	5.375%	11.375%	\$687,000	\$45,000	\$321,000	\$69,000		\$12,000	\$240,000	
2000	2004	6.000%	8.250%	1,355,270	180,000	608,750	361,520			205,000	
2005	2009	6.650%	7.500%	325,000	215,000	110,000					
2010	2019	9.750%		75,000	75,000						
2020	2026	7.000%	10.000%	1,031,648	376,648	450,000	205,000				
G&R Bonds											
1997	1999	6.950%	11.2%	96,000				\$ 96,000			
2000	2023	6.625%	8.800%	525,000				355,000	170,000		
Governmental Obligations (a)											
1997	2008	5.900%	10.000%	108,267	49,655	45,875	11,837	900			
2009	2026	5.950%	9.875%	1,551,235	240,700	435,735	412,170	46,030		416,600	
Debentures											
1997	2000	7.380%	9.720%	175,000		100,000				75,000	
Long-Term DOE Obligation (Note9)											
				117,270	117,270						
Waterford 3 Lease Obligation 8.76% (Note 10)											
				353,600			353,600				
Grand Gulf Lease Obligation 7.02% (Note 10)											
				496,480						496,480	
Line of Credit, variable rate due 1998											
				65,000							
CitiPower Credit Line avg.rate 8.31% due 2000											
				921,553							
				83,411		9,938					
Other Long-Term Debt											
				(30,310)	(11,420)	(5,087)	(5,619)	(2,861)	(1,112)	(4,211)	
Unamortized Premium and Discount-Net											
				7,936,424	1,287,853	2,076,211	1,407,508	495,069	180,888	1,428,869	
Less Amount Within One Year				345,620	32,465	160,865	34,275	96,015	12,000	10,000	
Long-Term Debt Excluding Amount Due Within One Year				\$7,590,804	\$1,255,388	\$1,915,346	\$1,373,233	\$399,054	\$168,888	\$1,418,869	
Fair Value of Long-Term Debt (c)				\$7,087,027	\$1,160,377	\$2,142,389	\$1,104,891	\$503,461	\$175,566	\$ 982,423	

(a) Consists of pollution control bonds, certain series of which are secured by non-interest bearing first mortgage bonds.

(b) Loan notes are included as current maturities of long-term debt based on the option of the holders to redeem such notes on March 31 of each year until their final maturity on March 31, 2003.

(c) The fair value excludes lease obligations, long-term DOE obligations, and other long-term debt and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. See Note 1 for additional information.

The annual long-term debt maturities (excluding lease obligations) and annual cash sinking fund requirements for debt outstanding as of December 31, 1997, for the next five years are as follows:

	Entergy (a)	Entergy Arkansas (b)	Entergy Gulf States (c)	Entergy Louisiana (d)	Entergy Mississippi	System Energy	Entergy London
1998	\$ 390,674	\$60,650	\$190,890	\$35,300	\$ 20	\$70,000	\$33,814
1999	232,538	365	71,915	238	20	160,000	-
2000	1,029,047	220	945	100,225	20	75,000	-
2001	277,710	35	123,725	18,925	25	135,000	-
2002	1,946,328	110,135	151,010	217,484	65,025	70,000	1,332,774

(a) Not included are other sinking fund requirements of approximately \$15.8 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(b) Not included are other sinking fund requirements of approximately \$0.79 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(c) Not included are other sinking fund requirements of approximately \$11.6 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(d) Not included are other sinking fund requirements of approximately \$3.41 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

Entergy Gulf States has two outstanding series of pollution control bonds collateralized by irrevocable letters of credit, which are scheduled to expire before the scheduled maturity of the bonds. The letter of credit collateralizing the \$28.4 million variable-rate series, due December 1, 2015, expires in September 1999 and the letter of credit collateralizing the \$20 million variable-rate series, due April 1, 2016, expires in February 1999.

Entergy's subsidiary, CitiPower, established a variable rate revolving credit facility in the aggregate amount of 1.2 billion Australian dollars (\$780 million) on January 5, 1996. The facility is fully collateralized by all of CitiPower's assets and is non-recourse to Entergy. Borrowings have maturities of 30 to 185 days, and are continuously renewable for 30 to 185 day periods at CitiPower's option until the facility matures on June 30, 2000. As of December 31, 1997, the facility was drawn down to 1.1 billion Australian dollars (\$715.3 million) at an average interest rate of 5.30%. Credit support is provided to facility banks in the form of a subordinated letter of credit supplied by the Commonwealth Bank of Australia. The letter of credit matures on January 21, 1999, and is for an amount of 70 million Australian dollars (\$45.5 million). The letter of credit is fully collateralized by a second-ranking security interest in all of CitiPower's assets and is non-recourse to Entergy.

CitiPower entered into several interest rate swaps to reduce the impact of interest rate changes on the borrowings under its variable rate line of credit. The interest rate swap agreements which hedge this debt involve the exchange of fixed and floating rate interest payments periodically over the life of the agreements. Interest is recognized currently based on the fixed rate of interest resulting from use of these swap agreements. Market risks arise from the movements in interest rates. If the counterparties to an interest rate swap agreement were to default on contractual payments, the subsidiary could be exposed to increased costs related to replacing the original agreement. However, CitiPower does not anticipate nonperformance by any counterparty to any interest rate swap in effect as of December 31, 1997. As of December 31, 1997, CitiPower was a party to interest rate swaps having a notional amount of 900 million Australian dollars with maturity dates ranging from February 1999 to December 2000, which effectively fixed the rate of interest on the CitiPower credit line at 7.70%. CitiPower is also a party to an additional swap with a notional amount of 32 million Australian dollars and a maturity date of December 2009. The estimated fair value of the interest rate swaps, which represents the estimated amount CitiPower would pay to terminate the swaps at December 31, 1997, based on quoted interest rates, is a net liability of \$28 million. See Note 1 for a discussion of Entergy accounting policies regarding interest rate swaps.

Entergy London executed a credit facility with several banks on December 17, 1996, to obtain credit facilities in the aggregate amount of approximately BPS1.25 billion (\$2.1 billion). Proceeds of this facility, which were in three tranches, were used, together with \$392 million of cash provided by Entergy, to fund the acquisition of, and to provide working capital for, London Electricity. The facilities were refinanced in November 1997. New or restated borrowing facilities were negotiated and Cumulative Quarterly Income Preferred Securities were issued (see Note 6 for more information) to partially replace one of the tranches. The restated credit facility is non-recourse to Entergy and is collateralized by certain assets of Entergy London, consisting of 65% of the shares of London Electricity. The maturity dates of the various tranches of the credit facility range from December 17, 2001, to October 31, 2002. The interest rate on these facilities is the London Interbank Offered Rate plus up to 1.00%, depending on the capitalization ratio of Entergy London and its subsidiaries.

A portion of the amended and restated facility (\$1.3 billion), and related interest rate swaps, are now obligations of Entergy UK Limited, an indirect, wholly-owned subsidiary of Entergy Corporation. These obligations are still reflected in the financial statements of Entergy London, however, because the facility is guaranteed by Entergy London, Entergy UK Limited's indirect, wholly-owned subsidiary. Entergy London recognizes the interest expense associated with this debt in its financial statements, with a credit to shareholder's equity for the same amount. This credit to shareholder's equity offsets dividends as they are declared from Entergy London to Entergy UK Limited. These dividends are the funding mechanism for Entergy UK Limited to service this debt. Management intends to declare future dividends from Entergy London to enable Entergy UK Limited to continue to service this debt.

Entergy London entered into interest rate swaps to reduce the impact of interest rate changes on its debt related to the London Electricity acquisition. The interest rate swap agreements involve the exchange of floating rate interest payments for fixed rate interest payments over the life of the agreements. Entergy London recognizes interest expense currently based on the fixed rate of interest resulting from use of these swap agreements. If the counterparties to an interest rate swap agreement were to default on contractual payments, Entergy London could be exposed to increased costs related to replacing the original agreement. However, management does not anticipate nonperformance by any counterparty to any interest rate swap in effect as of December 31, 1997. As of December 31, 1997, Entergy London was party to interest rate swaps having a notional amount of BPS600 million with maturity dates ranging from March 1999 to September 2001, which effectively fixed the rate of interest at 7.48%. The estimated fair value of the interest rate swaps, which represents the estimated amount Entergy London would pay to terminate the swaps as of December 31, 1997, based on quoted interest rates, is a net liability of \$11 million. See Note 1 for a discussion of

Entergy's accounting policies regarding interest rate swaps.

In August 1997, EPDC entered into a BPS50 million (\$82.5 million) credit facility to finance the acquisition of the Damhead Creek project. In December 1997, EPDC amended the credit facility and increased the amount of the revolver to BPS100 million (\$165 million). As of December 31, 1997, approximately BPS97.4 million (\$160.2 million) was outstanding under this facility. The interest rate on the outstanding borrowings was 7.84% at December 31, 1997.

In December 1997, Saltend Cogeneration Company (SCC), an indirect wholly-owned subsidiary of EPDC, entered into a BPS646 million (\$1.07 billion) non-recourse senior credit facility (Senior Credit Facility) to finance the construction of a 1200 MW gas-fired power plant in Hull, England. Borrowings under the Senior Credit Facility are payable after completion of construction over a 15-year period beginning December 31, 2000. SCC also entered into a BPS72 million (\$118 million) Subordinated Credit Facility that provides funding upon the earlier of completion of construction or July 31, 2000. The proceeds of borrowings under this facility will be used to repay a portion of the Senior Credit Facility. The Subordinated Credit Facility is payable over a 10-year period beginning December 31, 2000.

The Senior Credit Facility is collateralized by all of the assets of SCC. Furthermore, the credit facilities require SCC to enter into interest rate hedges for a significant portion of the project debt. Certain cash balances, primarily related to SCC, are restricted from being used to make loans and advances or to pay dividends to EPDC by the amount required for debt payments, letter of credit expenses, and permitted project costs. The total restricted cash was \$2.6 million as of December 31, 1997.

On January 16, 1998, Entergy Arkansas redeemed, in full at par, prior to its maturity, \$45.5 million of its 1977 6 1/8% Series Jefferson County pollution control revenue bonds due October 1, 2007, with proceeds of 5.6% pollution control revenue bonds, due October 1, 2017, issued in December 1997.

NOTE 8. DIVIDEND RESTRICTIONS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. Additionally, PUHCA prohibits Entergy Corporation's subsidiaries from making loans or advances to Entergy Corporation. Detailed below are the restricted retained earnings unavailable for distribution to Entergy Corporation by subsidiary.

	Restricted Earnings (in millions)
Entergy Arkansas	\$291.3
Entergy Mississippi	15.8

During 1997, cash dividends paid to Entergy Corporation by its subsidiaries totaled \$550.2 million. In February 1998, Entergy Corporation received common stock dividend payments from its subsidiaries totaling \$103.9 million.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Cajun - River Bend Litigation (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States and Cajun, respectively, owned 70% and 30% undivided interests in River Bend (operated by Entergy Gulf States), and own 42% and 58% undivided interests in Big Cajun 2, Unit 3 (operated by Cajun). These relationships spawned a number of long-standing disputes and claims between the parties. An agreement setting forth terms for the resolution of all such disputes was reached by Entergy Gulf States, the Cajun bankruptcy trustee, and the RUS, and was approved by the United States District Court for the Middle District of Louisiana (District Court) on August 26, 1996 (Cajun Settlement). The Cajun Settlement was consummated on December 23, 1997.

The Cajun Settlement includes, but is not limited to, the following elements: (i) Cajun's 30% interest in River Bend was transferred, at the behest of the RUS, by Cajun's Trustee in Bankruptcy to Entergy Gulf States; (ii) Cajun set aside in trust a total of \$132 million for its share of the decommissioning costs of River Bend; (iii) Cajun transferred certain transmission assets to Entergy Gulf States; (iv) Cajun and Entergy Gulf States settled transmission disputes and released each other from claims for payment under transmission arrangements; (v) all funds paid by Entergy Gulf States into the registry of the District Court, which totaled over \$102 million on December 23, 1997, were returned to Entergy Gulf States;

(vi) Cajun was released from its unpaid past, present, and future liability to Entergy Gulf States for River Bend costs and expenses; and (vii) all remaining litigation between Cajun and Entergy Gulf States was dismissed. Based on the District Court's approval of the Cajun Settlement, a litigation accrual established in 1994 for possible losses associated with the Cajun-River Bend litigation was reversed in September 1996. The consummation of the Cajun Settlement resulted in an addition to net income for Entergy Gulf States of \$146 million in 1997.

Proponents of all of the plans of reorganization submitted to the Bankruptcy Court in the Cajun bankruptcy case have incorporated the Cajun Settlement as an integral condition to the effectiveness of their plans. The Bankruptcy Court has approved proposals by three groups seeking to acquire the non-nuclear assets of Cajun and has signed an order that establishes rules for how Cajun's creditors will vote on the three plans. On December 16, 1996, the Bankruptcy Court began hearings on the balloting and the plan that will be adopted. Additional hearings are scheduled for 1998.

Cajun - Coal Contracts (Entergy Corporation and Entergy Gulf States)

On January 13, 1997, Entergy Gulf States filed a declaratory judgment action in the U.S. Bankruptcy Court in which the Cajun bankruptcy is pending, seeking a ruling that Entergy Gulf States would not be liable for damages to certain coal suppliers for Big Cajun 2, Unit 3, if the Cajun bankruptcy trustee were to reject their coal contracts as a part of a plan of reorganization in the bankruptcy proceeding. In its pleading, Entergy Gulf States took the position that it was not a party to, and had no liability under, those coal contracts. On February 12, 1997, the coal suppliers and the Cajun bankruptcy trustee filed a response in the declaratory judgment action and made certain counterclaims and crossclaims. The coal suppliers contended that Entergy Gulf States' declaratory judgment action should be dismissed and, in the alternative, argued that Cajun was Entergy Gulf States' agent in the procurement of coal for Big Cajun 2, Unit 3, and that Entergy Gulf States was a party to and had liability under the coal supply contracts. On September 4, 1997, the U.S. Bankruptcy Court ruled that Entergy Gulf States was not liable for the Cajun coal contracts. The coal suppliers have subsequently appealed this decision to the District Court, and oral argument on the appeal is set for April 1998.

Capital Requirements and Financing (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy London, and System Energy)

Construction expenditures (excluding nuclear fuel) for the domestic utility companies, System Energy, and Entergy London for the years 1998, 1999, and 2000 are estimated to total \$734 million, \$644 million, and \$680 million, respectively. Entergy will also require \$1.887 billion during the period 1998-2000 to meet long-term debt and preferred stock maturities and cash sinking fund requirements. Entergy plans to meet these requirements primarily with internally generated funds and cash on hand, supplemented by proceeds of the issuance of debt and company-obligated mandatorily redeemable preferred securities and from outstanding credit facilities. Certain domestic utility companies and System Energy may also continue with the acquisition or refinancing of all or a portion of certain outstanding series of preferred stock and long-term debt. See Notes 5, 6, and 7 for further information.

Grand Gulf 1-Related Agreements

Capital Funds Agreement (Entergy Corporation and System Energy)

Entergy Corporation has agreed to supply System Energy with sufficient capital to (i) maintain System Energy's equity capital at an amount equal to a minimum of 35% of its total capitalization (excluding short-term debt), and (ii) permit the continued commercial operation of Grand Gulf 1 and pay in full all indebtedness for borrowed money of System Energy when due. In addition, under supplements to the Capital Funds Agreement assigning System Energy's rights as security for specific debt of System Energy, Entergy Corporation has agreed to make cash capital contributions to enable System Energy to make payments on such debt when due.

System Energy has entered into agreements with Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans whereby they are obligated to purchase their respective entitlements of capacity and energy from System Energy's 90% ownership and leasehold interest in Grand Gulf 1, and to make payments that, together with other available funds, are adequate to cover System Energy's operating expenses. System Energy would have to secure funds from other sources, including Entergy Corporation's obligations under the Capital Funds Agreement, to cover any shortfalls from payments received from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under these agreements.

Unit Power Sales Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

System Energy has agreed to sell all of its 90% owned and leased share of capacity and energy from Grand Gulf 1 to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered so long as the unit remains in commercial operation. The agreement will remain in effect until terminated by the parties and approved by FERC, most likely upon Grand Gulf 1's retirement from service. Monthly obligations for payments, including the rate increase that

was placed into effect in December 1995, subject to refund, under the agreement are approximately \$21 million, \$8 million, \$19 million, and \$10 million for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, respectively.

Availability Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are individually obligated to make payments or subordinated advances to System Energy in accordance with stated percentages (Entergy Arkansas-17.1%, Entergy Louisiana-26.9%, Entergy Mississippi-31.3%, and Entergy New Orleans-24.7%) in amounts that, when added to amounts received under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses as defined, including an amount sufficient to amortize the cost of Grand Gulf 2 over 27 years. (See Reallocation Agreement terms below.) System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement have exceeded the amounts payable under the Availability Agreement. Accordingly, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments.

Reallocation Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans entered into the Reallocation Agreement relating to the sale of capacity and energy from Grand Gulf and the related costs, in which Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans agreed to assume all of Entergy Arkansas' responsibilities and obligations with respect to Grand Gulf under the Availability Agreement. FERC's decision allocating a portion of Grand Gulf 1 capacity and energy to Entergy Arkansas supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been individually allocated (Entergy Louisiana-26.23%, Entergy Mississippi-43.97%, and Entergy New Orleans-29.80%) under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect Entergy Arkansas' obligation to System Energy's lenders under the assignments referred to in the preceding paragraph. Entergy Arkansas would be liable for its share of such amounts if Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans were unable to meet their contractual obligations. No payments of any amortization amounts will be required so long as amounts paid to System Energy under the Unit Power Sales Agreement, including other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Reimbursement Agreement (System Energy)

In December 1988, System Energy entered into two entirely separate, but identical, arrangements for the sale and leaseback of an approximate aggregate 11.5% ownership interest in Grand Gulf 1 (see Note 10). In connection with the equity funding of the sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable for the benefit of the equity investors by System Energy under the leases. The current letters of credit are effective until January 15, 2000.

Under the provisions of a bank letter of credit reimbursement agreement, System Energy has agreed to a number of covenants relating to the maintenance of certain capitalization and fixed charge coverage ratios. System Energy agreed, during the term of the reimbursement agreement, to maintain its equity at not less than 33% of its adjusted capitalization (defined in the reimbursement agreement to include certain amounts not included in capitalization for financial statement purposes). In addition, System Energy must maintain, with respect to each fiscal quarter during the term of the reimbursement agreement, a ratio of adjusted net income to interest expense (calculated, in each case, as specified in the reimbursement agreement) of at least 1.60 times earnings. As of December 31, 1997, System Energy's equity approximated 34.80% of its adjusted capitalization, and its fixed charge coverage ratio was 2.43.

Fuel Purchase Agreements

(Entergy Arkansas and Entergy Mississippi)

Entergy Arkansas has long-term contracts with mines in the State of Wyoming for the supply of low-sulfur coal for White Bluff and Independence (which is 25% owned by Entergy Mississippi). These contracts, which expire in 2002 and 2011, provide for approximately 85% of Entergy Arkansas' expected annual coal requirements. Additional requirements are satisfied by spot market purchases.

(Entergy Gulf States)

Entergy Gulf States has a contract for a supply of low-sulfur Wyoming coal for Nelson Unit 6, which should be sufficient to satisfy the fuel requirements at Nelson Unit 6 through 2010. Cajun has advised Entergy Gulf States that Cajun has contracts that should provide an adequate supply of coal until 1999 for the operation of Big Cajun 2, Unit 3.

Entergy Gulf States has long-term gas contracts which will satisfy approximately 21% of its annual requirements, which is the minimum volume

Entergy Gulf States is required to purchase under the contracts. Additional gas requirements are satisfied under less expensive short-term contracts. Entergy Gulf States has a transportation service agreement with a gas supplier that provides flexible natural gas service to the Sabine and Lewis Creek generating stations. This service is provided by the supplier's pipeline and salt dome gas storage facility, which has a present capacity of 12.7 billion cubic feet.

(Entergy Louisiana)

In June 1992, Entergy Louisiana agreed to a renegotiated 20-year natural gas supply contract. Entergy Louisiana agreed to purchase natural gas in annual amounts equal to approximately one-third of its projected annual fuel requirements for certain generating units. Annual demand charges associated with this contract are estimated to be \$8.6 million through 1997, and a total of \$116.6 million for the years 1998 through 2012. Entergy Louisiana recovers the cost of fuel consumed during the generation of electricity through its fuel adjustment clause.

Sales Agreements/Power Purchases

(Entergy Gulf States)

In 1988, Entergy Gulf States entered into a joint venture with a primary term of 20 years with Conoco, Inc., Citgo Petroleum Corporation, and Vista Chemical Company (collectively the Industrial Participants), whereby Entergy Gulf States' Nelson Units 1 and 2 were sold to a partnership (NISCO) consisting of the Industrial Participants and Entergy Gulf States. The Industrial Participants supply the fuel for the units, while Entergy Gulf States operates the units at the discretion of the Industrial Participants and purchases the electricity produced by the units. Entergy Gulf States is continuing to sell electricity to the Industrial Participants. For the years ended December 31, 1997, 1996, and 1995, the purchases by Entergy Gulf States of electricity from the joint venture totaled \$70.7 million, \$62.0 million, and \$58.5 million, respectively.

(Entergy Louisiana)

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility. During 1997, 1996, and 1995, Entergy Louisiana made payments under the contract of approximately \$64.6 million, \$56.3 million, and \$55.7 million, respectively. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$61.0 million in 1998, and a total of \$3.7 billion for the years 1999 through 2031. Entergy Louisiana recovers the costs of purchased energy through its fuel adjustment clause.

(Entergy London)

London Electricity uses CFDs and power purchase contracts with certain UK generators to fix the price of electricity for a contracted quantity over a specific period of time. As of December 31, 1997, London Electricity has outstanding CFDs and power purchase contracts for approximately 40,000 GWH of electricity. These include a long term power purchase contract with an affiliate which is based on 27.5% of the affiliate's capacity from its 1000 MW facility through the year 2010. London Electricity's sales volume was approximately 18,000 GWH in the year ended 1997. Management's estimate of the fair value of London Electricity's CFDs outstanding as of December 31, 1997, is that fair value approximates contract value.

(Entergy Corporation)

In accordance with the debt covenants included in the financing provisions of the CitiPower acquisition, CitiPower must hedge at least 80% of its energy purchases. CitiPower's current strategy is to hedge approximately 100% of its forecasted energy purchases through energy trading swaps entered into with certain generators. As of December 31, 1997, CitiPower has outstanding energy trading swaps totaling a notional amount of 38,372 MW of average daily load of electricity. These contracts mature through the year 2000. Management's estimate of the fair value of such swaps outstanding at December 31, 1997, is a net liability of approximately \$86.1 million.

System Fuels (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans have interests in System Fuels of 35%, 33%, 19%, and 13%, respectively. The parent companies of System Fuels have agreed to make loans to System Fuels to finance its fuel procurement, delivery, and storage activities. As of December 31, 1997, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans had, respectively, approximately \$11 million, \$14.2 million, \$5.5 million, and \$3.3 million in loans outstanding to System Fuels, which loans mature in 2008.

Nuclear Insurance (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The Price-Anderson Act limits public liability for a single nuclear incident to approximately \$8.92 billion. Protection for this liability is provided through a combination of private insurance (currently \$200 million each for Entergy Arkansas, Entergy Gulf States, Entergy

Louisiana, and System Energy) and an industry assessment program. Under the assessment program, the maximum payment requirement for each nuclear incident would be \$79.3 million per reactor, payable at a rate of \$10 million per licensed reactor per incident per year. Entergy has five licensed reactors. As a co-licensee of Grand Gulf 1 with System Energy, SMEPA would share 10% of this obligation. In addition, each owner/licensee of Entergy's five nuclear units participates in a private insurance program that provides coverage for worker tort claims filed for bodily injury caused by radiation exposure. The program provides for a maximum assessment of approximately \$16 million for the five nuclear units in the event losses exceed accumulated reserve funds.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy are also members of certain insurance programs that provide coverage for property damage, including decontamination and premature decommissioning expense, to members' nuclear generating plants. As of December 31, 1997, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each was insured against such losses up to \$2.3 billion. In addition, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are members of an insurance program that covers certain replacement power and business interruption costs incurred due to prolonged nuclear unit outages. Under the property damage and replacement power/business interruption insurance programs, these Entergy subsidiaries could be subject to assessments if losses exceed the accumulated funds available to the insurers. As of December 31, 1997, the maximum amounts of such possible assessments were: Entergy Arkansas - \$25.3 million; Entergy Gulf States - \$8.8 million; Entergy Louisiana - \$19.9 million; Entergy Mississippi - \$1.0 million; Entergy New Orleans - \$0.5 million; and System Energy - \$17.0 million. Under its agreement with System Energy, SMEPA would share in System Energy's obligation.

The amount of property insurance maintained for each Entergy nuclear unit exceeds the NRC's minimum requirement for nuclear power plant licensees of \$1.06 billion per site. NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition and, second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

Spent Nuclear Fuel and Decommissioning Costs (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy)

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy provide for estimated future disposal costs for spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE will furnish disposal service at a cost of one mill per net KWH generated and sold after April 7, 1983, plus a one time fee for generation prior to that date. Entergy Arkansas, the only Entergy company that generated electricity with nuclear fuel prior to that date, elected to pay the one-time fee plus accrued interest, no earlier than 1998, and has recorded a liability as of December 31, 1997, of approximately \$122 million for generation prior to 1983. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy considers all costs incurred or to be incurred, except accrued interest, for the disposal of spent nuclear fuel to be proper components of nuclear fuel expense, and provisions to recover such costs have been or will be made in applications to regulatory authorities.

Delays have occurred in the DOE's program for the acceptance and disposal of spent nuclear fuel at a permanent repository. In a statement released February 17, 1993, the DOE asserted that it did not have a legal obligation to accept spent nuclear fuel without an operational repository for which it has not yet arranged. Entergy Operations and System Fuels joined in lawsuits against the DOE, seeking clarification of the DOE's responsibility to receive spent nuclear fuel beginning in 1998. The original suits, filed June 20, 1994, asked for a ruling stating that the Nuclear Waste Policy Act requires the DOE to begin taking title to the spent fuel and to start removing it from nuclear power plants in 1998, a mandate for the DOE's nuclear waste management program to begin accepting fuel in 1998 and for court monitoring of the program, and the potential for escrow of payments to a nuclear waste fund instead of directly to the DOE. Argument in the case before a three-judge panel of the U.S. Court of Appeals was made on January 17, 1996. On July 23, 1996, the court reversed the DOE's interpretation of the 1998 obligation and unanimously ruled that the Nuclear Waste Policy Act creates an unconditional obligation to begin acceptance of spent fuel by 1998, but did not make a ruling on the remedies.

On December 17, 1996, the DOE notified contract holders that it anticipated it would not be able to begin such acceptance until after that date. Subsequently, on January 31, 1997, Entergy Operations and a coalition of 36 electric utilities and 46 state agencies filed lawsuits to suspend payments to the Nuclear Waste Fund. The lawsuits ask the court to (i) find that the December 17, 1996, DOE letter demonstrates breach of contract on the part of the DOE; (ii) order utilities to place the Nuclear Waste Fund payments in an escrow account and not provide the funds to the DOE until it fulfills its obligation, (iii) prevent the DOE from taking adverse action against utilities that withhold payments; and (iv) order the DOE to submit a plan to the court describing how the agency intends to fulfill its obligation on an ongoing basis. On November 14, 1997, the court reaffirmed the DOE's unconditional obligation to begin accepting spent fuel by January 31, 1998, and ordered the DOE to proceed with contractual remedies consistent with the DOE's unconditional obligation. Nevertheless, the ruling did not address the plaintiffs' request for authority to withhold payments to the DOE. Therefore, on December 11, 1997, Entergy Operations and a coalition of 27 utilities petitioned the DOE to suspend and escrow future payments to the DOE's waste fund beginning February 1, 1998. On January 12, 1998, the DOE rejected the coalition's petition. On February 19, 1998, Entergy Operations and the coalition of 36 electric utilities filed a motion with the court seeking enforcement of its November 14, 1997 order and other relief.

In the meantime, all Entergy companies are responsible for their spent fuel storage. Current on-site spent fuel storage capacity at River Bend, Waterford 3, and Grand Gulf 1 is estimated to be sufficient until 2003, 2000, and 2004, respectively. Thereafter, the affected companies will

provide additional storage. Current on-site spent fuel storage capacity at ANO is estimated to be sufficient until 2000. An ANO storage facility using dry casks began operation in 1996. This facility may be expanded further as required. The initial cost of providing the additional on-site spent fuel storage capability required at ANO, River Bend, Waterford 3, and Grand Gulf 1 is expected to be approximately \$5 million to \$10 million per unit. In addition, about \$3 million to \$5 million per unit will be required every two to three years subsequent to 2000 for ANO and every four to five years subsequent to 2003, 2000, and 2004 for River Bend, Waterford 3, and Grand Gulf 1, respectively, until the DOE's repository or storage facility begins accepting such units' spent fuel.

Total decommissioning costs as of December 31, 1997, for the Entergy nuclear power plants, excluding co-owner shares, have been estimated as follows:

Costs	Total Estimated Decommissioning
	(In Millions)
ANO 1 and ANO 2 (based on a 1994 interim update to the 1992 cost study)	\$ 806.3
River Bend (based on a 1996 cost study reflecting 1996 dollars)	419.0
Waterford 3 (based on a 1994 updated study in 1993 dollars)	320.1
Grand Gulf 1 (based on a 1994 cost study using 1993 dollars)	365.9

	\$1,911.3
	=====

The estimate for River Bend includes the decommissioning costs related to the 30% share of River Bend formerly owned by Cajun. The 30% share was acquired by Entergy Gulf States in connection with the Cajun Settlement. As a part of the Cajun Settlement, Cajun placed in trust a total of \$132 million for its share of the decommissioning costs of River Bend. See "Cajun - River Bend Litigation" above for further discussion regarding the Cajun Settlement.

Entergy Arkansas and Entergy Louisiana are authorized to recover in rates amounts that, when added to estimated investment income, should be sufficient to meet the above estimated decommissioning costs for ANO and Waterford 3, respectively. In the Texas retail jurisdiction, Entergy Gulf States is recovering in rates River Bend decommissioning costs (based on the 1991 cost study that totaled \$267.8 million) that, with adjustments, total \$204.9 million. Entergy Gulf States included decommissioning costs based on the 1996 study in the PUCT rate review filed in November 1996. That review is ongoing. In the Louisiana retail jurisdiction, Entergy Gulf States is currently recovering in rates decommissioning costs (based on a 1985 cost study) which total \$141 million. Entergy Gulf States included decommissioning costs (based on the 1991 study) in the LPSC rate review filed in May 1995. In October 1996, the LPSC approved Entergy Gulf States rates that include decommissioning costs based on the 1991 study. The October 1996 LPSC order has been appealed and the decommissioning costs based on the 1991 study have not yet been implemented. Entergy Gulf States included decommissioning costs, based on the 1996 study, in the LPSC rate review filed in May 1996. The LPSC's review is ongoing. However, in June of 1996, a rate decrease was implemented that included decommissioning revenue requirements based on the 1996 study. System Energy was previously recovering in rates amounts sufficient to fund \$198 million (in 1989 dollars) of its Grand Gulf 1 decommissioning costs. System Energy included decommissioning costs (based on the 1994 study) in its rate increase filing with FERC. Rates requested in this proceeding were placed into effect in December 1995, subject to refund. FERC has not yet issued an order in the System Energy rate case.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy periodically review and update estimated decommissioning costs. Although Entergy is presently underrecovering for Grand Gulf and River Bend based on the above estimates, applications have been and will continue to be made to the appropriate regulatory authorities to reflect in rates any future change in projected decommissioning costs. The amounts recovered in rates are deposited in trust funds and reported at market value as quoted on nationally traded markets or as determined by widely used pricing services. These trust fund assets largely offset the accumulated decommissioning liability that is recorded as accumulated depreciation for Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana, and as other deferred credits for System Energy and the trust funds received with the transfer of Cajun's 30% share of River Bend.

The cumulative liabilities and actual decommissioning expenses recorded in 1997 by Entergy were as follows:

	Cumulative Liabilities as of December 31, 1996	1997 Trust Earnings	1997 Decommissioning Expenses	Other	Cumulative Liabilities as of December 31, 1997
(In Millions)					
ANO 1 and ANO 2	\$ 200.6	\$ 9.1	\$ 17.3	\$ -	\$ 227.0
River Bend	39.2	2.0	7.5	132.0	\$ 180.7
Waterford 3	49.0	2.4	8.8	-	\$ 60.2
Grand Gulf 1	60.7	3.5	19.0	-	\$ 83.2
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	\$ 349.5	\$ 17.0	\$ 52.6	\$132.0	\$ 551.1
	=====	=====	=====	=====	=====

In 1996 and 1995, ANO's decommissioning expense was \$20.1 million and \$17.7 million, respectively; River Bend's decommissioning expense was \$6.0 million and \$8.1 million, respectively; Waterford 3's decommissioning expense was \$8.8 million and \$7.5 million, respectively; and Grand Gulf 1's decommissioning expense was \$19.0 million and \$5.4 million, respectively. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. Management believes that actual decommissioning costs are likely to be higher than the estimated amounts presented above.

The SEC has questioned certain of the financial accounting practices of the electric utility industry regarding the recognition, measurement, and classification of decommissioning costs for nuclear plants in the financial statements of electric utilities. In response to these questions, the FASB has been reviewing the accounting for decommissioning and has expanded the scope of its review to include liabilities related to the closure and removal of all long-lived assets. If current electric utility industry accounting practices with respect to nuclear decommissioning and other closure costs are changed, annual provisions for such costs could increase, the estimated cost for decommissioning and closure could be recorded as a liability rather than as accumulated depreciation, and trust fund income from decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense.

The EPA has a provision that assesses domestic nuclear utilities with fees for the decontamination and decommissioning of the DOE's past uranium enrichment operations. The decontamination and decommissioning assessments are being used to set up a fund into which contributions from utilities and the federal government will be placed. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy's annual assessments, which will be adjusted annually for inflation, are approximately \$3.7 million, \$0.9 million, \$1.4 million, and \$1.5 million (in 1997 dollars), respectively, for approximately 15 years. As of December 31, 1997, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy had recorded liabilities of \$33.4 million, \$5.8 million, \$12.7 million, and \$12.5 million, respectively, for decontamination and decommissioning fees in other current liabilities and other noncurrent liabilities, and these liabilities were offset in the consolidated financial statements by regulatory assets. FERC requires that utilities treat these assessments as costs of fuel as they are amortized and recover these costs through rates in the same manner as other fuel costs.

ANO Matters (Entergy Corporation and Entergy Arkansas)

Cracks in certain steam generator tubes at ANO 2 were discovered and repaired during an outage in March 1992. Further inspections and repairs were conducted at subsequent refueling and mid-cycle outages, including the most recent refueling outage in May 1997. Turbine modifications were installed in May 1997 to restore most of the output lost due to steam generator fouling and tube plugging. The unit may be approaching the current limit for the number of steam generator tubes that can be plugged with the unit in operation. If the established limit is reached during a future outage, it could become necessary for Entergy Operations to insert sleeves in steam generator tubes that were previously plugged. On October 25, 1996, Entergy Corporation's Board of Directors authorized Entergy Arkansas and Entergy Operations to negotiate a contract for the fabrication and replacement of the steam generators at ANO 2. Entergy estimates the cost of fabrication and replacement of the steam generators to be approximately \$150 million. Entergy Operations has entered into a contract, with certain cancellation provisions, for the design and fabrication of replacement steam generators. A letter of intent has been issued for the installation of the replacement steam generators. It is anticipated that the steam generators will be installed during a planned refueling outage in 2000. Entergy Operations periodically meets with the NRC to discuss the results of inspections of the steam generator tubes, as well as the timing of future inspections.

Environmental Issues

(Entergy Gulf States)

Entergy Gulf States has been designated as a PRP for the clean-up of certain hazardous waste disposal sites. Entergy Gulf States is currently negotiating with the EPA and state authorities regarding the clean-up of these sites. Several class action and other suits have been filed in state

and federal courts seeking relief from Entergy Gulf States and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States premises. While the amounts at issue in the clean-up efforts and suits may be substantial, Entergy Gulf States believes that its results of operations and financial condition will not be materially adversely affected by the outcome of the suits. As of December 31, 1997, a remaining recorded provision of \$23.8 million existed relating to the clean-up of seven sites at which Entergy Gulf States has been designated a PRP.

(Entergy Louisiana)

During 1993, the LDEQ issued new rules for solid waste regulation, including regulation of waste water impoundments. Entergy Louisiana has determined that certain of its power plant waste water impoundments were affected by these regulations and has chosen to upgrade or close them. As a result, a remaining recorded liability in the amount of \$6.7 million existed as of December 31, 1997, for waste water upgrades and closures. Completion of this work is pending LDEQ approval. Cumulative expenditures relating to the upgrades and closures of waste water impoundments are \$7.1 million as of December 31, 1997.

City Franchise Ordinances (Entergy New Orleans)

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to City franchise ordinances that state, among other things, the City has a continuing option to purchase Entergy New Orleans' electric and gas utility properties.

Waterford 3 Lease Obligations (Entergy Louisiana)

On September 28, 1989, Entergy Louisiana entered into three identical transactions for the sale and leaseback of undivided interests (aggregating approximately 9.3%) in Waterford 3. In July 1997, Entergy Louisiana caused the lessors to issue \$307,632,000 aggregate principal amount of Waterford 3 Secured Lease Obligation Bonds, 8.09% Series due 2017, to refinance the outstanding bonds originally issued to finance the purchase of the undivided interests by the lessors. The lease payments will be reduced to reflect the lower interest costs. Upon the occurrence of certain events, Entergy Louisiana may be obligated to pay amounts sufficient to permit the Owner Participants to withdraw from the lease transactions, and Entergy Louisiana may be required to assume the outstanding bonds issued by the Owner Trustee to finance, in part, its acquisition of the undivided interests in Waterford 3. See Note 10 for further information.

Employment Litigation

(Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans)

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits described below that have been filed by former employees asserting that they were wrongfully terminated and/or discriminated against due to age, race, and/or sex. Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are vigorously defending these suits and deny any liability to the plaintiffs. However, no assurance can be given as to the outcome of these cases.

(Entergy Corporation, Entergy Louisiana, and Entergy New Orleans)

Entergy Corporation, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits filed in Louisiana state court on behalf of approximately 147 plaintiffs who claim that they were illegally terminated from their jobs due to discrimination on the basis of age. The plaintiffs have requested that the court certify the matter as a class action. On August 13, 1997, the court certified the case as a class action. The court decision to certify a class action has been appealed to the Louisiana Fifth Circuit Court of Appeal. No assurance can be given as to the timing or outcome of these proceedings.

(Entergy Corporation and Entergy Arkansas)

Entergy Corporation and Entergy Arkansas are defendants in a number of lawsuits filed in federal court on behalf of a total of approximately 60 plaintiffs who claim they were illegally terminated from their jobs due to discrimination on the basis of age or race.

The first of these lawsuits, originally involving 29 plaintiffs, was tried before a jury beginning in April 1997. Settlements were reached with two of the plaintiffs prior to the trial. In May 1997, the jury rendered findings as to 22 of the plaintiffs indicating that Entergy had no liability to them for discrimination. However, the jury also found that Entergy had intentionally discriminated against the remaining five plaintiffs on the basis of age. As a result, these five plaintiffs are entitled to damages equal to twice their back pay plus lost future wages, and they will be awarded attorneys' fees in an amount which has not yet been determined by the court.

A trial date for another suit involving 18 plaintiffs, originally scheduled for May 1997, has been continued until April 1998. A motion for summary judgment in favor of the defendants is pending in this suit. Another suit, involving a single plaintiff, which had been set for trial in February 1998, has been continued with no new trial date set. Another of the suits, involving a single plaintiff, was settled for an immaterial amount prior to trial in November 1997. Another of the suits, involving nine plaintiffs, has been set for trial in June 1998. The last of these suits

is in the discovery stage and has been set for trial in July 1998.

(Entergy Corporation and Entergy Gulf States)

Entergy Corporation and Entergy Gulf States were defendants in a lawsuit involving approximately 176 plaintiffs filed in state court in Texas by former employees who claim that they lost their jobs as a result of the Merger. The plaintiffs in these cases asserted various claims, including discrimination on the basis of age, race, and/or sex. The court made a preliminary ruling that each plaintiff's claim should be tried separately. However, all of these claims were settled before reaching trial in June 1997.

(Entergy Corporation, Entergy Gulf States, and Entergy Louisiana)

Entergy Corporation, Entergy Gulf States, and Entergy Louisiana were defendants in a suit filed in federal court in Louisiana by approximately 57 plaintiffs who claimed, among other things, they were wrongfully discharged from their employment on the basis of their age. However, all of these claims were settled before reaching trial in September 1997.

Entergy London Agreements and Contracts (Entergy London)

Entergy London is subject to an agreement whereby the UK government is entitled to a proportion of certain property gains realized by London Electricity as a result of disposals or events treated as disposals occurring after March 31, 1990, of properties held at that date. This commitment is effective until March 31, 2000.

Entergy London has recorded approximately \$165 million in reserves as of December 31, 1997, related to unfavorable long-term contracts. These reserves will be amortized over the remaining lives of the contracts which range from 14 to 18 years. The reserves recorded are based on the excess of estimated fair market value of these contracts over the present value of the future cash flows under the contracts at the applicable discount rate and prices.

NOTE 10. LEASES

General

As of December 31, 1997, Entergy had capital leases and noncancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum lease payments as follows:

Capital Leases

Year	Entergy	Entergy	Entergy
		Arkansas	Gulf States
(In Thousands)			
1998	\$ 27,369	\$ 10,953	\$
12,480			
1999	27,343	10,953	
12,480			
2000	25,534	9,646	
11,983			
2001	23,452	9,646	
11,628			
2002	19,574	9,646	
9,879			
Years thereafter	80,512	42,211	
38,101			

Minimum lease payments	203,784	93,055	
96,551			
Less: Amount			
representing interest	68,074	37,311	
29,073			

Present value of net			
minimum lease payments	\$ 135,710	\$ 55,744	\$
67,478			
=====		=====	

Operating Leases

Year	Entergy	Entergy	Entergy	Entergy	Entergy
		Arkansas	Gulf States	Louisiana	London
(In Thousands)					
1998	\$67,748	\$17,946	\$14,429	\$5,108	\$10,780
1999	65,557	17,913	14,408	4,702	9,831
2000	62,645	17,913	13,801	4,644	9,707
2001	56,473	17,995	11,546	1,178	9,707
2002	55,011	17,772	11,292	1,163	9,589
Years thereafter	334,155	55,886	56,528	-	119,956

Minimum lease payments	\$641,589	\$145,425	\$122,004	\$16,795	\$169,570
=====					

Rental expense for Entergy's leases (excluding nuclear fuel leases and the sale and leaseback transactions) amounted to approximately \$70.7 million, \$62.1 million, and \$61.1 million in 1997, 1996, and 1995, respectively. These amounts include \$19.7 million, \$26.0 million, and \$26.0 million, respectively, for Entergy Arkansas; \$17.6 million, \$11.8 million, and \$13.0 million, respectively, for Entergy Gulf States; \$12.8 million, \$13.7 million, and \$13.6 million, respectively, for Entergy Louisiana; and \$11.4 million in 1997 for Entergy London.

Nuclear Fuel Leases (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy)

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each has arrangements to lease nuclear fuel in an aggregate amount up to \$140 million, \$70 million, \$80 million, and \$90 million respectively. As of December 31, 1997, the unrecovered cost base of Entergy Arkansas', Entergy Gulf States', Entergy Louisiana's, and System Energy's nuclear fuel leases amounted to approximately \$92.6 million, \$54.4 million, \$57.8 million, and \$64.2 million, respectively. The lessors finance the acquisition and ownership of nuclear fuel through credit

agreements and the issuance of notes. These agreements are subject to annual renewal with, in Entergy Louisiana's and Entergy Gulf States' case, the consent of the lenders. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have been extended and now have termination dates of December 2000, December 2000, January 2001, and February 2001, respectively. The debt securities issued pursuant to these fuel lease arrangements have varying maturities through December 15, 2000. It is expected that the credit agreements will be extended or alternative financing will be secured by each lessor upon the maturity of the current arrangements. If extensions or alternative financing cannot be arranged, the lessee in each case must purchase sufficient nuclear fuel to allow the lessor to retire such borrowings.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense charged to operations by the domestic utility companies in 1997, 1996, and 1995 was \$149.7 million (including interest of \$18.7 million), \$158.5 million (including interest of \$21.7 million), and \$153.5 million (including interest of \$22.1 million), respectively. Specifically, in 1997, 1996, and 1995, Entergy Arkansas' expense was \$53.7 million, \$53.9 million, and \$46.8 million (including interest of \$6.4 million, \$7.1 million, and \$6.7 million), respectively; Entergy Gulf States' expense was \$25.5 million, \$27.1 million, and \$41.4 million (including interest of \$3.2 million, \$4.2 million, and \$6.0 million), respectively; Entergy Louisiana's expense was \$29.4 million, \$39.8 million, and \$30.8 million (including interest of \$3.7 million, \$4.9 million, and \$3.7 million), respectively; System Energy's expense was \$41.1 million, \$37.7 million, and \$34.5 million (including interest of \$5.4 million, \$5.5 million, and \$5.7 million), respectively.

Sale and Leaseback Transactions

Waterford 3 Lease Obligations (Entergy Louisiana)

Entergy Louisiana is the lessee of three separate undivided interests in Waterford 3 under three separate, but substantially identical, long-term net leases. The lessors under such leases acquired the undivided interests (aggregating approximately 9.3%) in Waterford 3 from Entergy Louisiana in three separate sale-leaseback transactions that occurred in 1989. Entergy Louisiana is leasing back the interests on a net lease basis over an approximate 28-year basic lease term. Approximately 87.7% of the aggregate consideration paid by the lessors for their respective undivided interests was provided to the lessors from the issuance of Waterford 3 Secured Lease Obligation Bonds (Initial Series Bonds) in 1989. Interests were acquired from Entergy Louisiana with funds obtained from the issuance and sale by the purchasers of intermediate-term and long-term secured lease obligation bonds. The lease payments to be made by Entergy Louisiana will be sufficient to service such debt.

Entergy Louisiana did not exercise its option to repurchase the undivided interests in Waterford 3 in September 1994. As a result, Entergy Louisiana was required to provide collateral for the equity portion of certain amounts payable by Entergy Louisiana under the leases. Such collateral was in the form of a new series of non-interest-bearing first mortgage bonds in the aggregate principal amount of \$208.2 million issued by Entergy Louisiana in September 1994.

In July 1997, Entergy Louisiana caused the Waterford 3 lessors to issue \$307,632,000 aggregate principal amount of Waterford 3 Secured Lease Obligation Bonds, 8.09% Series due 2017, to refinance the outstanding bonds originally issued to finance the purchase of the undivided interests by the lessors. The lease payments have been reduced to reflect the lower interest costs.

Upon the occurrence of certain events (including lease events of default, events of loss, deemed loss events or certain adverse "Financial Events" with respect to Entergy Louisiana), Entergy Louisiana may be obligated to pay amounts sufficient to permit the Owner Participants to withdraw from the lease transactions, and Entergy Louisiana may be required to assume the outstanding bonds issued by the Owner Trustee to finance, in part, its acquisition of the undivided interests in Waterford 3. "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure periods, to maintain (1) as of the end of any fiscal quarter, total equity capital (including preferred stock) at least equal to 30% of adjusted capitalization, or (2) in respect of the 12-month period ending on the last day of any fiscal quarter, a fixed charge coverage ratio of at least 1.50. As of December 31, 1997, Entergy Louisiana's total equity capital (including preferred stock) was 46.8% of adjusted capitalization and its fixed charge coverage ratio was 2.79.

As of December 31, 1997, Entergy Louisiana had future minimum lease payments (reflecting an overall implicit rate of 7.45%) in connection with the Waterford 3 sale and leaseback transactions, which are recorded as long-term debt, as follows (in thousands):

1998	\$
23,850	
1999	
49,108	
2000	
42,573	
2001	
40,909	
2002	
39,246	
Years thereafter	
532,137	

Total	
727,823	
Less: Amount representing interest	
374,223	

Present value of net minimum lease payments	\$
353,600	
=====	

Grand Gulf 1 Lease Obligations (System Energy)

On December 28, 1988, System Energy entered into two arrangements for the sale and leaseback of an aggregate 11.5% undivided ownership interest in Grand Gulf 1 for an aggregate cash consideration of \$500 million. System Energy is leasing back the undivided interest on a net lease basis over a 26 1/2-year basic lease term. System Energy has options to terminate the leases and to repurchase the undivided interest in Grand Gulf 1 at certain intervals during the basic lease term. Further, at the end of the basic lease term, System Energy has an option to renew the leases or to repurchase the undivided interest in Grand Gulf 1. See Note 9 with respect to certain other terms of the transactions.

In accordance with SFAS 98, "Accounting for Leases," due to "continuing involvement" by System Energy, the sale and leaseback arrangements of the undivided portions of Grand Gulf 1, as described above, are required to be reflected for financial reporting purposes as financing transactions in System Energy's financial statements. The amounts charged to expense for financial reporting purposes include the interest portion of the lease obligations and depreciation of the plant. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as sales and leasebacks for rate-making purposes. The total of interest and depreciation expense exceeds the corresponding revenues realized during the early part of the lease term. Consistent with a recommendation contained in a FERC audit report, System Energy recorded as a deferred asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and is recording such difference as a deferred asset on an ongoing basis. The amount of this deferred asset was \$84.0 million and \$93.2 million as of December 31, 1997, and 1996, respectively.

As of December 31, 1997, System Energy had future minimum lease payments (reflecting an implicit rate of 7.02%), which are recorded as long-term debt as follows (in thousands):

1998		\$
42,753		
1999		
42,753		
2000		
42,753		
2001		
46,803		
2002		
53,827		
Years thereafter		
659,437		

Total		
888,326		
Less: Amount representing interest		
399,164		

Present value of net minimum lease payments		\$
489,162		
=====		

NOTE 11. POSTRETIREMENT BENEFITS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

Pension Plans

Entergy has two postretirement benefit plans, "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees", covering substantially all of its domestic employees. The pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed income securities, interest in a money market fund, and insurance contracts.

Entergy London participates in a defined benefit pension plan, which provides pension and other related defined benefits, based on final pensionable pay, to substantially all employees throughout the electricity supply industry in the UK. Entergy London uses the projected unit credit actuarial method for funding purposes. Amounts funded to the pension are primarily invested in equity and fixed income securities.

Total 1997, 1996, and 1995 pension cost of Entergy Corporation and its subsidiaries, including amounts capitalized, included the following components (in thousands):

1997	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
Service cost - benefits earned during the period	\$48,908	\$6,937	\$5,365	\$3,762	\$1,893	\$763	\$2,389	\$16,615
Interest cost on projected benefit obligation	193,930	26,472	23,684	15,778	10,011	2,783	2,942	99,358
Actual return on plan assets	(306,613)	(46,065)	(53,729)	(49,438)	(19,577)	(1,914)	(6,052)	(118,465)
Net amortization and deferral	86,486	16,906	23,657	27,200	7,549	63	2,055	-
Net pension cost (income)	\$22,711	\$4,250	(\$1,023)	(\$2,698)	(\$124)	\$1,695	\$1,334	(\$2,492)

1996	Entergy Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	\$31,584	\$7,605	\$5,852	\$4,684	\$2,157	\$1,147	\$2,658
Interest cost on projected benefit obligation	84,303	24,540	20,952	15,735	9,462	2,973	2,645
Actual return on plan assets	(163,520)	(41,183)	(47,416)	(41,219)	(17,767)	(1,826)	(4,146)
Net amortization and deferral	71,260	14,015	18,732	20,313	6,382	88	526
Net pension cost (income)	\$23,627	\$4,977	(\$1,880)	(\$487)	\$234	\$2,382	\$1,683

1995	Entergy Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	\$29,282	\$7,786	\$6,686	\$4,143	\$2,152	\$1,158	\$2,260
Interest cost on projected benefit obligation	80,794	24,372	21,098	15,111	9,240	2,680	2,230
Actual return on plan assets	(261,864)	(71,807)	(82,624)	(53,348)	(30,443)	(1,614)	(8,827)
Net amortization and deferral	178,345	47,766	53,921	34,902	20,081	64	5,510
Net pension cost (income)	\$26,557	\$8,117	(\$919)	\$808	\$1,030	\$2,288	\$1,173

The funded status of Entergy's various pension plans as of December 31, 1997, and 1996 was (in thousands):

1997	Entergy Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
Actuarial present value of accumulated pension plan obligation:								
Vested	\$2,189,915	\$333,343	\$294,552	\$201,454	\$126,882	\$34,616	\$31,774	\$1,026,071
Nonvested	9,882	3,295	883	2,318	682	357	543	-
Accumulated benefit obligation	2,199,797	336,638	295,435	203,772	127,564	34,973	32,317	1,026,071
Plan assets at fair value	3,144,498	427,175	454,912	328,381	174,651	23,043	53,105	1,537,297
Projected benefit obligation	2,496,086	381,581	327,842	226,254	140,317	40,568	46,433	1,134,174
Plan assets in excess of (less than) projected benefit obligation	648,412	45,594	127,070	102,127	34,334	(17,525)	6,672	403,123
Unrecognized prior service cost	35,500	13,656	12,649	5,353	4,414	1,706	1,021	-
Unrecognized transition asset	(32,151)	(9,343)	(7,162)	(11,230)	(5,001)	(572)	(4,694)	-
Unrecognized net loss (gain)	(431,178)	(69,076)	(179,742)	(96,391)	(34,699)	7,209	(7,211)	(161,907)
Accrued pension asset (liability)	\$220,583	(\$19,169)	(\$47,185)	(\$141)	(\$952)	(\$9,182)	(\$4,212)	\$241,216

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Actuarial present value of accumulated pension plan obligation:							
Vested	\$1,027,307	\$296,181	\$287,201	\$193,183	\$117,142	\$34,466	\$25,195
Nonvested	4,775	1,345	748	697	154	29	655
Accumulated benefit obligation	1,032,082	297,526	287,949	193,880	117,296	34,495	25,850
Plan assets at fair value	1,359,614	374,849	397,749	282,470	150,616	22,017	43,943
Projected benefit obligation	1,196,925	338,307	315,781	217,711	129,578	41,511	38,401
Plan assets in excess of (less than) projected benefit obligation	162,689	36,542	81,968	64,759	21,038	(19,494)	5,542
Unrecognized prior service cost	36,131	14,882	11,964	5,911	4,894	1,965	1,100
Unrecognized transition asset	(39,504)	(11,679)	(9,550)	(14,037)	(6,252)	(767)	(5,291)
Unrecognized net loss (gain)	(180,525)	(55,536)	(132,832)	(61,130)	(23,769)	9,897	(4,502)
Accrued pension liability	(\$21,209)	(\$15,791)	(\$48,450)	(\$4,497)	(\$4,089)	(\$8,399)	(\$3,151)

The significant actuarial assumptions used in computing the information above for the domestic utility companies and System Energy for 1997, 1996, and 1995 were as follows: weighted-average discount rate, 7.25% for 1997, 7.75% for 1996, and 7.5% for 1995, weighted-average rate of increase in future compensation levels, 4.6% for 1997, 1996, and 1995; and expected long-term rate of return on plan assets, 9.0% for 1997 and 1996, and 8.5% for 1995. Transition assets of Entergy are being amortized over the greater of the remaining service period of active participants or 15 years.

The significant actuarial assumptions used in computing the information above for Entergy London for 1997 were as follows: weighted-average discount rate of 9.0%, weighted-average rate of increase in future compensation levels of 6.5%, and expected long-term rate of return on plan assets of 9.0%.

Other Postretirement Benefits

Entergy also provides certain health care and life insurance benefits for retired employees. Substantially all domestic employees may become eligible for these benefits if they reach retirement age while still working for Entergy.

Effective January 1, 1993, Entergy adopted SFAS 106 which required a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. The domestic utility companies have sought approval, in their respective regulatory jurisdictions, to implement the appropriate accounting requirements related to SFAS 106 for ratemaking purposes. Entergy Arkansas received an order permitting deferral, as a regulatory asset, of the difference between its annual cash expenditures for postretirement benefits other than pensions and the SFAS 106 accrual, for a five-year period that began January 1, 1993. In December 1997, the APSC issued an order allowing the 15 year amortization of this regulatory asset. Beginning in 1998, Entergy Arkansas will be allowed to recover its SFAS 106 expenses in rates. Entergy Mississippi is expensing its SFAS 106 costs, which are reflected in rates pursuant to an order from the MPSC in connection with Entergy Mississippi's formulary incentive rate plan. Entergy New Orleans is expensing its SFAS 106 costs. Pursuant to the PUCT's May 26, 1995, amended order, Entergy Gulf States is currently collecting the Texas portion of its SFAS 106 costs in rates. The LPSC ordered Entergy Gulf States and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions, but the LPSC retains the flexibility to examine individual companies' accounting for postretirement benefits to determine if special exceptions to this order are warranted.

In December 1997, Entergy Arkansas was allowed to begin funding its SFAS 106 costs commencing in 1998. Pursuant to regulatory directives, Entergy Mississippi, Entergy New Orleans, the portion of Entergy Gulf States regulated by the PUCT, and System Energy, fund postretirement benefit obligations collected in rates. System Energy is funding on behalf of Entergy Operations postretirement benefits associated with Grand Gulf 1. Entergy Louisiana and Entergy Gulf States continue to fund a portion of these benefits regulated by the LPSC and FERC on a pay-as-you-go basis. The assets of the various postretirement benefit plans other than pensions include common stocks, fixed-income securities, and a money market fund. At January 1, 1993, the actuarially determined accumulated postretirement benefit obligation (APBO) earned by retirees and active employees was estimated to be approximately \$241.4 million and \$128 million for Entergy (other than Entergy Gulf States) and for Entergy Gulf States, respectively. Such obligations are being amortized over a 20-year period beginning in 1993.

Total 1997, 1996, and 1995 postretirement benefit cost of Entergy Corporation and its subsidiaries, including amounts capitalized and deferred, included the following components (in thousands):

1997	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	\$13,991	\$3,204	\$3,227	\$2,081	\$1,092	\$618	\$939
Interest cost on APBO	29,317	6,232	9,466	4,490	2,278	3,106	648
Actual return on plan assets	(3,386)	-	(1,637)	-	(695)	(840)	(214)
Net amortization and deferral	15,864	3,716	6,519	2,623	1,399	1,936	262
Net postretirement benefit cost	\$55,786	\$13,152	\$17,575	\$9,194	\$4,074	\$4,820	\$1,635

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	\$14,351	\$3,128	\$3,476	\$2,155	\$1,081	\$661	\$890
Interest cost on APBO	26,133	5,580	8,164	4,283	2,171	3,085	512
Actual return on plan assets	(1,654)	-	(388)	-	(479)	(681)	(106)
Net amortization and deferral	14,214	3,397	5,370	2,694	1,458	1,977	209
Net postretirement benefit cost	\$53,044	\$12,105	\$16,622	\$9,132	\$4,231	\$5,042	\$1,505

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	\$10,797	\$2,777	\$1,864	\$2,047	\$909	\$650	\$687
Interest cost on APBO	25,629	5,398	8,526	4,215	1,969	3,258	603
Actual return on plan assets	(759)	-	-	-	(245)	(514)	-
Net amortization and deferral	11,023	2,702	4,477	2,121	988	1,876	262
Net postretirement benefit cost	\$46,690	\$10,877	\$14,867	\$8,383	\$3,621	\$5,270	\$1,552

The funded status of Entergy's postretirement plans as of December 31, 1997, and 1996, was (in thousands):

1997	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Actuarial present value of accumulated postretirement benefit obligation:							
Retirees	\$313,243	\$66,279	\$112,150	\$47,774	\$23,062	\$37,890	\$3,264
Other fully eligible participants	32,530	6,151	6,203	4,713	3,543	1,974	1,936
Other active participants	82,189	18,667	17,875	12,898	6,668	3,969	5,264
Accumulated benefit obligation	427,962	91,097	136,228	65,385	33,273	43,833	10,464
Plan assets at fair value	63,930	-	28,390	-	12,140	18,565	4,835
Plan assets less than APBO	(364,032)	(91,097)	(107,838)	(65,385)	(21,133)	(25,268)	(5,629)
Unrecognized transition obligation	172,085	59,298	87,050	44,575	22,529	40,183	3,932
Unrecognized net loss (gain)/other	21,819	(4,104)	(3,886)	(4,338)	(3,038)	(12,737)	(559)
Accrued postretirement benefit asset (liability)	(\$170,128)	(\$35,903)	(\$24,674)	(\$25,148)	(\$1,642)	\$2,178	(\$2,256)

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Actuarial present value of accumulated postretirement benefit obligation:							
Retirees	\$263,504	\$56,945	\$90,450	\$44,083	\$21,639	\$36,613	\$1,401
Other fully eligible participants	28,507	5,599	5,728	4,063	2,753	1,694	1,861
Other active participants	73,188	15,505	16,623	11,553	5,837	3,630	4,587
Accumulated benefit obligation	365,199	78,049	112,801	59,699	30,229	41,937	7,849
Plan assets at fair value	37,970	-	15,528	-	7,517	12,647	2,278
Plan assets less than APBO	(327,229)	(78,049)	(97,273)	(59,699)	(22,712)	(29,290)	(5,571)
Unrecognized transition obligation	183,557	63,252	92,853	47,546	24,031	42,861	4,194
Unrecognized net loss (gain)/other	(5,032)	(13,414)	(13,859)	(7,726)	(3,221)	(11,704)	(1,476)
Accrued postretirement benefit asset (liability)	(\$148,704)	(\$28,211)	(\$18,279)	(\$19,879)	(\$1,902)	\$1,867	(\$2,853)

The assumed health care cost trend rate used in measuring the APBO of Entergy was 6.8% for 1998, gradually decreasing each successive year until it reaches 5.0% in 2005. A one percentage-point increase in the assumed health care cost trend rate for each year would have increased the APBO of Entergy, as of December 31, 1997, by 11.3% (Entergy Arkansas-11.5%, Entergy Gulf States-10.3%, Entergy Louisiana-11.4%, Entergy Mississippi-11.9%, Entergy New Orleans-10.0%, and System Energy- 15.4%), and the sum of the service cost and interest cost by approximately 14.7% (Entergy Arkansas-14.7%, Entergy Gulf States-13.9%, Entergy Louisiana-14.2%, Entergy Mississippi-14.9%, Entergy New Orleans- 11.5%, and System Energy-18.9%). The assumed discount rate and rate of increase in future compensation used in determining the APBO were 7.25% for 1997, 7.75% for 1996, and 7.5% for 1995, and 4.6% for 1997, 1996, and 1995, respectively. The expected long-term rate of return on plan assets was 9.0% for 1997 and 1996, and 8.5% for 1995.

NOTE 12. RESTRUCTURING CHARGES (Entergy London)

In 1995 and 1996, London Electricity implemented a restructuring program to reduce the number of employees in the Network Services, Customer Services, Corporate and Information Technology groups. An initial plan was approved by the Board of Directors in September 1994 and was based on a business plan developed subsequent to the 1994 Regulatory Review of Distribution (the Distribution Review).

Following the reopening of the Distribution Review during 1995, a further plan was proposed leading to further reduction of employees in the same areas. This plan was approved by the Board of Directors in May 1996. The balance as of December 31, 1997, for restructuring charges is shown below along with the actual termination benefits paid under the restructuring plan for the year ended December 31, 1997 (in millions).

Provision for restructuring as of January 31, 1997 (date of acquisition)	\$ 41.7
Adjustments to restructuring provision in 1997	13.3
Payments made in 1997 (29.7)	
Cumulative translation adjustment	1.0

Balance December 31, 1997	\$ 26.3
	=====

The restructuring charges shown above primarily included employee severance costs related to the expected termination of approximately 1,372 employees in various groups. As of December 31, 1997, 895 employees had either been terminated or accepted voluntary separation packages under the restructuring plan.

NOTE 13. ACQUISITIONS (Entergy Corporation and Entergy London)

On December 18, 1996, Entergy Corporation, through its wholly-owned subsidiary Entergy London, made a formal cash offer to acquire London Electricity for \$2.1 billion. London Electricity is a regional electric company serving approximately two million customers in the metropolitan area of London, England. The offer was approved by authorities in the UK, and, as of February 7, 1997, the offer was made unconditional. Entergy Corporation, through Entergy London, now controls 100% of the common shares of London Electricity. Entergy has included the results of operations of London Electricity in its results of operations beginning February 1, 1997, based on management's determination that effective control was achieved on that date. The acquisition was financed by Entergy London with \$1.7 billion of debt, which is non-recourse to Entergy Corporation, and \$392 million of equity provided by Entergy Corporation from available cash and borrowings under Entergy Corporation's \$300 million line of credit. The debt has since been refinanced (see Note 7).

The cost of the London Electricity license is being amortized on a straight-line basis over a 40-year period beginning February 1, 1997. As of December 31, 1997, the unamortized balance of the license was approximately \$1.3 billion.

In accordance with the purchase method of accounting, the results of operations for Entergy Corporation reported in its Statements of Consolidated Income and Cash Flows do not reflect London Electricity's results of operations for any period prior to February 1, 1997. The pro forma combined revenues, net income, and earnings per common share of Entergy Corporation presented below give effect to the acquisition as if it had occurred on January 1, 1997 and 1996, respectively. This pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been consummated for the period for which it is being given effect.

	For the Twelve Months Ending:	
	December 31, 1997(a)	December 31,
1996 (b)	(In Millions of U.S. Dollars, Except Share	
Data)		
Operating revenues	\$9,783	\$9,288
Net income	\$304	\$488

Earnings per average common share
Basic and diluted \$1.04 \$1.82

(a) On July 31, 1997, the British government enacted into law a one-time windfall profits tax on privatized industries, including regional electric utilities such as London Electricity. London Electricity's liability for this tax is approximately BPS140 million (approximately \$234 million), which will not be deductible for UK corporation tax purposes. Payment of the tax is required in two equal installments, the first was paid on December 1, 1997, and the second of which is due one year later. The government also decreased the corporate income tax rate in the UK from 33% to 31%, effective as of April 1, 1997. In accordance with SFAS 109, "Accounting for Income Taxes," this reduction in UK corporate tax rates resulted in a one-time reduction in income tax expense for London Electricity of approximately \$65 million during the quarter ended September 30, 1997.

(b) Net Income in 1996 includes the \$174 million net of tax write-off of River Bend rate deferrals pursuant to SFAS 121.

NOTE 14. TRANSACTIONS WITH AFFILIATES (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

The various domestic utility companies purchase electricity from and/or sell electricity to other domestic utility companies, System Energy, and Entergy Power (in the case of Entergy Arkansas) under rate schedules filed with FERC. In addition, the domestic utility companies and System Energy purchase fuel from System Fuels; receive management, technical, advisory, operating, and administrative services from Entergy Services; and receive management, technical, and operating services from Entergy Operations. Entergy London receives technical, advisory, and administrative services from Entergy Services and Entergy Enterprises.

As described in Note 1, all of System Energy's operating revenues consist of billings to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.

The tables below contain the various affiliate transactions among the domestic utility companies and System Energy (in millions).

Intercompany Revenues

Entergy	Entergy	Entergy	Entergy	Entergy	System	Arkansas	Gulf	States	Louisiana	Mississippi	New Orleans	Energy
1997	\$229.7	\$14.6	\$2.0	\$84.9	\$10.8							
\$633.7												
1996	\$282.7	\$21.2	\$5.6	\$65.9	\$ 2.6							
\$623.6												
1995	\$195.5	\$62.7	\$1.6	\$43.3	\$ 3.2							
\$605.6												

Intercompany Operating Expenses

	Entergy Arkansas(1)	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
1997	\$335.0	\$416.4	\$326.7	\$316.1	\$177.1	\$36.5	\$5.3
1996	\$346.7	\$395.7	\$331.3	\$294.6	\$185.9	\$ 8.6	-
1995	\$316.0	\$266.5	\$335.5	\$262.6	\$164.4	\$ 6.5	-

(1)Includes \$16.5 million in 1997, \$38.8 million in 1996, and \$31.0 million in 1995 for power purchased from Entergy Power.

Operating Expenses Paid or Reimbursed to Entergy Operations

Entergy Entergy Entergy System Arkansas Gulf States Louisiana Entergy

1997	\$162.1	\$135.7	\$133.3	\$
64.7				
1996	\$163.3	\$133.7	\$ 97.7	\$
98.1				
1995	\$189.8	\$129.1	\$122.6	
\$116.9				

In addition, certain materials and services required for fabrication of nuclear fuel are acquired and financed by System Fuels and then sold to System Energy as needed. Charges for these materials and services, which represent additions to nuclear fuel, amounted to approximately \$16.5 million in 1997, \$44.7 million in 1996, and \$51.5 million in 1995.

NOTE 15. BUSINESS SEGMENT INFORMATION (Entergy New Orleans and Entergy London)

Entergy New Orleans supplies electric and natural gas services in the City. Entergy New Orleans' segment information follows:

	1997		1996		1995	
	Electric	Gas	Electric	Gas	Electric	Gas
	(In Thousands)					
Operating revenues	\$410,131	\$94,691	\$403,254	\$101,023	\$390,002	\$80,276
Revenue from sales to unaffiliated customers (1)	399,789	94,691	400,605	101,023	386,785	80,276
Operating income before income taxes	38,752	3,539	51,937	5,641	61,092	9,638
Net utility plant	212,648	62,144	214,106	63,865	204,407	65,236
Depreciation expense	17,157	3,638	16,525	3,342	15,858	3,290
Construction expenditures	14,988	1,149	23,411	4,545	21,729	6,107

(1) Entergy New Orleans' intersegment transactions are not material (less than 1% of sales to unaffiliated customers).

Entergy London is engaged in two electric industry segments:

distribution, which involves the transfer and delivery of electricity across its network to its customers, and supply, which involves bulk purchases of electricity from the Electricity Pool for delivery to the distribution networks. Other consists principally of Entergy London's investment in private distribution networks, electricity contracting services, and investments in generating assets. Information about Entergy London's operations in these individual segments for the year ended December 31, 1997 is as follows (in thousands):

	Distribution	Supply	Other	Eliminations	Consolidated
Operating revenues	\$498,801	\$1,689,034	\$102,550	\$(443,343)	\$1,847,042
Operating income	140,713	15,095	37,082	(6,080)	186,810
Depreciation and amortization	111,028	7,219	3,118	-	121,365
Total assets employed at period end	3,628,954	537,973	236,698	-	4,403,625
Capital expenditures	143,936	16,069	21,160	-	181,165

NOTE 16. QUARTERLY FINANCIAL DATA (UNAUDITED) (Entergy Corporation,

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London)

The business of the domestic utility companies, System Energy, and Entergy London is subject to seasonal fluctuations with the peak periods occurring during the third quarter for the domestic utility companies and System Energy and occurring during the first quarter for Entergy London. Operating results for the four quarters of 1997 and 1996 were:

Operating Revenue

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
	(In Thousands)							
1997:								
First Quarter	\$2,045,753	\$374,731	\$ 481,328	\$433,983	\$ 200,328	\$124,956	\$155,662	\$379,519
Second Quarter	2,178,090	423,619	476,421	412,263	212,892	109,803	161,021	450,405
Third Quarter	2,797,587	545,849	599,974	554,486	294,983	139,940	160,573	443,975
Fourth Quarter	2,540,291	371,515	590,106	402,540	229,192	130,123	156,442	573,143
1996:								
First Quarter	\$1,598,992	\$383,081	\$ 456,631	\$417,767	\$ 203,902	\$127,280	\$156,424	N/A
Second Quarter	1,853,677	467,990	525,567	457,847	247,479	127,829	160,369	N/A
Third Quarter	2,148,332	529,276	592,130	549,295	297,118	150,937	154,467	N/A
Fourth Quarter	1,576,656	363,086	444,853	403,958	209,931	98,231	152,360	N/A

Operating Income (Loss)

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
	(In Thousands)							
1997:								
First Quarter	\$372,218	\$30,890	\$ 93,014	\$ 77,880	\$ 22,694	\$ 8,755	\$74,316	\$37,135
Second Quarter	433,887	80,873	75,643	87,911	40,395	9,400	73,568	47,704
Third Quarter	672,617	148,688	158,365	147,976	52,832	18,096	72,813	58,673
Fourth Quarter	378,436	6,424	203,524	53,813	20,827	6,040	72,496	43,298
1996:								
First Quarter	\$342,403	\$41,955	\$ 77,058	\$ 95,166	\$ 30,470	\$15,752	\$82,938	N/A
Second Quarter	501,169	105,237	118,420	119,736	57,283	19,608	82,894	N/A
Third Quarter	609,763	131,319	152,022	155,755	54,696	28,319	75,270	N/A
Fourth Quarter	239,517	31,639	64,398	65,789	22,147	(6,101)	75,937	N/A

Net Income (Loss)

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy London
	(In Thousands)							
1997:								
First Quarter	\$126,485	\$ 9,848	\$ 32,535	\$26,172	\$ 8,352	\$ 2,818	\$24,345	\$15,639
Second Quarter	158,579	38,085	27,028	32,607	19,399	3,038	24,093	9,320
Third Quarter	93,321	78,251	70,740	70,681	27,335	8,590	24,449	(172,268)
Fourth Quarter	(77,486)	1,793	(70,327)	12,297	11,575	1,005	29,408	(26)
1996:								
First Quarter	\$(68,990)	\$19,268	\$(152,257)	\$40,530	\$ 12,924	\$ 8,035	\$23,530	N/A
Second Quarter	206,701	55,712	47,140	55,385	29,818	10,360	23,382	N/A
Third Quarter	299,166	70,791	90,965	77,302	28,205	15,221	24,749	N/A
Fourth Quarter	53,686	12,027	10,265	17,545	8,264	(6,840)	27,007	N/A

Earnings (Loss) per Average Common Share (Entergy Corporation)

	1997		1996	
	Basic	Diluted	Basic	Diluted
First Quarter	\$ 0.47	\$ 0.47	\$ (0.38)	
Second Quarter	\$ 0.61	\$ 0.61	\$ 0.83	\$ 0.83
Third Quarter	\$ 0.33	\$ 0.33	\$ 1.22	\$ 1.22
Fourth Quarter	\$ (0.36)	\$ (0.36)	\$ 0.16	\$ 0.16

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of London Electricity plc

We have audited the accompanying consolidated balance sheet of London Electricity plc as of March 31, 1996 and the related consolidated statements of operations, cash flows and changes in shareholders' equity for the period from April 1, 1996 to January 31, 1997, and the year ended March 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of London Electricity plc as of March 31, 1996 and the results of its operations and its cash flows for the period from April 1, 1996 to January 31, 1997 and the year ended March 31, 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
July 31, 1997

LONDON ELECTRICITY PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Results of Operations - Predecessor Company

The following discussion of results of operations for London Electricity relates to periods prior to its acquisition by Entergy London. Such periods do not include acquisition adjustments described under "Accounting for the Acquisition" in "ENTERGY LONDON INVESTMENTS plc AND SUBSIDIARY - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." This analysis is included based on London Electricity constituting a predecessor of Entergy London. Entergy London's results of operations do not include results for London Electricity prior to February 1, 1997.

National Grid Group Transactions

During the fiscal year ended March 31, 1996, London Electricity, as well as each of the other 11 REC businesses in the UK, reorganized their interests in the National Grid Group (NGG). London Electricity distributed the majority of its shares in NGG to its shareholders. As part of this distribution, London Electricity revalued these shares to fair market value and recognized a gain of approximately \$417 million and received special dividends of \$205 million and rights dividends of \$4.7 million from NGG which were also recognized as income. Additionally, London Electricity received approximately \$109.8 million as a result of NGG's sale of its pumped storage business which was also recognized as a gain in fiscal year 1996. London Electricity has retained shares of NGG for the purpose of establishing an employee stock ownership plan ("ESOP") for its employees who were participants in London Electricity stock option and sharesave plans to compensate them for any diminution in value in London Electricity shares as a result of NGG distributions. The cost of such ESOP shares has been reflected as expense of \$27.1 million in the fiscal year 1996 results of operations. As a result of all of the above, London Electricity recognized a total nonrecurring gain of \$709 million (\$573 million after tax effect) in the fiscal year ended March 31, 1996 results of operations. As part of the agreement among the shareholders of NGG, each of the RECs agreed to provide a discount to each of their respective Franchise Supply Customers which, together with the associated reduction in the Fossil Fuel Levy (a reimbursement to non-fossil fuel generators for the extra cost of such generation), produced a credit on each Franchise Supply Customer's bill of just over \$78. The cost to London Electricity of providing this discount amounted to \$130 million (net of the reduction in the Fossil Fuel Levy of \$13 million) which was credited to customers in the last quarter of the fiscal year ended March 31, 1996. The effect of the refund was to reduce operating revenues, cost of sales, gross profit, and net income by \$143 million, \$13 million, \$130 million, and \$88 million, respectively. The net dividends received from NGG and the net after tax proceeds from the sale of NGG's pumped storage business were sufficient to offset the after tax cash cost of providing the \$78 per customer discount to its Franchise Supply Customers and taxation cost of distributing its NGG investment to its shareholders.

Income from Operations

Income from operations was \$169 million for the ten-month period from April 1, 1996 to January 31, 1997, an increase of \$10 million from the fiscal year which ended March 31, 1996. The increase was due principally to lower selling, general and administrative expenses and lower other operation and maintenance costs in the latter period due to there being only ten months in that period. Revenues were lower by \$95 million (including the impact of the NGG refund) in the period from April 1, 1996 to January 31, 1997, when compared to the revenues in fiscal year 1996 of \$1,860 million. Largely offsetting this decrease was a \$92 million decrease in cost of sales from the \$1,307 million incurred in fiscal year 1996. Both decreases were principally due to the shorter time period from April 1, 1996 to January 31, 1997.

LONDON ELECTRICITY PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Income (loss) from operations by segments for the ten-month period ended January 31, 1997, was \$159 million, \$(1) million, and \$11 million for the distribution, supply, and other segments, respectively. Income (loss) from those segments in fiscal year 1996 was \$247 million, \$(110) million, and \$22 million, respectively.

The decrease in distribution operating income of \$88 million was principally due to: (i) reductions in distribution revenue from an 11% allowed distribution revenues reduction announced by the Regulator effective at the beginning of fiscal year 1997 and a decrease of 15% in distribution sales volume due to the shorter time period and (ii) an increase in distribution operating expenses due to restructuring charges during the ten-month period ended January 31, 1997.

The reduction in supply operating loss of \$109 million was principally due to the \$130 million customer refund (net of the Fossil Fuel Levy reduction) in 1996 from the NGG transactions. Such increase was partially offset by a 5% decrease in number of electricity units supplied.

Net Income

Net income decreased by \$48 million, from \$146 million in fiscal year 1996 (excluding the after tax effect of NGG transactions of \$573 million) to \$98 million in the ten-month period ended January 31, 1997. This decrease was primarily due to the reduction in distribution operating revenues due to the factors discussed below in "Revenues."

Revenues

Operating revenues, excluding the impact of the NGG refund, decreased by \$238 million (12%) from \$2,003 million in fiscal year 1996 to \$1,765 million in the ten-month period ended January 31, 1997, as follows:

Period	Operating Revenues Increase (Decrease) from Fiscal Year 1996 to the ten-month ended January 31, 1997 (In millions)
Electricity distribution	\$ (124)
Electricity supply	(199)
Other	14
Intra-business	71

Total operating revenues	\$ (238) =====

The factors affecting distribution revenues are the same as those described in "ENTERGY LONDON INVESTMENTS plc AND SUBSIDIARY - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" comparing the year ended December 31, 1997 with the ten-month period ended January 31, 1997 above.

LONDON ELECTRICITY PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Revenues from the distribution business decreased by \$124 million (22%) from \$559 million for fiscal year 1996 to \$435 million for the ten-month period ended January 31, 1997, principally due to two additional months of operation in the earlier time period. An additional factor contributing to the decrease was a reduction in the maximum allowable average price of units distributed as a result of the application of the revised Distribution Price Control Formula.

Two principal factors determine the amount of revenues produced by the supply business: the unit price of electricity supplied (which, in the case of franchise supply customers, is controlled by the Supply Price Control Formula) and the number of electricity units supplied. London Electricity is expected to have the exclusive right to supply all franchise supply customers in its Franchise Area until at least April 1, 1998.

Franchise supply customers, who are generally residential and small commercial customers, comprised 54% of total sales volume in the ten-month period ended January 31, 1997. The volume of unit sales of electricity for franchise supply customers is influenced largely by the number of customers in London Electricity's Franchise Area, weather conditions and prevailing economic conditions. Unit sales to non-franchise supply customers, who are typically large commercial and industrial businesses, constituted 46% of total sales volume during the ten-month period ended January 31, 1997. Volume in this segment is determined primarily by the success of the supply business in contracting to supply customers with electricity who are located both inside and outside London Electricity's Franchise Area.

During the ten-month period ended January 31, 1997, the number of electricity units supplied decreased by 5% while total revenues produced by the supply business decreased by \$199 million (11%), to \$1,663 million from \$1,862 million (excluding the impact of the NGG refund of \$143 million) for fiscal year 1996. Units supplied to franchise supply customers decreased by 16%, while units supplied to non-franchise supply customers increased by 12%.

Other revenues for the ten-month period ended January 31, 1997 totaled \$107 million, an increase of \$14 million over fiscal year 1996. Such increase was primarily a result of increased electrical contracting services to the distribution segment by London Electricity Contracting Limited ("LEC"), the revenues for which were eliminated in intra-business eliminations. Intra-business eliminations decreased slightly from fiscal year 1996 to the ten-month period ended January 31, 1997, notwithstanding the LEC increase due principally to the reductions (due to a shorter time period) in electricity distribution revenues (the majority of which are charged to the supply segment) as discussed above.

Cost of Sales

Cost of sales decreased by \$105 million (8%) from \$1,320 million (excluding the NGG-related Fossil Fuel Levy reduction of \$13 million) in fiscal year 1996 to \$1,215 million in the ten-month period ended January 31, 1997. This decrease was principally due to two additional months results of operations in the earlier period.

Expenses

Operating expenses decreased by \$13 million (3%) from \$394 million in fiscal year 1996 to \$381 million for the ten-month period ended January 31, 1997. This decrease was primarily due to lower selling, general and administrative expenses and other operation and maintenance costs, partially offset by one-time restructuring charges of \$19 million in the later period.

LONDON ELECTRICITY PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Other

Other Income (Expense)

Other income (expense) decreased by \$733 million from \$740 million in fiscal year 1996 to \$7 million in the ten-month period ended January 31, 1997. This decrease was primarily attributable to other income of \$709 million from the NGG transaction in fiscal year 1996. See "National Grid Group Transactions" above.

Interest Expense, Net

Interest expense, net increased by \$19 million from \$8 million in fiscal year 1996 to \$27 million in the ten-month period ended January 31, 1997, principally as a result of the financing costs associated with the 8- 5/8%, BPS100 million Eurobond issue in October 1995 which was outstanding for five months of fiscal year 1996 and the entire period from April 1, 1996 through January 31, 1997.

Income Taxes

Entergy London's effective income tax rate of 19% in fiscal year 1996 increased to 34% for the ten-month period ended January 31, 1997. This increase was due principally to book/tax differences from the NGG transaction in fiscal year 1996.

LONDON ELECTRICITY PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
for the period from April 1, 1996 to January 31, 1997 and the year ended
March 31, 1996
(in thousands)

	Period from April 1, 1996 to January 31, 1997	Year Ended March 31,
1996		
Operating revenues	\$1,765,605	\$1,859,938
Cost of sales	1,215,455	1,306,827
	-----	-----
Gross profit	550,150	553,111
Depreciation and amortization	62,165	66,085
Property taxes	30,687	31,790
Restructuring charges	18,507	—
Selling, general and administrative	211,961	229,889
Other operation and maintenance costs	58,052	66,242
	-----	-----
Income from operations	168,778	159,105
Other income:		
National Grid Transaction		
Gain on revaluation of National Grid investment	—	416,869
Gain on sale of pumped storage business	—	109,777
Special dividends	—	205,146
Contribution to Employee Stock Ownership Plan	—	(27,092)
Dividend income	6,011	38,837
Equity in earnings (loss) of affiliate	3,796	(3,445)
Other, net	(2,531)	157
	-----	-----
Total other income	7,276	740,249
Interest expense, net	27,049	7,673
	-----	-----
Income before income taxes	149,005	891,681
Income taxes	50,776	172,260
	-----	-----
Net income	\$ 98,229	\$ 719,421
	=====	=====

See Notes to Financial Statements.

LONDON ELECTRICITY PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the period from April 1, 1996 to January 31, 1997 and the year ended
March 31, 1996
(in thousands)

	Period from April 1, 1996 to January 31, 1997	Year Ended March 31, 1996
Cash flows from operating activities:		
Net income	\$ 98,229	\$ 719,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,165	66,085
Deferred income taxes	22,778	27,248
Gain on revaluation of National Grid investment	—	(416,869)
Change in assets and liabilities:		
Inventory	(3,164)	(4,855)
Accounts receivable and unbilled revenue	(21,354)	(24,743)
Income tax receivable	182,065	(124,184)
Other receivables	4,904	(50,738)
Prepayments and other	3,164	(6,890)
Long-term receivables and other	(9,491)	(27,248)
Accounts payable	41,127	8,456
Income taxes payable	(200,098)	117,450
Deferred revenue and other current liabilities	(17,242)	23,647
Other long-term liabilities	(2,215)	(7,673)
	-----	-----
Net cash provided by operating activities	160,868	299,107
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(182,856)	(173,201)
Proceeds from sale of fixed assets	791	1,879
Receipt of consumer contributions	26,574	23,334
Purchase of investments	(6,169)	(37,114)
Sales of investments	10,282	57,785
	-----	-----
Net cash used in investing activities	(151,378)	(127,317)
	-----	-----
Cash flows from financing activities:		
Proceeds from bond issue	316	155,191
Proceeds from issuance of common stock	1,740	15,033
Repayments on bond issue	—	—
Net proceeds from available lines of credit	103,669	57,785
Dividends paid	(108,215)	(397,717)
Repurchase of common stock	—	(1,253)
	-----	-----
Net cash used in financing activities	(2,490)	(170,961)
	-----	-----
Effect of exchange rates on cash and cash equivalents	8,880	(11,301)
	-----	-----
Increase (decrease) in cash and cash equivalents	15,880	(10,472)
Beginning of period cash and cash equivalents	19,851	30,323
	-----	-----
End of period cash and cash equivalents	\$ 35,731	\$ 19,851
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 44,290	\$ 19,418
Cash paid for income taxes	\$ 267,324	\$ 120,582

See Notes to Financial Statements.

**LONDON ELECTRICITY PLC
CONSOLIDATED BALANCE SHEET**

March 31, 1996

(in thousands, except share and per share amounts)

ASSETS

Current assets:	
Cash and cash equivalents	\$
19,851	
Accounts receivable:	
Customer receivable net of reserve of \$13.3	
173,315	
million	
Unbilled revenue	
117,884	
Deferred income tax asset	
24,127	
Income tax receivable	
191,028	
Other receivables	
82,304	
Prepayments and other	
12,369	
Inventory	
11,300	
Investments	
25,501	

Total current assets	
657,679	

Property, plant and equipment, net of accumulated	
1,070,885	
depreciation of \$710.5 million	
Construction work in progress	
125,672	
Goodwill, net of accumulated amortization of \$3.4	
63,065	
million	
Investments, long-term	
16,186	
Long-term receivables	
15,270	
Prepaid pension asset	
111,624	

Total assets	
\$2,060,381	
=====	

See Notes to Financial Statements.

**LONDON ELECTRICITY PLC
CONSOLIDATED BALANCE SHEET**

March 31, 1996

(in thousands, except share and per share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Notes payable	\$ 146,745
Accounts payable	179,423
Income taxes payable	236,838
Deferred revenue	30,693
Other liabilities	74,058

Total current liabilities	667,757

Long-term debt	301,888
Deferred income tax liability	317,769
Other	89,634

Total liabilities	1,377,048

Commitments and Contingencies	
Shareholders' equity:	
Common stock, BPS .583 par value per share, 257,142,857 shares authorized, 174,290,836 shares issued and outstanding	203,153
Additional paid-in capital	14,960
Retained earnings	499,536
Cumulative translation adjustment (34,316)	

Total shareholders' equity	683,333

Total liabilities and shareholders' equity	\$2,060,381
	=====

See Notes to Financial Statements.

LONDON ELECTRICITY PLC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the period from April 1, 1996 to January 31, 1997 and the year ended
March 31, 1996
(in thousands, except share amounts)

	Common Stock Shares	Stock Amount	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Shareholders' Equity
Balance, March 31, 1995	197,695,699	\$198,612	\$4,468	\$722,724	\$30,719	\$956,523
Common stock issued	4,956,992	4,541	10,492	-	-	15,033
Reduction in shares from reverse stock split	(27,522,282)	-	-	-	-	-
Treasury shares acquired	(839,573)	-	-	(1,253)	-	(1,253)
Revaluation of National Grid investment	-	-	-	-	-	274,254
Realized gain on distribution of National Grid investment	-	-	-	-	-	(274,254)
Net income	-	-	-	719,421	-	719,421
Dividends declared:						
Cash dividends	-	-	-	(402,686)	-	(402,686)
National Grid Distribution	-	-	-	(538,670)	-	(538,670)
Cumulative translation adjustment	-	-	-	-	(65,035)	(65,035)
Balance, March 31, 1996	174,290,836	203,153	14,960	499,536	(34,316)	683,333
Common stock issued	390,712	158	-	1,582	-	1,740
Net income	-	-	-	98,229	-	98,229
Dividends declared	-	-	-	(113,833)	-	(113,833)
Cumulative translation adjustment	-	-	-	-	32,178	32,178
Balance, January 31, 1997	174,681,548	\$203,311	\$14,960	\$485,514	\$(2,138)	\$701,647

See Notes to Financial Statements.

LONDON ELECTRICITY PLC

SELECTED FINANCIAL DATA - FOUR-YEAR COMPARISON

	Period from April 1, 1996 to January 31, 1997	1996	Year Ended March 31, 1995	1994 (1)
				(In Thousands)
Operating revenues	\$1,765,605	\$ 1,859,938	\$1,898,976	
\$1,970,830				
Net income	\$98,229	\$ 719,421	\$189,269	
\$213,795				
Total assets	N/A	\$ 2,060,381	\$2,007,417	
\$1,813,448				

Long-term obligations (2) N/A \$ 301,888 \$159,879 \$281,960

(1) Amounts as of and for the year ended March 31, 1994 are derived from financial statements prepared in accordance with UK generally accepted accounting principles (GAAP). The principal differences between US GAAP and UK GAAP financial statements relate to the treatment of goodwill, pension costs, deferred income taxes, timing of recognition of restructuring accruals, and timing of recognition of dividends.

(2) Includes long-term debt (excluding currently maturing debt).

LONDON ELECTRICITY PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS:

London Electricity plc ("London Electricity") is one of the twelve regional electricity companies ("RECs") in England and Wales licensed to supply, distribute, and, to a limited extent, generate electricity. The RECs were created as a result of the privatization of the United Kingdom ("UK") electric industry in 1990 after the state-owned low voltage distribution networks were allocated to the then existing twelve regional boards. London Electricity's main business, the distribution and supply of electricity to customers in London, England, is regulated under the terms of London Electricity's PES license by the Office of Electricity Regulation (the "Regulator").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

In accordance with SFAS 52, "Foreign Currency Translation", all assets and liabilities of London Electricity are translated into U.S. dollars at the exchange rate in effect at the end of the period, and revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation adjustments are reflected in a separate component of shareholders' equity. Current exchange rates are used for U.S. dollar disclosure of future obligations. No representation is made that the foreign currency denominated amounts have been, could have been or could be converted into U.S. dollars at the rates indicated or at any other rates.

The financial statements of London Electricity are presented in conformity with accounting principles generally accepted in the United States ("US GAAP"). The consolidated financial statements include the accounts of London Electricity and its wholly-owned and majority-owned subsidiaries and have been prepared from records maintained by London Electricity in the UK. All significant intercompany accounts and transactions have been eliminated in consolidation. London Electricity is not subject to rate regulation, but rather, is subject to price cap regulation and, therefore, the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71") do not apply.

London Electricity was acquired by Entergy London Investments plc, formerly Entergy Power UK plc, effective February 1, 1997. The financial statements include the results of operations of London Electricity through the date of acquisition.

Use of Estimates in the Preparation of Financial Statements

The preparation of London Electricity's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used in the financial statements.

Revenue Recognition

London Electricity distributes electricity to commercial, residential and industrial customers within the London area. London Electricity records revenue net of value added tax ("VAT") and accrues revenue for services provided but unbilled at the end of each reporting period. London Electricity purchases power primarily from the wholesale trading market for electricity in England and Wales (the "Pool"). The Pool monitors supply and demand between generators and suppliers, sets prices for generation and provides centralized settlement of amounts due between generators and suppliers.

Cash and Cash Equivalents

London Electricity considers all short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost and includes materials, labor and appropriate overhead costs. London Electricity is entitled, under certain conditions, to collect cash contributions from consumers to fund improvements to London Electricity's distribution networks. These consumer contributions are credited against the historical cost of the asset.

Depreciation is computed by the straight-line method at rates based on the estimated service lives of each of the various classes of property. Consumer contributions are amortized into income at a rate of 2.5%. Depreciation rates on average depreciable property are shown below:

Distribution network assets	2.5%
Buildings	1.7%
Vehicles and mobile plant	
10%-20%	
Furniture and equipment, including computer	
20%-33%	
hardware and software	

Income Taxes

London Electricity accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). This standard requires that deferred income taxes be recorded for all temporary differences between the financial statement basis and tax basis of assets and liabilities and loss carryforwards, and that deferred tax balances be based on enacted tax laws at rates that are expected to be in effect when the temporary differences reverse.

Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired and is being amortized over forty years using the straight- line method.

Financial Instruments

London Electricity enters into interest rate swaps as a part of its overall risk management strategy and does not hold or issue material amounts of derivative financial instruments for trading purposes. London Electricity accounts for its interest rate swaps in accordance with the concepts established in Statement of Financial Accounting Standards No. 80, "Accounting for Futures Contracts" ("SFAS 80") and various Emerging Issue Task Force pronouncements. If the interest rate swaps were to be sold or terminated, any gain or loss would be deferred and amortized over the remaining life of the debt instrument being hedged by the interest rate swap. If the debt instrument being hedged by the interest rate swaps were to be extinguished, any gain or loss attributable to the swap would be recognized in the period of the transaction.

London Electricity considers the carrying amounts of 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.

Price Control

Charges for distribution of electricity and supply to customers with a maximum demand under 100kW are subject to a price control formula set out in London Electricity's PES license which allows a maximum charge per unit of electricity.

Differences in the charges, or in the purchase cost of electricity, can result in the under or overrecovery of revenues in a particular year.

Where there is an overrecovery of supply of distribution business revenues against the regulated maximum allowable amount, revenues are deferred in an amount equivalent to the overrecovered amount. The deferred amount is deducted from operating revenues and included in other liabilities. Where there is an underrecovery, no anticipation of any potential future recovery is made.

London Electricity enters into contracts for differences ("CFDs") primarily to hedge its supply business against the price risk of electricity purchases from the Pool. Use of these CFDs is carried out within the framework of London Electricity's purchasing strategy and hedging guidelines. Risk of loss is monitored through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings. London Electricity recognizes gains (losses) on CFDs when settlement is made. Gains (losses) on CFDs are recognized as a decrease (increase) to cost of sales based upon the difference between fixed prices in the CFD compared to variable prices paid to the Pool for the period. Gains (losses) based upon the difference between fixed prices in the CFD compared to variable prices paid to the Pool for future electricity purchases are not recognized until the period of such settlements.

Pursuant to Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" ("SFAS 121") London Electricity periodically reviews its long-lived assets whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such assets. Projected undiscounted net cash flows depend on the future operating costs associated with the assets and future market prices over the remaining life of the assets. Based on current estimates of future undiscounted cash flows as prescribed under SFAS 121, management anticipates that future revenues from such assets will fully recover all related costs.

NOTE 3. REGULATORY MATTERS:

The distribution business of London Electricity is regulated under its PES license, pursuant to which revenue of the distribution business is controlled by the Distribution Price Control Formula (DPCF). The DPCF determines the maximum average price per unit of electricity (expressed in kilowatt hours, a "unit") that a REC may charge. The elements used in the DPCF are established for a five-year period and are subject to review by the Regulator at the end of each five-year period and at other times at the discretion of the Regulator. At each review the Regulator can adjust the value of certain elements in the DPCF. Following a review by the Regulator in August 1994, a 14% price reduction was set for London Electricity, effective April 1, 1995. In July 1995, a further review of distribution prices was concluded by the Regulator for fiscal years 1997 to 2000. As a result of this further review, London Electricity's distribution prices were reduced an additional 11%, effective April 1, 1996, 3% effective April 1, 1997 and will be reduced by a further 3% on both April 1, 1998 and 1999.

The supply business of London Electricity is also regulated by the Regulator and prices are established based upon the Supply Price Control Formula which is similar to the DPCF; however, it allows full pass through for all properly incurred costs and is set for a four-year period by the Regulator.

The non-franchise supply market, which typically includes larger commercial and industrial customers was opened to competition for all customers with usage above 1MW upon privatization of the industry in 1990. The non-franchise supply markets of 100 kW or more were opened to full competition starting in April 1994.

Currently London Electricity, under its PES license, has the exclusive right to supply residential and small industrial and commercial customers within its franchise area. It is anticipated that the supply market will be fully competitive over a six month period starting in April 1998.

NOTE 4. INVESTMENTS:

London Electricity accounts for investments whose fair market value is readily determinable in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Investments for Certain Debt and Equity Securities" ("SFAS 115"). These securities are considered available-for-sale securities under SFAS 115 and their fair values approximate cost. Other securities whose fair market values are not readily determinable and in which London Electricity does not have a significant interest are recorded at cost.

Investments in companies in which London Electricity's ownership interests range from 20% to 50% and investments in which London Electricity's ownership is less than 20% but over which London Electricity exercises significant influence over operating and financial policies are accounted for using the equity method. The following are London Electricity's equity method investments as of March 31, 1996:

Investment	Percentage Ownership
London Total Gas Ltd	50%
Combined Power Systems Ltd	32% combined ownership in common and preferred shares
Thames Valley Power Ltd	50%
London Total Energy Ltd	50%
Barking Power Ltd	13.5%

NOTE 5. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, at cost, consists of the following (in thousands):

1996	March 31,
Distribution network assets	\$1,769,946
Land and buildings	117,579
Vehicles and mobile plant	24,279
Furniture, fixtures and equipment, including computer hardware and software	181,407
Consumer contributions to construction	(311,813)

	1,781,398
Less accumulated depreciation and amortization	(710,513)

	\$1,070,885
	=====

NOTE 6. INCOME TAXES:

London Electricity's income tax expense for the period from April 1, 1996 to January 31, 1997, and the year ended March 31, 1996, consists of the following (in thousands):

1996	Period from April 1, 1996 to January 31, 1997	Year ended March 31,
Current	\$ 27,998	\$64,206
Deferred	22,778	27,248
Current taxes on National Grid transactions:		
Tax on special dividend	—	35,705
Tax on distribution in kind	—	93,490
Tax on ESOP contribution	—	(5,637)
Tax reduction related to customer discount	—	(42,752)
	-----	-----
Total	\$ 50,776	\$172,260
	=====	=====

London Electricity's total income taxes differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences in the period from April 1, 1996 to January 31, 1997 and the year ended March 31, 1996 are (in thousands):

	Period from April 1, 1996 to January 31, 1997	Year ended March 31,
1996		
Pre-tax income	\$149,005	\$891,681
Income taxes computed at statutory rate	49,194	294,252
National Grid transactions:		
Revaluation of investment excluded from taxable income (44,005)	—	
Gain on sale of pumped storage business excluded from taxable income (36,175)	—	
Tax credit on contribution to ESOP (5,638)	—	
Special dividends not taxable (10,805)	—	
Effect of difference between statutory rate (33%) and rate on dividends received (20%) (31,163)	(791)	
Amortization of goodwill	475	626
Other	1,898	5,168
	-----	-----
Total income tax expense	\$ 50,776	\$172,260
	=====	=====

Significant components of London Electricity's net deferred tax liability as of March 31, 1996 are as follows (in thousands):

Deferred tax liability	
Property-related basis differences	
\$(280,968)	
Prepaid pension asset	
(36,801)	

Total	
(317,769)	
Deferred tax asset	
Restructuring and other provisions	24,127

Net deferred tax liability	
\$(293,642)	=====

As a result of Parliamentary elections held on May 1, 1997, the Labour Party gained control of the UK Government. On July 31, 1997 legislation establishing a windfall profits tax, which affects regulated companies privatized since 1979 including London Electricity, was enacted. In accordance with SFAS 109 under US GAAP, London Electricity will record a charge to income for the windfall profits tax during the quarter ending September 30, 1997. A change in the UK statutory rate from 33% to 31% was also included in the legislation. The impact of such changes will be recognition in the quarter ending September 30, 1997 of the \$224 million expense for the windfall profits tax and approximately \$61 million of income tax benefit as a result of the change in the UK statutory income tax rate in London Electricity's results of operations.

The tax years since fiscal year 1990 are currently under review by the Inland Revenue in the UK. London Electricity believes that there is no additional liability related to the tax years under review.

NOTE 7. LONG-TERM DEBT:

The long-term debt of London Electricity as of March 31, 1996 consists of the following (in thousands):

8% Eurobonds repayable March 28, 2003	\$
151,020	
8 5/8% Eurobonds repayable October 26, 2005	
150,868	

Total	\$
301,888	
=====	

The 8% and 8 5/8% Eurobonds may become due prior to their stated maturity only upon the occurrence of certain events including default, liquidation or bankruptcy of London Electricity. London Electricity does not anticipate default under the agreements.

London Electricity entered into an interest rate swap agreement to reduce the impact of interest rate changes on its outstanding debt. The interest rate swap agreement involves the exchange of a fixed interest rate for a floating interest rate periodically over the life of the agreement. If the counterparty to the interest rate swap was to default on contractual payments, London Electricity could be exposed to increased cost related to replacing the original agreement. However, London Electricity does not anticipate non-performance. At March 31, 1996, London Electricity was party to a notional amount of \$12 million for an interest rate swap agreement with a maturity date of May 6, 2003.

NOTE 8. COMMON STOCK:

During 1996, London Electricity effected a reverse stock split of six for every seven shares of common stock held. This reduced, by approximately 28 million, the number of common shares outstanding and increased the par value of the stock from BPS0.50 to BPS0.583 per share.

NOTE 9. NOTES PAYABLE:

Other facilities available to London Electricity are short-term unsecured, uncommitted facilities of BPS228 million and a BPS150 million Sterling Commercial Paper Program ("Sterling Program"). Uncommitted facilities are unsecured facilities which are available at London Electricity's request, however there is no obligation by the bank counterparty to make funds available to London Electricity. The Sterling Program is a negotiable promissory note with short term maturities (up to 364 days) issued at a discount to face value. London Electricity had an outstanding balance of \$146.7 million on all of these facilities as of March 31, 1996. The weighted average interest rate incurred on these borrowings was 6.3% and 6.1% for the period from April 1, 1996 to January 31, 1997 and for the year ended March 31, 1996, respectively.

NOTE 10. COMMITMENTS AND CONTINGENCIES:

London Electricity has entered into operating lease agreements for the use of buildings and vehicles. Minimum future rental payments under all operating leases as of March 31, 1996 are as follows (in thousands):

1997
\$10,842
1998
10,536
1999
10,078
2000
10,078
2001
9,773
Thereafter
127,810

Total
\$179,117
=====

Rental expense incurred under these lease agreements was \$10.6 million and \$12.4 million for the period from April 1, 1996 to January 31, 1997 and for the year ended March 31, 1996, respectively.

London Electricity is subject to an agreement whereby the UK government is entitled to a proportion of certain property gains accruing to London Electricity as a result of disposals or events treated as disposals occurring after March 31, 1990 of properties held at that date. This commitment is effective until March 31, 2000.

London Electricity has utilized a portion of the pension plan surplus to increase benefits to members and reduce employer and employee contributions. A recent court ruling in the UK upheld such uses of pension surpluses. However, should the decision be reversed on appeal, London Electricity could be required to repay pension surpluses utilized. Management is unable to predict the likely outcome of this matter at this time.

The UK Environmental Protection Act 1990 addresses waste management issues and imposes certain obligations on companies which handle and dispose of waste. Some of London Electricity's distribution activities produce waste but London Electricity believes that it has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment. There are no material legal or administrative proceedings pending against London Electricity with respect to any environmental matter.

London Electricity is required to file five-year projections with the Regulator for capital expenditures related to its regulated distribution network and updates of such projections annually. The most recent updated projection was for the five-year period ended March 31, 2000 and was filed in July 1997. This filing indicated London Electricity's current projection of approximately \$772.3 million for the five-year period. Approximately \$294.2 million has already been spent in fiscal years 1996 and 1997 related to this five-year projection.

London Electricity uses CFDs and power purchase contracts with certain UK generators to fix the price of electricity for a contracted quantity over a specific period of time. At March 31, 1996, London Electricity has outstanding CFDs and power purchase contracts for approximately 52,000 GWH of electricity. These include a long term power purchase contract with an affiliate which is based on 27.5% of the affiliate's capacity from its 1000 MW facility through the year 2010. London Electricity's sales volumes were approximately 17,000 GWH and 18,000 GWH in the period from April 1, 1996 to January 31, 1997, and the year ended March 31, 1996, respectively.

NOTE 11. PENSION BENEFITS:

London Electricity participates in a defined benefit pension plan, which provides pension and other related defined benefits, based on final pensionable pay, to substantially all employees throughout the electric supply industry in the UK. Contributions to the plan by London Electricity on behalf of its employees were \$16.0 million for the year ended March 31, 1996. London Electricity made no contributions to the plan during the period April 1, 1996 to January 31, 1997.

London Electricity uses the projected unit credit actuarial method for funding purposes. Amounts funded to the pension are primarily invested in equity and fixed income securities.

Statement of Financial Accounting Standards No. 87 "Employees Accounting for Pensions" ("SFAS 87") was issued in 1988 and is effective for fiscal years beginning after December 15, 1988. The provisions of SFAS 87 were initially adopted by London Electricity on April 1, 1994.

Accordingly, the unrecognized net transition asset at the date of initial application of SFAS 87 is being amortized over 15 years beginning April 1, 1989. The amount of the unrecognized net transition asset credited to equity on April 1, 1994 was \$42.9 million.

The following table sets forth the plan's funded status and amounts recognized in London Electricity's balance sheet at March 31, 1996 (in thousands):

Accumulated benefit obligation:	
Vested	\$ 900,625
	=====
Projected benefit obligation	1,029,962
Plan assets at fair value	1,231,831

Assets in excess of projected benefit obligation	201,869
Unrecognized net gain	
(18,782)	
Unrecognized net transition asset	
(71,463)	

Prepaid pension asset	\$ 111,624
	=====

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation, and the expected long-term rate of return on assets was 9%, 6.5% and 9%, respectively, for the period from April 1, 1996 to January 31, 1997 and for the year ended March 31, 1996.

The components of the plan's net pension income during the periods are shown below (in thousands):

	Period from April 1, 1996 to January 31, 1997	Year ended March 31,
1996		
Service cost (benefits earned during the period)	\$10,440	\$ 13,311
Interest cost on projected benefit obligations	70,232	85,347
Actual return on plan assets (227,227)	(92,377)	
Net amortization and deferral	3,955	115,258
	-----	-----
Net pension benefit	\$(7,750)	
\$(13,311)	=====	=====

NOTE 12. DISTRIBUTION OF NATIONAL GRID INVESTMENT:

In December 1995, each of the RECs distributed their investments in the National Grid Holding Company plc ("National Grid"). London Electricity distributed its ownership shares in National Grid to its shareholders. Prior to the distribution, the National Grid shares were listed on the London Stock Exchange and revalued to reflect the market value of the common stock of National Grid, whose shares had not previously been publicly traded and for which there was no readily determinable fair market value. London Electricity recorded a gain on the revaluation of \$416.9 million in the Statement of Operations for the year ended March 31, 1996. National Grid also effected a rights issue at \$3.12 per share to raise additional equity capital. London Electricity invested an additional \$27.5 million in National Grid as a result of the rights issue. Approximately 96% of the total National Grid shares owned by London Electricity were then distributed in kind to the shareholders of London Electricity.

The remaining shares owned by London Electricity were retained to establish an Employee Stock Ownership Plan ("ESOP") to compensate participants of the Employee and Executive Sharesave Plans (employee stock option plans) for any diminution in value of London Electricity

shares as a result of the demerger. Approximately 5.1 million shares of National Grid were reserved for contributions to the ESOP. The actual shares will be contributed to the ESOP upon exercise of options under the employee stock option plans. The contributed shares related to the establishment of the ESOP plus expenses and cash contributions due to the ESOP to compensate the participants for taxes payable related to this distribution were charged to expense during the fiscal year ended March 31, 1996. The difference between actual National Grid shares contributed and the total amount charged to expense is included in other liabilities in London Electricity's balance sheet as of March 31, 1996.

National Grid also distributed to London Electricity its ownership shares in PSB Holding Limited ("PSB"), the holding company of First Hydro Limited which had been transferred to National Grid in 1990. As part of the demerger, PSB was sold to Mission Energy and London Electricity recorded a \$109.8 million gain on the sale.

Finally, as part of the demerger, the Regulator ordered a \$78 refund to each of London Electricity's supply customers which was offset by a reduction in the fossil fuel levy charged to London Electricity. The effect of the refund, which was recorded in the year ended March 31, 1996, was to reduce operating revenues, cost of sales and gross profit by \$142.3 million, \$13.0 million and \$129.4 million, respectively.

The investment in National Grid has been accounted for by London Electricity as a cost method investment. The consolidated results of operations of London Electricity therefore do not include any of the results of operations of National Grid.

NOTE 13. EMPLOYEE OPTIONS:

London Electricity was acquired by Entergy London Investments plc, formerly Entergy Power UK plc, effective February 1, 1997. In conjunction with the purchase of London Electricity, the holders of any outstanding options under the employee option plans were given the opportunity to exercise their options and sell their shares to Entergy London Investments plc at a price of BPS7.05 per share which then entitled the owner of the shares to the interim dividend of BPS.179 per share. If the holders of the options did not exercise their options, such options were cash canceled and the holders were paid BPS7.05 per share.

Under the Employee Sharesave Plan, London Electricity was authorized to issue shares of common stock pursuant to stock options granted to officers, key employees and directors. Under the Executive Sharesave Plan, London Electricity was authorized to issue shares of common stock pursuant to stock options granted to directors.

The stock options had an exercise price equal to the fair market value of the common stock on the date of grant and a contractual term of 10 years. The stock options became exercisable on the third anniversary of the date of grant under the Executive Sharesave Plan.

A summary of the status of London Electricity's stock options for the period from April 1, 1996 to January 31, 1997 and for the year ended March 31, 1996 and the changes during the years ended on such dates is presented below:

Period from
April 1, 1996 to
January 31, 1997 Years ended March 31,

1996

	# Shares of Underlying Options	Exercise Prices BPS	# Shares of Underlying Options	Exercise Prices BPS
Outstanding at beginning of year	1,873,505	3.56	6,985,705	2.26
Granted	3,625,911	4.82	89,628	5.94
Exercised	(390,712)	3.33	(4,956,992)	1.89
Forfeited	—	—	(244,836)	2.09
Expired	—	—	—	—
	-----		-----	
Outstanding at end of year	5,108,704		1,873,505	
	=====		=====	

</TABLE

NOTE 14. RESTRUCTURING CHARGES:

In 1995 and 1996, London Electricity implemented a restructuring program to reduce the number of employees in the Network Services, Customer Services, Corporate and Information Technology groups. An initial plan was approved by the Board of Directors of London Electricity in September 1994 and was based on a business plan developed subsequent to the 1994 Regulatory Review of Distribution (the "Distribution Review").

Following the reopening of the Distribution Review during 1995, a further plan was proposed leading to a further reduction of employees in the same areas. This plan was approved by the Board of Directors in May 1996, and approximately \$18.5 million in restructuring charges was recorded for the period from April 1, 1996 to January 31, 1997. The balances for restructuring charges and the actual termination benefits paid under the program for the period from April 1, 1996 to January 31, 1997 and the year ended March 31, 1996 are as follows (in thousands):

Provision for restructuring as of March 31, 1995	\$30,322
Restructuring charges in 1996	—
Payments made in 1996	—
Translation adjustment	(1,767)

Balance March 31, 1996	28,555
Restructuring charges in 1997	18,507
Payments made in 1997	(16,609)
Translation adjustment	1,433

Provision for restructuring as of January 31, 1997	\$31,886
	=====

The number of employees terminated under these plans was 250 and 308 for the period from April 1, 1996 to January 31, 1997 and the year ended March 31, 1996, respectively.

NOTE 15. SEGMENT INFORMATION:

London Electricity is engaged in two electric industry segments: distribution, which involves the transfer and delivery of electricity across London Electricity's network to its customers, and supply, which involves bulk purchases of electricity from the Pool for delivery of supply to the distribution networks. Other consists principally of London Electricity's investment in private distribution networks, electricity contracting services and investments in generating assets. Information about London Electricity's operations in these individual segments during the period from April 1, 1996 to January 31, 1997 and for the year ended March 31, 1996 is as follows (in thousands):

Period from April 1, 1996 to January 31, 1997

	Distribution	Supply	Other	Eliminations	Consolidated
Operating revenues	\$435,470	\$1,662,788	\$106,772	\$(439,425)	\$1,765,605
Operating income	159,129	(1,265)	10,914	-	168,778
Depreciation and amortization	51,092	6,485	4,588	-	62,165
Total assets employed at period end	1,363,077	446,560	287,453	-	2,097,090
Capital expenditures	153,118	15,027	14,711	-	182,856

Year Ended March 31, 1996

	Distribution	Supply	Other	Eliminations	Consolidated
Operating revenues	\$559,219	\$1,719,468 (a)	\$92,550	\$(511,299)	\$1,859,938
Operating income	247,428	(110,246) (b)	24,272	(2,349)	159,105
Depreciation and amortization	54,967	3,915	7,203	-	66,085
Total assets employed at period end	1,211,827	376,710	471,844	-	2,060,381
Capital expenditures	151,590	7,047	14,564	-	173,201

(a) Includes \$142.3 million refund to customers related to National Grid transaction.

(b) Includes net effect of \$142.3 million refund and \$13.0 reduction of fossil fuel levy related to National Grid transaction. See Note 12.

Item 9. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure.

No event that would be described in response to this item has occurred with respect to Entergy, System Energy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, or Entergy New Orleans.

PART III

Item 10. Directors and Executive Officers of the Registrants (Entergy

Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London)

All officers and directors listed below held the specified positions with their respective companies as of the date of filing this report.

Name	Age	Position	Period
ENTERGY ARKANSAS, INC.			
Directors			
R. Drake Keith	62	President and Director of Entergy Arkansas	1989-Present
Frank F. Gallaher		See information under the Entergy Corporation Officers Section in Part I.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section in Part I.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section in Part I.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section in Part I.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section in Part I.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section in Part I.	
Officers			
Michael R. Niggli	48	Senior Vice President - Customer Accounts of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Services	1996-1998
		Senior Vice President - Marketing of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Services	1993-1996
		Vice President - Customer Services of Entergy Louisiana, Entergy New Orleans, and Entergy Services	1993-1993
C. Gary Clary	53	Vice President - Human Resources and Administration of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Operations	1997-Present
		Vice President - Human Resources and Administration of Entergy Services	1996-Present
		Director-System Human Resources of Entergy Services	1993-1996
Cecil L. Alexander	62	Vice President - Governmental Affairs of Entergy Arkansas	1991-Present
James S. Pilgrim	62	Vice President - Customer Service of Entergy Arkansas	1994-Present
		Director, Central Region, TDCS Customer Service	1993-1994
		Central Division Manager of Mississippi	1991-1993
C. Hiram Walters	61	Vice President - Customer Service of Entergy Arkansas	1993-Present
		Vice President - Customer Service of Entergy Louisiana	1994-Present
		Vice President - Customer Service of Entergy Services	1997-Present
		Vice President - Customer Service, Central Region of Entergy Services	1993-1997
Edwin Lupberger		See information under the Entergy Corporation Officers Section in Part I.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section in Part I.	
R. Drake Keith		See information under the Entergy Arkansas Directors Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section in Part I.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section in Part I.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section in Part I.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section in Part I.	
Michael G. Thompson		See information under the Entergy Corporation Officers Section in Part I.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section in Part I.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section in Part I.	

ENTERGY GULF STATES, INC.

Directors

Karen R. Johnson	53	President - Texas	1997-Present
		Director of Entergy Gulf States	1996-Present
		State President - Texas	1996-1997
		Vice President - Governmental Affairs of Entergy Gulf States	1994-1996

(a) Mr. Meiners is a director of Trustmark National Bank, Jackson, MS, and Trustmark Corporation, Jackson, MS.

Each director and officer of the applicable Entergy company is elected yearly to serve by the unanimous consent of the sole stockholder, Entergy Corporation, at its annual meeting.

Directorships shown in footnote (a) above are generally limited to entities subject to Section 12 or 15(d) of the Securities and Exchange Act of 1934 or to the Investment Company Act of 1940.

Section 16(a) Beneficial Ownership Reporting Compliance

Information called for by this item concerning the directors and officers of Entergy Corporation is set forth in the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders to be held on May 15, 1998, under the heading "Section 16(a) Beneficial Ownership Reporting Compliance", which information is incorporated herein by reference.

Item 11. Executive Compensation

ENTERGY CORPORATION

Information called for by this item concerning the directors and officers of Entergy Corporation is set forth in the Proxy Statement under the headings "Executive Compensation Tables", "General Information About Nominees", and "Director Compensation", which information is incorporated herein by reference.

ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, SYSTEM ENERGY AND ENTERGY LONDON

Summary Compensation Table

The following table includes the Chief Executive Officer and the four other most highly compensated executive officers in office as of December 31, 1997 at Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London, (collectively, the "Named Executive Officers") as well as Gerald D. McInvale who would have been included as one of the four most highly compensated officers but for the fact that he was not serving as an executive officer at the end of the fiscal year. This determination was based on total annual base salary and bonuses from all Entergy sources earned by each officer for the year 1997. See Item 10, "Directors and Executive Officers of the Registrants," for information on the principal positions of the Named Executive Officers in the table below.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London

As shown in Item 10, most Named Executive Officers are employed by several Entergy companies. Because it would be impracticable to allocate such officers' salaries among the various companies, the table below includes the aggregate compensation paid by all Entergy companies.

Name	Year	Annual Compensation			Long-Term Compensation			(c) All Other Compensation
		Salary	(a) Bonus	Other Annual Compensation	Restricted Stock Awards	Awards Securities Underlying Options	Payouts (b) LTIP Payouts	
Michael B. Bemis	1997	\$314,154	\$ 0	\$ 734,368 (f)	(d)	5,000 shares	\$ 0	\$11,736
	1996	297,115	168,125	43,884	(d)	5,000	0	12,813
	1995	290,000	216,909	22,844	(d)	27,500	294,282	12,063
Joseph L. Blount	1997	\$126,288	\$ 0	\$ 291	(d)	0 shares	\$ 0	\$3,789
	1996	124,904	38,471	10,147	(d)	0	0	6,177
	1995	119,185	43,645	15,842	(d)	0	0	15,705
Louis E. Buck, Jr.	1997	\$159,954	\$29,882	\$ 9,105	(d)	2,500 shares	\$ 0	\$ 4,799
	1996	153,558	66,187	26,132	(d)	0	0	20,683
	1995	49,039	21,280	9,151	(d)	0	0	7,529
Frank F. Gallaher	1997	\$327,385	\$ 0	\$ 11,132	(d)	5,000 shares	\$ 0	\$ 9,822
	1996	276,538	130,150	35,641	(d)	5,000	0	10,321
	1995	240,000	198,360	61,360	(d)	27,500	324,398	7,638
Donald C. Hintz*	1997	\$365,077	\$ 0	\$ 18,245	(d)	5,000 shares	\$ 0	\$10,952
	1996	343,269	231,299	12,516	(d)	5,000	0	14,197
	1995	325,000	265,049	13,394	(d)	30,000	409,414	9,750
Jerry D. Jackson	1997	\$342,077	\$ 0	\$ 56,359	(d)	5,000 shares	\$ 0	\$10,262
	1996	332,115	209,489	37,928	(d)	5,000	0	13,862
	1995	325,000	256,838	43,054	(d)	30,000	422,438	9,750
Edwin Lupberger**	1997	\$785,385	\$ 0	\$ 271,422	(d)	10,000 shares	\$ 0	\$23,562
	1996	735,577	448,794	123,601	(d)	10,000	0	23,567
	1995	700,000	568,400	89,163	(d)	60,000	781,337	21,000
Jerry L. Maulden	1997	\$445,615	\$ 0	\$ 67,485	(d)	5,000 shares	\$ 0	\$13,369
	1996	435,000	260,301	27,056	(d)	5,000	0	14,550
	1995	435,000	353,220	26,248	(d)	30,000	422,438	13,050
Gerald D. McInvale (e)	1997	\$331,154	\$ 0	\$ 17,389	(d)	5,000 shares	\$ 0	\$ 9,923
	1996	271,730	179,576	13,995	(d)	5,000	0	12,051
	1995	255,481	186,739	12,525	(d)	27,500	294,282	7,664
William J. Regan, Jr.	1997	\$195,379	\$36,448	\$ 13,740	(d)	2,500 shares	\$ 0	\$ 5,861
	1996	190,000	81,132	20,684	(d)	0	0	8,852
	1995	120,577	54,727	21,141	(d)	2,000	0	7,821
Michael G. Thompson	1997	\$259,315	\$ 0	\$ 12,856	(d)	5,000 shares	\$ 0	\$ 7,729
	1996	245,960	132,620	20,640	(d)	5,000	0	11,278
	1995	236,546	163,612	57,600	(d)	2,500	211,219	7,096

* Chief Executive Officer of System Energy.

** Chief Executive Officer of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy London.

(a) Includes bonuses earned pursuant to the Annual Incentive Plan.

(b) Amounts include the value of restricted shares that vested in 1997, 1996, and 1995 (see note (d) below) under Entergy's Equity Ownership Plan.

(c) Includes the following:

(1) 1997 benefit accruals under the Defined Contribution Restoration Plan as follows: Mr. Bemis \$4,625; Mr. Gallaher \$5,022; Mr. Hintz \$6,152; Mr. Jackson \$5,462; Mr. Lupberger \$18,762; Mr. Maulden \$8,969; Mr. McInvale \$5,123; Mr. Regan \$1,061; and Mr. Thompson \$2,979.

(2) 1997 employer contributions to the System Savings Plan as follows: Mr. Bemis \$4,800; Mr. Blount \$3,789; Mr. Buck \$4,799; Mr. Gallaher \$4,800; Mr. Hintz \$4,800; Mr. Jackson \$4,800; Mr. Lupberger \$4,800; Mr. Maulden \$4,400; Mr. McInvale \$4,800; Mr. Regan \$4,800; and Mr. Thompson \$4,750.

(3) 1997 reimbursements for moving expenses as follows:
Mr. Bemis \$2,311.

(d) There were no restricted stock awards in 1997 under the Equity Ownership Plan. At December 31, 1997, the number and value of the aggregate restricted stock holdings were as follows: Mr. Bemis 30,000 shares, \$898,125; Mr. Blount 2,250 shares, \$67,359; Mr. Buck 4,500 shares, \$134,719; Mr. Gallaher 30,000 shares, \$898,125; Mr. Hintz 30,000 shares, \$898,125; Mr. Jackson 30,000 shares, \$898,125; Mr. Lupberger 60,000 shares, \$1,796,250; Mr. Maulden 37,500 shares, \$1,122,656; Mr. McInvale 30,000 shares, \$898,125; Mr. Regan 4,500 shares, \$134,719; and Mr. Thompson 22,500 shares, \$673,594. Accumulated dividends are paid on restricted stock when vested. The value of stock for which restrictions were lifted in 1997, 1996, and 1995, and the applicable portion of accumulated cash dividends, are reported in the LTIP Payouts column in the above table. The value of restricted stock awards as of December 31, 1997 are determined by multiplying the total number of shares awarded by the closing market price of Entergy Corporation common stock on the New York Stock Exchange Composite Transactions on December 31, 1997 (\$29.9375 per share).

(e) Gerald D. McInvale is a former officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London.

(f) Includes approximately \$670,000 related to various overseas living expenses, including UK taxes and housing, associated with Mr. Bemis' overseas assignment in London.

Option Grants in 1997

The following table summarizes option grants during 1997 to the Named Executive Officers. The absence, in the table below, of any Named Executive Officer indicates that no options were granted to such officer.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Entergy and Entergy London

Name	Number of Securities Underlying Options Granted (a)	Individual Grants % of Total Options Granted to Employees in 1997	Exercise Price (per share) (a)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (b)	
					5%	10%
Michael B. Bemis	5,000	2.0%	\$ 26.5	1/30/07	\$ 83,329	\$211,171
Louis E. Buck, Jr.	2,500	1.0%	26.5	1/30/07	41,664	105,585
Frank F. Gallaher	5,000	2.0%	26.5	1/30/07	83,329	211,171
Donald C. Hintz	5,000	2.0%	26.5	1/30/07	83,329	211,171
Jerry D. Jackson	5,000	2.0%	26.5	1/30/07	83,329	211,171
Edwin Lupberger	10,000	3.9%	26.5	1/30/07	166,657	422,342
Jerry L. Maulden	5,000	2.0%	26.5	1/30/07	83,329	211,171
Gerald D. McInvale	5,000	2.0%	26.5	1/30/07	83,329	211,171
William J. Regan, Jr.	2,500	1.0%	26.5	1/30/07	41,664	105,585
Michael G. Thompson	5,000	2.0%	26.5	1/30/07	83,329	211,171

(a) Options were granted on January 30, 1997, pursuant to the Equity Ownership Plan. All options granted on this date have an exercise price equal to the closing price of Entergy Corporation common stock on the New York Stock Exchange Composite Transactions on January 30, 1997. These options became exercisable on July 30, 1997.

(b) Calculation based on the market price of the underlying securities assuming the market price increases over a ten-year option period and assuming annual compounding. The column presents estimates of potential values based on simple mathematical assumptions. The actual value, if any, a Named Executive Officer may realize is dependent upon the market price on the date of option exercise.

Aggregated Option Exercises in 1997 and December 31, 1997 Option Values

The following table summarizes the number and value of all unexercised options held by the Named Executive Officers. The absence, in the table below, of any Named Executive Officer indicates that no options are held by such officer. In 1997, no options were exercised by any Named Executive Officer.

Name	Number of Securities Underlying Unexercised Options as of December 31, 1997		Value of Unexercised In-the-Money Options as of December 31, 1997(a)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Michael B. Bemis	20,000	25,000	\$ 37,188	\$ 226,563
Louis E. Buck, Jr.	2,500	-	8,594	-
Frank F. Gallaher	17,500	25,000	36,406	226,563
Donald C. Hintz	27,500	25,000	53,594	226,563
Jerry D. Jackson	24,411	25,000	20,841	226,563
Edwin Lupberger	58,824	50,000	107,308	453,125
Jerry L. Maulden	30,000	25,000	54,375	226,563
Gerald D. McInvale	20,000	25,000	37,188	226,563
William J. Regan, Jr.	2,500	2,000	8,594	12,875
Michael G. Thompson	17,500	-	36,406	-

(a) Based on the difference between the closing price of Entergy Corporation's common stock on the New York Stock Exchange Composite Transactions on December 31, 1997, and the option exercise price.

Pension Plan Tables

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy

Retirement Income Plan Table

Annual Covered Compensation	Years of Service				
	15	20	25	30	35
\$100,000	\$ 22,500	\$ 30,000	\$37,500	\$45,000	
\$52,000					
200,000	45,000	60,000	75,000	90,000	
105,000					
300,000	67,500	90,000	112,500	135,000	
157,500					
400,000	90,000	120,000	150,000	180,000	
210,000					
500,000	112,500	150,000	187,500	225,000	
262,500					
650,000	146,250	195,000	243,750	292,500	
341,250					
950,000	213,750	285,000	356,250	427,500	
498,750					

All of the Named Executive Officers participate in a Retirement Income Plan, a defined benefit plan, that provides a benefit for employees at retirement from Entergy based upon (1) generally all years of service beginning at age 21 through termination, with a forty-year maximum, multiplied by (2) 1.5%, multiplied by (3) the final average compensation. Final average compensation is based on the highest consecutive 60 months of covered compensation in the last 120 months of service. The normal form of benefit for a single employee is a lifetime annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree. Retirement benefits are not subject to any deduction for Social Security or other offset amounts. The amount of the Named Executive Officers' annual compensation covered by the plan as of December 31, 1997, is represented by the salary column in the Summary Compensation Table above.

The credited years of service under the Retirement Income Plan, as of December 31, 1997, for the Named Executive Officers is as follows: Mr. Bemis 15; Mr. Blount 13; Mr. Buck 2; Mr. Gallaher 28; Mr. Maulden 32; and Mr. Regan 2. The credited years of service under the respective Retirement Income Plan, as of December 31, 1997 for the following Named Executive Officers, as a result of entering into supplemental retirement agreements, is as follows: Mr. Hintz 26; Mr. Jackson 18; Mr. Lupberger 34; Mr. McInvale 25; and Mr. Thompson 21.

The maximum benefit under the Retirement Income Plan is limited by Sections 401 and 415 of the Internal Revenue Code of 1986, as amended; however, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy have elected to participate in the Pension Equalization Plan sponsored by Entergy Corporation. Under this plan, certain executives, including the Named Executive Officers, would receive an additional amount equal to the benefit that would have been payable under the Retirement Income Plan, except for the Sections 401 and 415 limitations discussed above.

In addition to the Retirement Income Plan discussed above, Entergy Arkansas, Louisiana, Mississippi, New Orleans, and System Energy participate in the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries and the Post-Retirement Plan of Entergy Corporation and Subsidiaries. Participation is limited to one of these two plans and is at the invitation of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy. The participant may receive from the appropriate Entergy company a monthly benefit payment not in excess of .025 (under the Supplemental Retirement Plan) or .0333 (under the Post-Retirement Plan) times the participant's average basic annual salary (as defined in the plans) for a maximum of 120 months. Mr. Hintz has entered into a Supplemental Retirement Plan participation contract, and all of the other Named Executive Officers, (except for Mr. Blount, Mr. Buck, Mr. McInvale, Mr. Regan, and Mr. Thompson) have entered into Post-Retirement Plan participation contracts. Current estimates indicate that the annual payments to the Named Executive Officers under the above plans would be less than the payments to that officer under the System Executive Retirement Plan discussed below.

System Executive Retirement Plan Table (1)

Annual Covered Compensation	Years of Service			
	15	20	25	30+
\$ 200,000	\$ 90,000	\$100,000	\$110,000	
\$120,000				
300,000	135,000	150,000	165,000	
180,000				
400,000	180,000	200,000	220,000	
240,000				
500,000	225,000	250,000	275,000	
300,000				
600,000	270,000	300,000	330,000	
360,000				
700,000	315,000	350,000	385,000	
420,000				
1,000,000	450,000	500,000	550,000	
600,000				

(1) Benefits shown are based on a target replacement ratio of 50% based on the years of service and covered compensation shown. The benefits for 10, 15, and 20 or more years of service at the 45% and 55% replacement levels would decrease (in the case of 45%) or increase (in the case of 55%) by the following percentages: 3.0%, 4.5%, and 5.0%, respectively.

In 1993, Entergy Corporation adopted the System Executive Retirement Plan (SERP). Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy are participating employers in the SERP. The SERP is an unfunded defined benefit plan offered at retirement to certain senior executives, which would currently include all the Named Executive Officers (except for Mr. Blount). Participating executives choose, at retirement, between the retirement benefits paid under provisions of the SERP or those payable under the Supplemental Retirement Plan or the Post-Retirement Plan discussed above. Covered pay under the SERP includes final annual base salary (see the Summary Compensation Table above for the base salary covered by the SERP as of December 31, 1997) plus the Target Incentive Award (i.e., a percentage of final annual base salary) for the participant in effect at retirement. Benefits paid under the SERP are calculated by multiplying the covered pay times target pay replacement ratios (45%, 50%, or 55%, dependent on job rating at retirement) that are attained, according to plan design, at 20 years of credited service. The target ratios are increased by 1% for each year of service over 20 years, up to a maximum of 30 years of service. In accordance with the SERP formula, the target ratios are reduced for each year of service

below 20 years. The credited years of service under this plan are identical to the years of service for Named Executive Officers (other than Mr. Bemis, Mr. Jackson, Mr. McInvale, and Mr. Thompson) disclosed above in the section entitled "Pension Plan Tables-Retirement Income Plan Table". Mr. Bemis, Mr. Jackson, Mr. McInvale, and Mr. Thompson have 25 years, 24 years, 16 years, and 16 years, respectively, of credited service under this plan.

The normal form of benefit for a single employee is a lifetime annuity and for a married employee is a 50% joint and survivor annuity. All SERP payments are guaranteed for ten years. Other actuarially equivalent options are available to each retiree. SERP benefits are offset by any and all defined benefit plan payments from Entergy and from prior employers. SERP benefits are not subject to Social Security offsets.

Eligibility for and receipt of benefits under any of the executive plans described above are contingent upon several factors. The participant must agree, without the specific consent of the Entergy company for which such participant was last employed, not to take employment after retirement with any entity that is in competition with, or similar in nature to, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy or any affiliate thereof. Eligibility for benefits is forfeitable for various reasons, including violation of an agreement with Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, resignation of employment, or termination of employment without Company permission.

In addition to the Retirement Income Plan discussed above, Entergy Gulf States provides, among other benefits to officers, an Executive Income Security Plan for key managerial personnel. The plan provides participants with certain retirement, disability, termination, and survivors' benefits. To the extent that such benefits are not funded by the employee benefit plans of Entergy Gulf States or by vested benefits payable by the participants' former employers, Entergy Gulf States is obligated to make supplemental payments to participants or their survivors. The plan provides that upon the death or disability of a participant during his employment, he or his designated survivors will receive (i) during the first year following his death or disability an amount not to exceed his annual base salary, and (ii) thereafter for a number of years until the participant attains or would have attained age 65, but not less than nine years, an amount equal to one-half of the participant's annual base salary. The plan also provides supplemental retirement benefits for life for participants retiring after reaching age 65 equal to one-half of the participant's average final compensation rate, with one-half of such benefit upon the death of the participant being payable to a surviving spouse for life.

Entergy Gulf States amended and restated the plan effective March 1, 1991, to provide such benefits for life upon termination of employment of a participating officer or key managerial employee without cause (as defined in the plan) or if the participant separates from employment for good reason (as defined in the plan), with 1/2 of such benefits to be payable to a surviving spouse for life. Further, the plan was amended to provide medical benefits for a participant and his family when the participant separates from service. These medical benefits generally continue until the participant is eligible to receive medical benefits from a subsequent employer; but in the case of a participant who is over 50 at the time of separation and was participating in the plan on March 1, 1991, medical benefits continue for life. By virtue of the 1991 amendment and restatement, benefits for a participant under such plan cannot be modified once he becomes eligible to participate in the plan. None of the Named Executive Officers are participants in this plan.

Compensation of Directors

For information regarding compensation of the directors of Entergy Corporation, see the Proxy Statement under the heading "Director Compensation", which information is incorporated herein by reference. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London currently have no non-employee directors, and none of the current directors is compensated for his responsibilities as director.

Retired non-employee directors of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans with a minimum of five years of service on the respective Boards of Directors are paid \$200 a month for a term of years corresponding to the number of years of active service as directors. Retired non-employee directors with over ten years of service receive a lifetime benefit of \$200 a month. Years of service as an advisory director are included in calculating this benefit. System Energy and Entergy London have no retired non-employee directors.

Retired non-employee directors of Entergy Gulf States receive retirement benefits under a plan in which all directors who served continuously for a period of years will receive a percentage of their retainer fee in effect at the time of their retirement for life. The retirement benefit is 30 percent of the retainer fee for service of not less than five nor more than nine years, 40 percent for service of not less than ten nor more than fourteen years, and 50 percent for fifteen or more years of service. For those directors who retired prior to the retirement age, their benefits are reduced. The plan also provides disability retirement and optional hospital and medical coverage if the director has served at least five years prior to the disability. The retired director pays one-third of the premium for such optional hospital and medical coverage and Entergy Gulf States pays the remaining two-thirds. Years of service as an advisory director are included in calculating this benefit.

Employment Contracts and Termination of Employment and Change-in- Control Arrangements

Entergy Gulf States

As a result of the Merger, Entergy Gulf States is obligated to pay benefits under the Executive Income Security Plan to those persons who were participants at the time of the Merger and who later terminated their employment under circumstances described in the plan. For additional description of the benefits under the Executive Income Security Plan, see the "Pension Plan Tables-System Executive Retirement Plan Table" section noted above.

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London

In connection with the resignation of his position as Vice Chairman, Mr. McInvale entered into a contract under which he will provide services as required and remain as an employee of Entergy Services through May 31, 2001, subject to certain terms and conditions, at a monthly salary of approximately \$33,300. In addition, such contract provides for the continuation of benefits under Mr. McInvale's continued participation in, or the providing of benefits comparable to those under, Entergy's Savings Plan, Retirement Plan, Supplemental Credited Service Agreement, System Executive Retirement Plan, Equity Ownership Plan, Executive Medical Plan and the applicable portion of any awards under the Executive Annual Incentive Plan and Long Term Incentive Program. In the event of Mr. McInvale's death prior to May 31, 2001, his surviving spouse or estate would receive a lump sum equal to the net present value of all base salary payments due from the date of death to May 31, 2001, together with the benefits lost, or the comparable value.

Personnel Committee Interlocks and Insider Participation

The compensation of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London executive officers was set by the Personnel Committee of Entergy Corporation's Board of Directors, composed solely of Directors of Entergy Corporation. No current or former officers or employees of any Entergy company participated in deliberations concerning compensation during 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Entergy Corporation owns 100% of the outstanding common stock of registrants Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London. The information with respect to persons known by Entergy Corporation to be beneficial owners of more than 5% of Entergy Corporation's outstanding common stock is included under the heading "Stockholders Who Own at Least Five Percent" in the Proxy Statement, which information is incorporated herein by reference. The registrants know of no contractual arrangements that may, at a subsequent date, result in a change in control of any of the registrants.

As of December 31, 1997, the directors, the Named Executive Officers, and the directors and officers as a group for Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London, respectively, beneficially owned directly or indirectly common stock of Entergy Corporation as indicated:

Entergy Corporation
Common Stock
Amount and Nature of
Beneficial Ownership(a)

Name	Sole Voting and Investment Power	Other Beneficial
Ownership(b)		
Entergy Corporation		
W. Frank Blount*	5,034	-
John A. Cooper, Jr.*	7,534	-
Lucie J. Fjeldstad****	3,984	-
Dr. Norman C. Francis*	1,200	-
Frank F. Gallaher**	19,641	17,500
Donald C. Hintz**	11,318	27,500
Jerry D. Jackson**	29,500	24,411
Robert v.d. Luft*	4,284	-
Edwin Lupberger***	36,583	63,324 (c)
Jerry L. Maulden**	27,165	30,000
Gerald D. McInvale (d)	10,901	20,000
Adm. Kinnaird R. McKee*	3,067	-
Paul W. Murrill*	2,985	-
James R. Nichols*	6,065	-
Eugene H. Owen*	3,692	-
John N. Palmer, Sr.*	16,481	-
Robert D. Pugh*	8,300	6,500 (c)
Wm. Clifford Smith*	6,621	-
Bismark A. Steinhagen*	8,237	-
All directors and executive officers	262,891	244,235
Entergy Arkansas		
Frank F. Gallaher***	19,641	17,500
Donald C. Hintz***	11,318	27,500
Jerry D. Jackson***	29,500	24,411
R. Drake Keith*	9,019	-
Edwin Lupberger***	36,583	63,324 (c)
Jerry L. Maulden***	27,165	30,000
Gerald D. McInvale (d)	10,901	20,000
All directors and executive officers	198,064	205,235
Entergy Gulf States		
John J. Cordaro *	5,369	-
Frank F. Gallaher***	19,641	17,500
Donald C. Hintz***	11,318	27,500
Jerry D. Jackson***	29,500	24,411
Karen R. Johnson *	802	-
Edwin Lupberger***	36,583	63,324 (c)
Jerry L. Maulden***	27,165	30,000
Gerald D. McInvale (d)	10,901	20,000
All directors and executive officers	192,465	205,235
Entergy Louisiana		
John J. Cordaro*	5,369	-
Frank F. Gallaher***	19,641	17,500
Donald C. Hintz***	11,318	27,500
Jerry D. Jackson***	29,500	24,411
Edwin Lupberger***	36,583	63,324 (c)
Jerry L. Maulden***	27,165	30,000
Gerald D. McInvale (d)	10,901	20,000
All directors and executive officers	192,465	205,235
Entergy Mississippi		
Frank F. Gallaher***	19,641	17,500
Donald C. Hintz***	11,318	27,500
Jerry D. Jackson***	29,500	24,411
Edwin Lupberger***	36,583	63,324 (c)
Jerry L. Maulden***	27,165	30,000
Gerald D. McInvale (d)	10,901	20,000
All directors and executive officers	192,465	205,235

* Director of the respective Company

** Named Executive Officer of the respective Company *** Director and Named Executive Officer of the respective Company **** Mrs. Fjeldstad's term will expire at the Annual Meeting and she is not standing for re-election.

(a) Based on information furnished by the respective individuals. Except as noted, each individual has sole voting and investment power. The amount owned by each individual and by all directors and executive officers as a group does not exceed one percent of the outstanding securities of any class of security so owned.

(b) Includes, for the Named Executive Officers, shares of Entergy Corporation common stock in the form of unexercised stock options awarded pursuant to the Equity Ownership Plan as follows: Louis E. Buck, Jr., 2,500 shares; Michael B. Bemis, 20,000 shares; Frank F. Gallaher, 17,500 shares; Donald C. Hintz, 27,500 shares; Jerry D. Jackson, 24,411 shares; Edwin Lupberger, 58,824 shares; Jerry L. Maulden, 30,000 shares; Gerald D. McInvale, 20,000 shares; William J. Regan, Jr., 2,500 shares; and Michael G. Thompson, 17,500 shares.

(c) Includes, for the Named Executive Officers, shares of Entergy Corporation common stock held by their spouses. The named persons disclaim beneficial ownership in these shares as follows:

Edwin Lupberger, 2,500 shares; and Robert D. Pugh, 6,500 shares. In addition, Edwin Lupberger owns 2,000 shares in joint tenancy with his mother for which he disclaims beneficial ownership.

(d) Gerald D. McInvale is a former officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, and Entergy London.

Item 13. Certain Relationships and Related Transactions

During 1997, T. Baker Smith & Son, Inc. performed land surveying services for, and received payments of approximately \$81,000 from, Entergy Louisiana, Inc. Mr. Wm. Clifford Smith, a director of Entergy Corporation, is President of T. Baker Smith & Son, Inc. Mr. Smith's children own 100% of the voting stock of T. Baker Smith & Son, Inc.

See Item 10, "Directors and Executive Officers of the Registrants," for information on certain relationships and transactions required to be reported under this item.

Other than as provided under applicable corporate laws, Entergy does not have policies whereby transactions involving executive officers and directors are approved by a majority of disinterested directors. However, pursuant to the Entergy Corporation Code of Conduct, transactions involving an Entergy company and its executive officers must have prior approval by the next higher reporting level of that individual, and transactions involving an Entergy company and its directors must be reported to the secretary of the appropriate Entergy company.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)1. Financial Statements and Independent Auditors' Reports for Entergy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy London, and London Electricity are listed in the Index to Financial Statements (see pages 44 and 45)

(a)2. Financial Statement Schedules

Reports of Independent Accountants on Financial Statement Schedules (see page 249)

Financial Statement Schedules are listed in the Index to Financial Statement Schedules (see page S-1)

(a)3. Exhibits

Exhibits for Entergy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy and Entergy London are listed in the Exhibit Index (see page E-1). Each management contract or compensatory plan or arrangement required to be filed as an exhibit hereto is identified as such by footnote in the Exhibit Index.

(b) Reports on Form 8-K

Entergy Corporation

A current report on Form 8-K, dated September 23, 1997, was filed with the SEC on October 1, 1997, reporting information under Item 5. "Other Events".

Entergy Corporation, Entergy Arkansas, and Entergy Gulf States A current report on Form 8-K, dated October 9, 1997, was filed with the SEC on October 10, 1997, reporting information under Item 5. "Other Events".

Entergy Corporation

A current report on Form 8-K, dated November 19, 1997, was filed with the SEC on November 24, 1997, reporting information under Item 5. "Other Information".

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, and System Energy

A current report on Form 8-K, dated December 12, 1997, was filed with the SEC on December 29, 1997, reporting information under Item 5. "Other Information".

ENTERGY CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY CORPORATION

By /s/ Louis E. Buck
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature Title Date

/s/ Louis E. Buck
Louis E. Buck Vice President, Chief Accounting Officer and Assistant Secretary
1998 (Principal Accounting Officer) March 9,

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); W. Frank Blount, John A. Cooper, Jr., Lucie J. Fjeldstad, N. C. Francis, Robert v.d. Luft, Kinnaird R. McKee, Paul W. Murrill, James R. Nichols, Eugene H. Owen, John N. Palmer, Sr., Robert D. Pugh, Wm. Clifford Smith, and Bismark A. Steinhagen (Directors).

By: /s/ Louis E. Buck March 9,
1998
(Louis E. Buck, Attorney-in-fact)

ENTERGY ARKANSAS, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY ARKANSAS, INC.

*By /s/ Louis E. Buck
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary*

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature Title Date

*/s/ Louis E. Buck
Louis E. Buck Vice President, Chief Accounting March 9,
1998 Officer and Assistant Secretary
(Principal Accounting Officer)*

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, R. Drake Keith, and Jerry L. Maulden (Directors).

*By: /s/ Louis E. Buck March 9,
1998
(Louis E. Buck, Attorney-in-fact)*

ENERGY GULF STATES, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENERGY GULF STATES, INC.

*By /s/ Louis E. Buck
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary*

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature Title Date

*/s/ Louis E. Buck
Louis E. Buck Vice President, Chief Accounting March 9,
1998 Officer and Assistant Secretary
(Principal Accounting Officer)*

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); John J. Cordaro, Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, Karen R. Johnson, and Jerry L. Maulden (Directors).

*By: /s/ Louis E. Buck March 9,
1998
(Louis E. Buck, Attorney-in-fact)*

ENTERGY LOUISIANA, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY LOUISIANA, INC.

By */s/ Louis E. Buck*
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature Title Date

/s/ Louis E. Buck
Louis E. Buck *Vice President, Chief Accounting* *March 9,*
1998
Officer and Assistant Secretary
(Principal Accounting Officer)

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); John J. Cordaro, Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, and Jerry L. Maulden (Directors).

By: */s/ Louis E. Buck* *March 9,*
1998
(Louis E. Buck, Attorney-in-fact)

ENTERGY MISSISSIPPI, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY MISSISSIPPI, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature Title Date

/s/ Louis E. Buck
Louis E. Buck Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer) March 9, 1998

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, Jerry L. Maulden, and Donald E. Meiners (Directors).

By: /s/ Louis E. Buck March 9, 1998
(Louis E. Buck, Attorney-in-fact)

ENTERGY NEW ORLEANS, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY NEW ORLEANS, INC.

By */s/ Louis E. Buck*
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature Title Date

/s/ Louis E. Buck
Louis E. Buck *Vice President, Chief Accounting* *March 9,*
1998
Officer and Assistant Secretary
(Principal Accounting Officer)

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Jerry D. Jackson, Jerry L. Maulden, and Daniel F. Packer (Directors).

By: */s/ Louis E. Buck* *March 9,*
1998
(Louis E. Buck, Attorney-in-fact)

SYSTEM ENERGY RESOURCES, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SYSTEM ENERGY RESOURCES, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice
President,
Chief Accounting Officer and
Assistant Secretary

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<i>Signature</i>	<i>Title</i>	<i>Date</i>
<i>/s/ Louis E. Buck Louis E. Buck 1998</i>	<i>Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)</i>	<i>March 9,</i>

Donald C. Hintz (President, Chief Executive Officer and Director; Principal Executive Officer); Edwin Lupberger (Chairman of the Board), and Jerry L. Maulden (Directors).

By: /s/ Louis E. Buck
1998
(Louis E. Buck, Attorney-in-fact) March 9,

ENTERGY LONDON INVESTMENTS PLC

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY LONDON INVESTMENTS PLC

By */s/ Louis E. Buck*
Louis E. Buck, Audit
Controller

Date: March 9, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<i>Signature</i>	<i>Title</i>	<i>Date</i>
<i>/s/ Louis E. Buck</i> <i>Louis E. Buck</i> <i>1998</i>	<i>Audit Controller</i> <i>(Principal Accounting Officer)</i>	<i>March 9,</i>

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Michael B. Bemis (Director).

By: */s/ Louis E. Buck* *March 9,*
1998
(Louis E. Buck, Attorney-in-fact)

EXHIBIT 23(a)
CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in Post-Effective Amendment Nos. 2, 3, 4A, and 5A on Form S-8 and the related Prospectuses to the registration statement of Entergy Corporation on Form S-4 (File Number 33-54298) and on Form S-3 (File Numbers 333-02503 and 333-22007) of our reports dated March 4, 1998, on our audits of the consolidated financial statements and financial statement schedules of Entergy Corporation as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which reports include an explanatory paragraph related to changes in accounting methods for the impairment of long-lived assets and for long-lived assets to be disposed of and incremental nuclear plant outage maintenance costs by one of the Corporation's subsidiaries and are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Arkansas, Inc. (formerly Arkansas Power & Light Company) on Form S-3 (File Numbers 33-50289, 333-00103 and 333-05045) of our reports dated March 4, 1998, on our audits of the financial statements and financial statement schedule of Entergy Arkansas, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Gulf States, Inc. (formerly Gulf States Utilities Company) on Form S-3 (File Numbers 33- 49739 and 33-51181), Form S-8 (File Numbers 2-76551 and 2-98011) and on Form S-2 (File Number 333-17911), of our reports dated March 4, 1998, on our audits of the financial statements and financial statement schedule of Entergy Gulf States, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which reports include an explanatory paragraph related to a change in accounting for the impairment of long-lived assets and long-lived assets to be disposed of and are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Louisiana, Inc. (formerly Louisiana Power & Light Company) on Form S-3 (File Numbers 33- 46085, 33-39221, 33-50937, 333-00105, 333-01329 and 333-03567) of our reports dated March 4, 1998, on our audits of the financial statements and financial statement schedule of Entergy Louisiana, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Mississippi, Inc. (formerly Mississippi Power & Light Company) on Form S-3 (File Numbers 33-53004, 33-55826 and 33-50507) of our reports dated March 4, 1998, on our audits of the financial statements and financial statement schedule of Entergy Mississippi, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy New Orleans, Inc. (formerly New Orleans Public Service Inc.) on Form S-3 (File Numbers 33- 57926 and 333-00255) of our reports dated March 4, 1998, on our audits of the financial statements and financial statement schedule of Entergy New Orleans, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of System Energy Resources, Inc. on Form S-3 (File Numbers 33-47662, 33-61189 and 333-06717) of our report dated March 4, 1998, on our audits of the financial statements of System Energy Resources, Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which report includes an explanatory paragraph related to the Company's 1996 change in its method of accounting for incremental nuclear plant outage maintenance costs and is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 9, 1998

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors and Shareholders of Entergy Corporation

We have audited the consolidated financial statements of Entergy Corporation and Subsidiaries and the financial statements of Entergy Arkansas, Inc. (formerly Arkansas Power & Light Company), Entergy Gulf States, Inc. (formerly Gulf States Utilities Company), Entergy Louisiana, Inc. (formerly Louisiana Power & Light Company), Entergy Mississippi, Inc. (formerly Mississippi Power & Light Company) and Entergy New Orleans, Inc. (formerly New Orleans Public Service Inc.) as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, and the consolidated financial statements of Entergy London Investments plc and Subsidiary as of December 31, 1997 and for the year then ended, and have issued our reports thereon dated March 4, 1998, and have audited the consolidated financial statements of London Electricity plc as of March 31, 1996 and for the period from April 1, 1996 to January 31, 1997 and the year ended March 31, 1996, and have issued our report thereon dated July 31, 1997, which reports are included elsewhere in this Form 10-K, which reports as to Entergy Corporation and Entergy Gulf States, Inc. include an explanatory paragraph related to a change in accounting for the impairment of long-lived assets and long-lived assets to be disposed of, and which reports as to Entergy Corporation and System Energy Resources, Inc. include an explanatory paragraph related to changes in accounting for incremental nuclear plant outage maintenance expenses. In connection with our audits of such financial statements, we have also audited the related financial statement schedules included in Item 14(a)2 of this Form 10-K.

In our opinion the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 4, 1998

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedule		Page
I	Financial Statements of Entergy Corporation:	
	Statements of Income - For the Years Ended December 31, 1997, 1996, and 1995	S-2
	Statements of Cash Flows - For the Years Ended December 31, 1997, 1996, and 1995	S-3
	Balance Sheets, December 31, 1997 and 1996	S-4
	Statements of Retained Earnings and Paid-In Capital - For the Years Ended December 31, 1997, 1996, and 1995	S-5
II	Valuation and Qualifying Accounts	
	1997, 1996 and 1995:	
	Entergy Corporation and Subsidiaries	S-6
	Entergy Arkansas, Inc.	S-7
	Entergy Gulf States, Inc.	S-8
	Entergy Louisiana, Inc.	S-9
	Entergy Mississippi, Inc.	
S-10		
	Entergy New Orleans, Inc..	
S-11		
	Entergy London Investments plc	
S-12		
	London Electricity plc	
S-13		

Schedules other than those listed above are omitted because they are not required, not applicable or the required information is shown in the financial statements or notes thereto.

Columns have been omitted from schedules filed because the information is not applicable.

ENTERGY CORPORATION
SCHEDULE I-FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Income:			
Equity in income of subsidiaries	\$325,419	\$459,350	\$549,144
Interest on temporary investments	5,086	4,840	20,641
	-----	-----	-----
Total	330,505	464,190	569,785
	-----	-----	-----
Expenses and Other Deductions:			
Administrative and general expenses	62,250	34,402	53,872
Income taxes (credit)	3,438	(1,558)	
(5,383)			
Taxes other than income	1,226	828	1,102
Interest	15,908	10,491	214
	-----	-----	-----
Total	82,822	44,163	49,805
	-----	-----	-----
Net Income	\$247,683	\$420,027	\$519,980
	=====	=====	=====

See Entergy Corporation and Subsidiaries Notes to Financial Statements in Part II, Item 8.

ENTERGY CORPORATION

SCHEDULE I - FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
Operating Activities:			
Net income	\$247,683	\$420,027	\$519,980
Noncash items included in net income:			
Equity in earnings of subsidiaries	(325,419)	(459,350)	(549,144)
Deferred income taxes	898	8,499	(2,024)
Depreciation	1,442	1,628	1,421
Changes in working capital:			
Receivables	(8,683)	3,232	2,161
Payables	(3,690)	9,919	(3,776)
Other working capital accounts	(400)	(1,170)	(1,701)
Common stock dividends received from subsidiaries	550,200	554,200	565,589
Other	43,479	(3,524)	8,652
	-----	-----	-----
Net cash flow provided by operating activities	505,510	533,461	541,158
	-----	-----	-----
Investing Activities:			
Investment in subsidiaries	(633,449)	(266,681)	(477,709)
Capital expenditures	(23,079)	-	-
Advance to subsidiary	-	-	221,540
	-----	-----	-----
Net cash flow used in investing activities	(656,528)	(266,681)	(256,169)
	-----	-----	-----
Financing Activities:			
Changes in short-term borrowings	166,000	20,000	-
Common stock dividends paid	(438,183)	(405,346)	(408,553)
Issuance of common stock	305,379	118,087	-
	-----	-----	-----
Net cash flow provided by (used in) financing activities	33,196	(267,259)	(408,553)
	-----	-----	-----
Net decrease in cash and cash equivalents	(117,822)	(479)	(123,564)
Cash and cash equivalents at beginning of period	128,665	129,144	252,708
	-----	-----	-----
Cash and cash equivalents at end of period	\$10,843	\$128,665	\$129,144
	=====	=====	=====

See Entergy Corporation and Subsidiaries Notes to Financial Statements in Part II, Item 8.

ENTERGY CORPORATION

SCHEDULE I - FINANCIAL STATEMENTS OF ENTERGY CORPORATION
BALANCE SHEETS

	December 31,	
	1997	1996
	(In Thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Cash	\$ -	\$23
Temporary cash investments - at cost, which approximates market:		
Associated companies	2,947	57,986
Other	7,896	70,656
	-----	-----
Total cash and cash equivalents	10,843	128,665
Accounts receivable:		
Associated companies	14,700	5,940
Interest receivable	301	378
Other	20,345	20,389
	-----	-----
Total	46,189	155,372
	-----	-----
Investment in Wholly-owned Subsidiaries	6,832,590	6,531,729
	-----	-----
Deferred Debits and Other Assets	89,315	74,891
	-----	-----
Total	\$6,968,094	\$6,761,992
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$186,000	\$20,000
Accounts payable:		
Associated companies	4,331	11,613
Other	1,884	22
Interest accrued	1,918	188
Other current liabilities	8,827	15,638
	-----	-----
Total	202,960	47,461
	-----	-----
Deferred Credits and Noncurrent Liabilities	71,618	73,616
	-----	-----
Shareholders' Equity:		
Common stock, \$.01 par value, authorized 500,000,000 shares; issued 246,149,198 shares in 1997 and 234,456,457 shares in 1996	2,461	2,345
Paid-in capital	4,613,572	4,320,591
Retained earnings	2,157,912	2,341,703
Cumulative foreign currency translation adjustment	(69,817)	21,725
Less cost of treasury stock (306,852 shares in 1997 and 1,496,118 shares in 1996)	10,612	45,449
	-----	-----
Total common shareholders' equity	6,693,516	6,640,915
	-----	-----
Total	\$6,968,094	\$6,761,992
	=====	=====

See Entergy Corporation and Subsidiaries Notes to Financial Statements
in Part II, Item 8.

ENTERGY CORPORATION

SCHEDULE I - FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF RETAINED EARNINGS AND PAID-IN CAPITAL

	For the Years Ended		
	December 31,		
	1997	1996	1995
	(In Thousands)		
Retained Earnings, January 1	\$2,341,703	\$2,335,579	\$2,223,739
Add:			
Net income	247,683	420,027	519,980
Deduct:			
Dividends declared on common stock	432,268	412,250	409,801
Capital stock and other expenses	(794)	1,653	(1,661)
Total	431,474	413,903	408,140
Retained Earnings, December 31	\$2,157,912	\$2,341,703	\$2,335,579
Paid-in Capital, January 1	\$4,320,591	\$4,201,483	\$4,202,134
Add:			
Gain (loss) on reacquisition of subsidiaries' preferred stock	273	1,795	(26)
Common stock issuances related to stock plans	292,870	117,560	(3,002)
Total	293,143	119,355	(3,028)
Deduct:			
Capital stock discounts and other expenses	162	247	(2,377)
Paid-in Capital, December 31	\$4,613,572	\$4,320,591	\$4,201,483

See Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8.

ENTERGY CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1997, 1996, and 1995

(In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1997				
Accumulated Provisions Deducted from Assets--				
Doubtful Accounts	\$7,822	\$12,926	\$14,359	
\$6,389				
=====				
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$35,026	\$24,128	\$35,732	
\$23,422				
Injuries and damages (Note 2)	26,145	20,294	19,955	
26,484				
Environmental	37,719	5,993	7,344	
36,368				

Total	\$98,890	\$50,415	\$63,031	
\$86,274				
=====				
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets--				
Doubtful Accounts	\$7,109	\$18,403	\$17,690	
\$7,822				
Other	12,337	-	12,337	
-				

Total	\$19,446	\$18,403	\$30,027	
\$7,822				
=====				
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$36,733	\$26,136	\$27,843	
\$35,026				
Injuries and damages (Note 2)	19,981	23,373	17,209	
26,145				
Environmental	40,262	2,599	5,142	
37,719				

Total	\$96,976	\$52,108	\$50,194	
\$98,890				
=====				
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets--				
Doubtful Accounts	\$6,740	\$14,586	\$14,217	
\$7,109				
Other	-	12,337	-	
12,337				

ENTERGY ARKANSAS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 Years Ended December 31, 1997, 1996, and 1995
 (In Thousands)

Period	Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Income	Column D Other Changes Deductions from Provisions (Note 1)	Column E Balance at End of
Year ended December 31, 1997	Accumulated Provisions				
	Deducted from Assets-- Doubtful Accounts	\$2,326	\$3,140	\$3,667	\$1,799
	Accumulated Provisions Not Deducted from Assets:				
	Property insurance	\$14	\$11,613	\$10,769	\$858
	Injuries and damages (Note 2)	2,810	3,538	1,550	4,798
	Environmental	5,163	1,320	1,730	4,753
	Total	\$7,987	\$16,471	\$14,049	\$10,409
Year ended December 31, 1996	Accumulated Provisions				
	Deducted from Assets-- Doubtful Accounts	\$2,058	\$5,341	\$5,073	\$2,326
	Accumulated Provisions Not Deducted from Assets:				
	Property insurance	\$900	\$8,808	\$9,694	\$14
	Injuries and damages (Note 2)	1,810	2,980	1,980	2,810
	Environmental	6,514	1,320	2,671	5,163
	Total	\$9,224	\$13,108	\$14,345	\$7,987
Year ended December 31, 1995	Accumulated Provisions				
	Deducted from Assets-- Doubtful Accounts	\$1,950	\$3,997	\$3,889	\$2,058
	Accumulated Provisions Not Deducted from Assets:				
	Property insurance	\$1,916	\$4,810	\$5,826	\$900
	Injuries and damages (Note 2)	2,660	710	1,560	1,810
	Environmental	5,350	4,435	3,271	6,514
	Total	\$9,926	\$9,955	\$10,657	\$9,224

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY GULF STATES, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 Years Ended December 31, 1997, 1996, and 1995
 (In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at	Charged to	Other	Balance
Year ended December 31, 1997	Beginning	Income	Changes	at End
	of Period		from	of Period
			Deductions	
			Provisions	
			(Note 1)	
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,997 =====	\$3,695 =====	\$3,901 =====	\$1,791 =====
Accumulated Provisions Not Deducted from Assets-- Property insurance	\$17,003	\$5,584	\$18,270	\$4,317
Injuries and damages (Note 2)	9,594	5,479	9,734	5,339
Environmental	21,829	3,746	1,786	23,789
Total	\$48,426 =====	\$14,809 =====	\$29,790 =====	\$33,445 =====
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,608 =====	\$4,709 =====	\$4,320 =====	\$1,997 =====
Accumulated Provisions Not Deducted from Assets-- Property insurance	\$14,141	\$5,899	\$3,037	\$17,003
Injuries and damages (Note 2)	5,199	7,955	3,560	9,594
Environmental	21,864	365	400	21,829
Total	\$41,204 =====	\$14,219 =====	\$6,997 =====	\$48,426 =====
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$715 =====	\$3,715 =====	\$2,822 =====	\$1,608 =====
Accumulated Provisions Not Deducted from Assets-- Property insurance	\$10,451	\$6,396	\$2,706	\$14,141
Injuries and damages (Note 2)	6,922	6,243	7,966	5,199
Environmental	20,314	2,483	933	21,864
Total	\$37,687 =====	\$15,122 =====	\$11,605 =====	\$41,204 =====

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY LOUISIANA, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 Years Ended December 31, 1997, 1996, and 1995
 (In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1997				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,429 =====	\$2,542 =====	\$2,814 =====	\$1,157 =====
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$261	\$5,411	\$5,091	\$581
Injuries and damages (Note 2)	9,443	5,080	4,579	9,944
Environmental	9,979	495	2,875	7,599
Total	\$19,683 =====	\$10,986 =====	\$12,545 =====	\$18,124 =====
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,390 =====	\$3,241 =====	\$3,202 =====	\$1,429 =====
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$1,013	\$4,583	\$5,335	\$261
Injuries and damages (Note 2)	8,414	10,646	9,617	9,443
Environmental	11,379	495	1,895	9,979
Total	\$20,806 =====	\$15,724 =====	\$16,847 =====	\$19,683 =====
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,175 =====	\$2,450 =====	\$2,235 =====	\$1,390 =====
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$814	\$3,537	\$3,338	\$1,013
Injuries and damages (Note 2)	7,350	4,486	3,422	8,414
Environmental	16,394	(89)	4,926	11,379
Total	\$24,558 =====	\$7,934 =====	\$11,686 =====	\$20,806 =====

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY MISSISSIPPI, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 Years Ended December 31, 1997, 1996, and 1995
 (In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1997				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,374	\$1,950	\$2,393	\$931
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$2,082	\$1,520	\$1,423	\$2,179
Injuries and damages (Note 2)	2,905	4,055	2,298	4,662
Environmental	693	330	796	227
Total	\$5,680	\$5,905	\$4,517	\$7,068
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$1,585	\$2,996	\$3,207	\$1,374
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$5,013	\$6,846	\$9,777	\$2,082
Injuries and damages (Note 2)	2,565	928	588	2,905
Environmental	467	330	104	693
Total	\$8,045	\$8,104	\$10,469	\$5,680
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$2,070	\$1,691	\$2,176	\$1,585
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$3,779	\$1,520	\$286	\$5,013
Injuries and damages (Note 2)	3,725	(1,154)	6	2,565
Environmental	684	735	952	467
Total	\$8,188	\$1,101	\$1,244	\$8,045

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY NEW ORLEANS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 Years Ended December 31, 1997, 1996, and 1995
 (In Thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1997				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$696 =====	\$1,599 =====	\$1,584 =====	\$711 =====
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$15,666	-	\$179	\$15,487
Injuries and damages (Note 2)	1,393	\$2,142	1,794	1,741
Environmental	55	102	157	-
	-----	-----	-----	-----
Total	\$17,114 =====	\$2,244 =====	\$2,130 =====	\$17,228 =====
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$468 =====	\$2,116 =====	\$1,888 =====	\$696 =====
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$15,666	-	-	\$15,666
Injuries and damages (Note 2)	1,993	\$864	\$1,464	1,393
Environmental	38	89	72	55
	-----	-----	-----	-----
Total	\$17,697 =====	\$953 =====	\$1,536 =====	\$17,114 =====
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	\$830 =====	\$2,733 =====	\$3,095 =====	\$468 =====
Accumulated Provisions Not Deducted from Assets:				
Property insurance	\$15,911	-	\$245	\$15,666
Injuries and damages (Note 2)	1,409	\$1,382	798	1,993
Environmental	(3)	75	34	38
	-----	-----	-----	-----
Total	\$17,317 =====	\$1,457 =====	\$1,077 =====	\$17,697 =====

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY LONDON INVESTMENTS PLC AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Twelve Months Ended December 31, 1997
(In Thousands)

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Income	Column D Other Changes Deductions from Provisions (Note 1)	Column E Balance at End of Period
Year ended December 31, 1997				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	\$17,465 =====	\$5,300 =====	\$ 865 =====	\$21,900 =====
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	\$18,747 =====	\$3,300 =====	\$ 7,247 =====	\$14,800 =====

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

LONDON ELECTRICITY PLC

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 For the Period from April 1, 1996 to January 31, 1997 and
 for the Year Ended March 31, 1996
 (In Thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Charged to Income	Other Changes	Deductions from Provisions (Note 1)	Balance at End of Period
Period ended January 31, 1997					
Accumulated Provisions					
Deducted from Assets--					
Doubtful Accounts	\$13,285	\$10,124	\$700	\$6,644	\$17,465
	=====	=====	=====	=====	=====
Accumulated Provisions Not					
Deducted from Assets:					
Insurance (2)	\$24,432	\$2,373	\$1,116	\$9,174	\$18,747
	=====	=====	=====	=====	=====
Period ended March 31, 1996					
Accumulated Provisions					
Deducted from Assets--					
Doubtful Accounts	\$13,783	\$1,096	\$(811)	\$783	\$13,285
	=====	=====	=====	=====	=====
Accumulated Provisions Not					
Deducted from Assets:					
Insurance (2)	\$26,430	\$470	\$(1,528)	\$940	\$24,432
	=====	=====	=====	=====	=====

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Represents the deductible portion of casualty losses to be incurred before third party reimbursement begins for injuries and damages.

EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have heretofore been filed with the SEC, respectively, as the exhibits and in the file numbers indicated and are incorporated herein by reference. The exhibits marked with a (+) are management contracts or compensatory plans or arrangements required to be filed herewith and required to be identified as such by Item 14 of Form 10-K. Reference is made to a duplicate list of exhibits being filed as a part of this Form 10-K, which list, prepared in accordance with Item 102 of Regulation S-T of the SEC, immediately precedes the exhibits being physically filed with this Form 10-K.

(3) (i) Articles of Incorporation

Entergy Corporation

- (a) 1 -- Certificate of Incorporation of Entergy Corporation dated December 31, 1993, (A-1(a) to Rule 24 Certificate in 70-8059).

System Energy

- (b) 1 -- Amended and Restated Articles of Incorporation of System Energy and amendments thereto through April 28, 1989 (A-1(a) to Form U-1 in 70-5399).

Entergy Arkansas

- (c) 1 -- Amended and Restated Articles of Incorporation of Entergy Arkansas and amendments thereto through April 22, 1996 (3(a) to Form 10-Q for the quarter ended March 31, 1996 in 1-10764).

Entergy Gulf States

- (d) 1 -- Restated Articles of Incorporation of Entergy Gulf States and amendments thereto through April 22, 1996 (3(b) to Form 10-Q for the quarter ended March 31, 1996 in 1-2703).

Entergy Louisiana

- (e) 1 -- Restated Articles of Incorporation of Entergy Louisiana and amendments thereto through April 22, 1996 (3(c) to Form 10-Q for the quarter ended March 31, 1996 in 1-8474).

Entergy Mississippi

- * (f) 1 -- Restated Articles of Incorporation of Entergy Mississippi and amendments thereto through November 17, 1997

Entergy New Orleans

- (g) 1 -- Restatement of Articles of Incorporation of Entergy New Orleans and amendments thereto through April 22, 1996 (3(e) to Form 10-Q for the quarter ended March 31, 1996 in 0-5807).

Entergy London

- (h) 1 -- Memorandum and Articles of Association of the Company and amendments thereto through September 1, 1997 (4.01 in 333-33331 dated October 1, 1997).

(3) (ii) By-Laws

- (a) -- By-Laws of Entergy Corporation effective August 25, 1992, and as presently in effect (A-2(a) to Rule 24 Certificate in 70-8059).
(b) -- By-Laws of System Energy effective May 4, 1989, and as presently in effect (A-2(a) in 70-5399).

(c) -- By-Laws of Entergy Arkansas as amended effective May 5, 1994, and as presently in effect (3(d) to Form 10- Q for the quarter ended June 30, 1994).

(d) -- By-Laws of Entergy Gulf States as amended effective May 5, 1994, and as presently in effect (A-12 in 70-8059).

(e) -- By-Laws of Entergy Louisiana effective January 23, 1984, and as presently in effect (A-4 in 70-6962).

(f) -- By-Laws of Entergy Mississippi as amended effective April 5, 1995, and as presently in effect (3(ii)(f) to Form 10-K for the year ended December 31, 1995 in 0-320).

(g) -- By-Laws of Entergy New Orleans effective May 5, 1994, and as presently in effect (3(g) to Form 10-Q for the quarter ended June 30, 1994 in 0-5807).

(4) Instruments Defining Rights of Security Holders, Including Indentures

Entergy Corporation

(a) 1 -- See (4)(b) through (4)(g) below for instruments defining the rights of holders of long-term debt of System Energy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans.

(a) 2 -- Share Sale Agreement (Revised) of December 12, 1995, relating to acquisition of CitiPower Limited, among State Electricity Commission of Victoria, the State of Victoria, Entergy Victoria LDC, Entergy Victoria Holding LDC and Entergy Corporation (filed as Exhibit C-1(o) to Form U5S for the year ended December 31, 1995 pursuant to Rule 104).

(a) 3 -- Multi-Option Syndicated Facility Agreement, dated as of January 5, 1996, among CitiPower Limited as Borrower, Commonwealth Bank of Australia as Facility Agent, Bank of America N.T. & S.A. as Arranger, and Commonwealth Bank of Australia as Security Trustee (filed as Exhibit C-1(p) to Form U5S for the year ended December 31, 1995).

(a) 4 -- Undertaking Agreement, dated as of March 7, 1996, of Entergy Corporation to Commonwealth Bank of Australia as Facility-Agent, of CitiPower Limited's obligations up to maximum of \$7,367,000 under the Multi-Option Syndicated Facility Agreement (filed as Exhibit C-1(q) to Form U5S for the year ended December 31, 1995).

(a) 5 -- Credit Agreement, dated as of September 13, 1996, among Entergy Corporation, Entergy Technology Holding Company, the Banks (The Bank of New York, Bank of America NT & SA, The Bank of Nova Scotia, Banque Nationale de Paris (Houston Agency), The First National Bank of Chicago, The Fuji Bank Ltd., Societe Generale Southwest Agency, and CIBC Inc.) and The Bank of New York, as Agent (the "Entergy-ETHC Credit Agreement") (filed as Exhibit 4(a)12 to Form 10-K for the year ended December 31, 1996 in 1-11299).

(a) 6 -- Amendment No. 1, dated as of October 22, 1996 to Credit Agreement Entergy-ETHC Credit Agreement (filed as Exhibit 4(a)13 to Form 10-K for the year ended December 31, 1996 in 1-11299).

(a) 7 -- Guaranty and Acknowledgment Agreement, dated as of October 3, 1996, by Entergy Corporation to The Bank of New York of certain promissory notes issued by ETHC in connection with acquisition of 280 Equity Holdings, Ltd (filed as Exhibit 4(a)14 to Form 10-K for the year ended December 31, 1996 in 1-11299).

(a) 8 -- Amendment, dated as of November 21, 1996, to Guaranty and Acknowledgment Agreement by Entergy Corporation to The Bank of New York of certain promissory notes issued by ETHC in connection with acquisition of 280 Equity Holdings, Ltd (filed as Exhibit 4(a)15 to Form 10-K for the year ended December 31, 1996 in 1-11299).

(a) 9 -- Guaranty and Acknowledgment Agreement, dated as of November 21, 1996, by Entergy Corporation to The Bank of New York of certain promissory notes issued by ETHC in connection with acquisition of Sentry (filed as Exhibit 4(a)16 to Form 10-K for the year ended December 31, 1996 in 1-11299).

(a) 10-- Amended and Restated Credit Agreement, dated as of December 12, 1996, among Entergy, the Banks (Bank of America National Trust & Savings Association, The Bank of New York, The Chase Manhattan Bank, Citibank, N.A., Union Bank of Switzerland, ABN Amro Bank N.V., The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Mellon Bank, N.A., First National Bank of Commerce and Whitney National Bank) and Citibank, N.A., as Agent (filed as Exhibit 4(a)17 to Form 10-K for the year ended December 31, 1996 in 1-11299).

System Energy

(b) 1 -- Mortgage and Deed of Trust, dated as of June 15, 1977, as amended by twenty-one Supplemental Indentures (A-1 in 70-5890

(Mortgage); B and C to Rule 24 Certificate in 70-5890 (First); B to Rule 24 Certificate in 70-6259 (Second); 20(a)-5 to Form 10-Q for the quarter ended June 30, 1981, in 1-3517 (Third); A-1(e)-1 to Rule 24 Certificate in 70-6985 (Fourth); B to Rule 24 Certificate in 70-7021 (Fifth); B to Rule 24 Certificate in 70-7021 (Sixth); A-3(b) to Rule 24 Certificate in 70-7026 (Seventh); A-3(b) to Rule 24 Certificate in 70-7158 (Eighth); B to Rule 24 Certificate in 70-7123 (Ninth); B-1 to Rule 24 Certificate in 70-7272 (Tenth); B-2 to Rule 24 Certificate in 70-7272 (Eleventh); B-3 to Rule 24 Certificate in 70-7272 (Twelfth); B-1 to Rule 24 Certificate in 70-7382 (Thirteenth); B-2 to Rule 24 Certificate in 70-7382 (Fourteenth); A-2(c) to Rule 24 Certificate in 70-7946 (Fifteenth); A-2(c) to Rule 24 Certificate in 70-7946 (Sixteenth); A-2(d) to Rule 24 Certificate in 70-7946 (Seventeenth); A-2(e) to Rule 24 Certificate dated May 4, 1993 in 70-7946 (Eighteenth); A-2(g) to Rule 24 Certificate dated May 6, 1994, in 70-7946 (Nineteenth); A-2(a)(1) to Rule 24 Certificate dated August 8, 1996 in File No. 70-8511 (Twentieth); and A-2(a)(2) to Rule 24 Certificate dated August 8, 1996 in File No. 70-8511 (Twenty-first)).

(b) 2 -- Facility Lease No. 1, dated as of December 1, 1988, between Meridian Trust Company and Stephen M. Carta (Steven Kaba, successor), as Owner Trustees, and System Energy (B-2(c)(1) to Rule 24 Certificate dated January 9, 1989 in 70-7561), as supplemented by Lease Supplement No. 1 dated as of April 1, 1989 (B-22(b) (1) to Rule 24 Certificate dated April 21, 1989 in 70-7561) and Lease Supplement No. 2 dated as of January 1, 1994 (B-3(d) to Rule 24 Certificate dated January 31, 1994 in 70-8215).

(b) 3 -- Facility Lease No. 2, dated as of December 1, 1988 between Meridian Trust Company and Stephen M. Carta (Steven Kaba, successor), as Owner Trustees, and System Energy (B-2(c)(2) to Rule 24 Certificate dated January 9, 1989 in 70-7561), as supplemented by Lease Supplement No. 1 dated as of April 1, 1989 (B-22(b) (2) to Rule 24 Certificate dated April 21, 1989 in 70-7561) and Lease Supplement No. 2 dated as of January 1, 1994 (B-4(d) Rule 24 Certificate dated January 31, 1994 in 70-8215).

(b) 4 -- Indenture (for Unsecured Debt Securities), dated as of September 1, 1995, between System Energy Resources, Inc., and Chemical Bank (B-10(a) to Rule 24 Certificate in 70-8511).

Entergy Arkansas

(c) 1 -- Mortgage and Deed of Trust, dated as of October 1, 1944, as amended by fifty-fourth Supplemental Indentures (7(d) in 2-5463 (Mortgage); 7(b) in 2-7121 (First); 7(c) in 2-7605 (Second); 7(d) in 2-8100 (Third); 7(a)-4 in 2-8482 (Fourth); 7(a)-5 in 2-9149 (Fifth); 4(a)-6 in 2-9789 (Sixth); 4(a)-7 in 2-10261 (Seventh); 4(a)-8 in 2-11043 (Eighth); 2(b)-9 in 2-11468 (Ninth); 2(b)-10 in 2-15767 (Tenth); D in 70-3952 (Eleventh); D in 70-4099 (Twelfth); 4(d) in 2-23185 (Thirteenth); 2(c) in 2-24414 (Fourteenth); 2(c) in 2-25913 (Fifteenth); 2(c) in 2-28869 (Sixteenth); 2(d) in 2-28869 (Seventeenth); 2(c) in 2-35107 (Eighteenth); 2(d) in 2-36646 (Nineteenth); 2(c) in 2-39253 (Twentieth); 2(c) in 2-41080 (Twenty-first); C-1 to Rule 24 Certificate in 70-5151 (Twenty-second); C-1 to Rule 24 Certificate in 70-5257 (Twenty-third); C to Rule 24 Certificate in 70-5343 (Twenty-fourth); C-1 to Rule 24 Certificate in 70-5404 (Twenty-fifth); C to Rule 24 Certificate in 70-5502 (Twenty-sixth); C-1 to Rule 24 Certificate in 70-5556 (Twenty-seventh); C-1 to Rule 24 Certificate in 70-5693 (Twenty-eighth); C-1 to Rule 24 Certificate in 70-6078 (Twenty-ninth); C-1 to Rule 24 Certificate in 70-6174 (Thirtieth); C-1 to Rule 24 Certificate in 70-6246 (Thirty-first); C-1 to Rule 24 Certificate in 70-6498 (Thirty-second); A-4b-2 to Rule 24 Certificate in 70-6326 (Thirty-third); C-1 to Rule 24 Certificate in 70-6607 (Thirty-fourth); C-1 to Rule 24 Certificate in 70-6650 (Thirty-fifth); C-1 to Rule 24 Certificate, dated December 1, 1982, in 70-6774 (Thirty-sixth); C-1 to Rule 24 Certificate, dated February 17, 1983, in 70-6774 (Thirty-seventh); A-2(a) to Rule 24 Certificate, dated December 5, 1984, in 70-6858 (Thirty-eighth); A-3(a) to Rule 24 Certificate in 70-7127 (Thirty-ninth); A-7 to Rule 24 Certificate in 70-7068 (Fortieth); A-8(b) to Rule 24 Certificate dated July 6, 1989 in 70-7346 (Forty-first); A-8(c) to Rule 24 Certificate, dated February 1, 1990 in 70-7346 (Forty-second); 4 to Form 10-Q for the quarter ended September 30, 1990 in 1-10764 (Forty-third); A-2(a) to Rule 24 Certificate, dated November 30, 1990, in 70-7802 (Forty-fourth); A-2(b) to Rule 24 Certificate, dated January 24, 1991, in 70-7802 (Forty-fifth); 4(d)(2) in 33-54298 (Forty-sixth); 4(c)(2) to Form 10-K for the year ended December 31, 1992 in 1- 10764 (Forty-seventh); 4(b) to Form 10-Q for the quarter ended June 30, 1993 in 1-10764 (Forty-eighth); 4(c) to Form 10-Q for the quarter ended June 30, 1993 in 1-10764 (Forty-ninth); 4(b) to Form 10-Q for the quarter ended September 30, 1993 in 1-10764 (Fiftieth); 4(c) to Form 10- Q for the quarter ended September 30, 1993 in 1-10764 (Fifty-first); 4(a) to Form 10-Q for the quarter ended June 30, 1994 (Fifty-second); C-2 to Form U5S for the year ended December 31, 1995 (Fifty-third); and C-2(a) to Form U5S for the year ended December 31, 1996 (Fifty- fourth)).

(c) 2 -- Indenture for Unsecured Subordinated Debt Securities relating to Trust Securities between Entergy Arkansas and Bank of New York (as Trustee), dated as of August 1, 1996 (filed as Exhibit A-1(a) to Rule 24 Certificate dated August 26, 1996 in File No. 70-8723).

(c) 3 -- Amended and Restated Trust Agreement of Entergy Arkansas Capital I, dated as of August 14, 1996 (filed as Exhibit A-3(a) to Rule 24 Certificate dated August 26, 1996 in File No. 70-8723).

(c) 4 -- Guarantee Agreement between Entergy Arkansas (as Guarantor) and The Bank of New York (as Trustee), dated as of August 14, 1996, with respect to Entergy Arkansas Capital I's obligations on its 8 1/2% Cumulative Quarterly Income Preferred Securities, Series A (filed as Exhibit A-4(a) to Rule 24 Certificate dated August 26, 1996 in File No. 70-8723).

Entergy Gulf States

(d) 1 -- Indenture of Mortgage, dated September 1, 1926, as amended by certain Supplemental Indentures (B-a-I-1 in Registration No. 2-2449 (Mortgage); 7-A-9 in Registration No. 2-6893 (Seventh); B to Form 8-K dated September 1, 1959 (Eighteenth); B to Form 8-K dated February 1, 1966 (Twenty-second); B to Form 8-K dated March 1, 1967 (Twenty-third); C to Form 8-K dated March 1, 1968 (Twenty-fourth); B to Form 8-K dated November 1, 1968 (Twenty-fifth); B to Form 8-K dated April 1, 1969 (Twenty-sixth); 2-A-8 in Registration No. 2-66612 (Thirty-eighth); 4-2 to Form 10-K for the year ended December 31, 1984 in 1-2703 (Forty-eighth); 4-2 to Form 10-K for the year ended December 31, 1988 in 1-2703 (Fifty-second); 4 to Form 10-K for the year ended December 31, 1991 in 1-2703 (Fifty-third); 4 to Form 8-K dated July 29, 1992 in 1-2703 (Fifty-fourth); 4 to Form 10-K dated December 31, 1992 in 1-2703 (Fifty-fifth); 4 to Form 10-Q for the quarter ended March 31, 1993 in 1-2703 (Fifty-sixth); and 4-2 to Amendment No. 9 to Registration No. 2-76551 (Fifty-seventh)).

(d) 2 -- Indenture, dated March 21, 1939, accepting resignation of The Chase National Bank of the City of New York as trustee and appointing Central Hanover Bank and Trust Company as successor trustee (B-a-1-6 in Registration No. 2-4076).

(d) 3 -- Trust Indenture for 9.72% Debentures due July 1, 1998 (4 in Registration No. 33-40113).

(d) 4 -- Indenture for Unsecured Subordinated Debt Securities relating to Trust Securities, dated as of January 15, 1997 (filed as Exhibit A-11(a) to Rule 24 Certificate dated February 6, 1997 in File No. 70-8721).

(d) 5 -- Amended and Restated Trust Agreement of Entergy Gulf States Capital I dated January 28, 1997 of Series A Preferred Securities (filed as Exhibit A-13(a) to Rule 24 Certificate dated February 6, 1997 in File No. 70-8721).

(d) 6 -- Guarantee Agreement between Entergy Gulf States, Inc. (as Guarantor) and The Bank of New York (as Trustee) dated as of January 28, 1997 with respect to Entergy Gulf States Capital I's obligation on its 8.75% Cumulative Quarterly Income Preferred Securities, Series A (filed as Exhibit A-14(a) to Rule 24 Certificate dated February 6, 1997 in File No. 70-8721).

Entergy Louisiana

(e) 1 -- Mortgage and Deed of Trust, dated as of April 1, 1944, as amended by fifty-one Supplemental Indentures (7(d) in 2-5317 (Mortgage); 7(b) in 2-7408 (First); 7(c) in 2-8636 (Second); 4(b)-3 in 2-10412 (Third); 4(b)-4 in 2-12264 (Fourth); 2(b)-5 in 2-12936 (Fifth); D in 70-3862 (Sixth); 2(b)-7 in 2-22340 (Seventh); 2(c) in 2-24429 (Eighth); 4(c)-9 in 2-25801 (Ninth); 4(c)-10 in 2-26911 (Tenth); 2(c) in 2-28123 (Eleventh); 2(c) in 2-34659 (Twelfth); C to Rule 24 Certificate in 70-4793 (Thirteenth); 2(b)-2 in 2-38378 (Fourteenth); 2(b)-2 in 2-39437 (Fifteenth); 2(b)-2 in 2-42523 (Sixteenth); C to Rule 24 Certificate in 70-5242 (Seventeenth); C to Rule 24 Certificate in 70-5330 (Eighteenth); C-1 to Rule 24 Certificate in 70-5449 (Nineteenth); C-1 to Rule 24 Certificate in 70-5550 (Twentieth); A-6(a) to Rule 24 Certificate in 70-5598 (Twenty-first); C-1 to Rule 24 Certificate in 70-5711 (Twenty-second); C-1 to Rule 24 Certificate in 70-5919 (Twenty-third); C-1 to Rule 24 Certificate in 70-6102 (Twenty-fourth); C-1 to Rule 24 Certificate in 70-6169 (Twenty-fifth); C-1 to Rule 24 Certificate in 70-6278 (Twenty-sixth); C-1 to Rule 24 Certificate in 70-6355 (Twenty-seventh); C-1 to Rule 24 Certificate in 70-6508 (Twenty-eighth); C-1 to Rule 24 Certificate in 70-6556 (Twenty-ninth); C-1 to Rule 24 Certificate in 70-6635 (Thirtieth); C-1 to Rule 24 Certificate in 70-6834 (Thirty-first); C-1 to Rule 24 Certificate in 70-6886 (Thirty-second); C-1 to Rule 24 Certificate in 70-6993 (Thirty-third); C-2 to Rule 24 Certificate in 70-6993 (Thirty-fourth); C-3 to Rule 24 Certificate in 70-6993 (Thirty-fifth); A-2(a) to Rule 24 Certificate in 70-7166 (Thirty-sixth); A-2(a) in 70-7226 (Thirty-seventh); C-1 to Rule 24 Certificate in 70-7270 (Thirty-eighth); 4(a) to Quarterly Report on Form 10-Q for the quarter ended June 30, 1988, in 1-8474 (Thirty-ninth); A-2(b) to Rule 24 Certificate in 70-7553 (Fortieth); A-2(d) to Rule 24 Certificate in 70-7553 (Forty-first); A-3(a) to Rule 24 Certificate in 70-7822 (Forty-second); A-3(b) to Rule 24 Certificate in 70-7822 (Forty-third); A-2(b) to Rule 24 Certificate in File No. 70-7822 (Forty-fourth); A-3(c) to Rule 24 Certificate in 70-7822 (Forty-fifth); A-2(c) to Rule 24 Certificate dated April 7, 1993 in 70-7822 (Forty-sixth); A-3(d) to Rule 24 Certificate dated June 4, 1993 in 70-7822 (Forty-seventh); A-3(e) to Rule 24 Certificate dated December 21, 1993 in 70-7822 (Forty-eighth); A-3(f) to Rule 24 Certificate dated August 1, 1994 in 70-7822 (Forty-ninth); A-4(c) to Rule 24 Certificate dated September 28, 1994 in 70-7653 (Fiftieth) and A-2(a) to Rule 24 Certificate dated April 4, 1996 in File No. 70-8487 (Fifty-first)).

(e) 2 -- Facility Lease No. 1, dated as of September 1, 1989, between First National Bank of Commerce, as Owner Trustee, and Entergy Louisiana (4(c)-1 in Registration No. 33-30660).

(e) 3 -- Facility Lease No. 2, dated as of September 1, 1989, between First National Bank of Commerce, as Owner Trustee, and Entergy Louisiana (4(c)-2 in Registration No. 33-30660).

(e) 4 -- Facility Lease No. 3, dated as of September 1, 1989, between First National Bank of Commerce, as Owner Trustee, and Entergy Louisiana (4(c)-3 in Registration No. 33-30660).

(e) 5 -- Indenture for Unsecured Subordinated Debt Securities relating to Trust Securities, dated as of July 1, 1996 (filed as Exhibit A-14(a) to Rule 24 Certificate dated July 25, 1996 in File No. 70-8487).

(e) 6 -- Amended and Restated Trust Agreement of Entergy Louisiana Capital I dated July 16, 1996 of Series A Preferred Securities (filed as Exhibit A-16(a) to Rule 24 Certificate dated July 25, 1996 in File No. 70-8487).

(e) 7 -- Guarantee Agreement between Entergy Louisiana, Inc. (as Guarantor) and The Bank of New York (as Trustee) dated as of July 16, 1996 with respect to Entergy Louisiana Capital I's obligation on its 9% Cumulative Quarterly Income Preferred Securities, Series A (filed as Exhibit A-19(a) to Rule 24 Certificate dated July 25, 1996 in File No. 70-8487).

Entergy Mississippi

(f) 1 -- Mortgage and Deed of Trust, dated as of September 1, 1944, as amended by twenty-five Supplemental Indentures (7(d) in 2-5437 (Mortgage); 7(b) in 2-7051 (First); 7(c) in 2-7763 (Second); 7(d) in 2-8484 (Third); 4(b)-4 in 2-10059 (Fourth); 2(b)-5 in 2-13942 (Fifth); A-11 to Form U-1 in 70-4116 (Sixth); 2(b)-7 in 2-23084 (Seventh); 4(c)-9 in 2-24234 (Eighth); 2(b)-9(a) in 2-25502 (Ninth); A-11(a) to Form U-1 in 70-4803 (Tenth); A-12(a) to Form U-1 in 70-4892 (Eleventh); A-13(a) to Form U-1 in 70-5165 (Twelfth); A-14(a) to Form U-1 in 70-5286 (Thirteenth); A-15(a) to Form U-1 in 70-5371 (Fourteenth); A-16(a) to Form U-1 in 70-5417 (Fifteenth); A-17 to Form U-1 in 70-5484 (Sixteenth); 2(a)-19 in 2-54234 (Seventeenth); C-1 to Rule 24 Certificate in 70-6619 (Eighteenth); A-2(c) to Rule 24 Certificate in 70-6672 (Nineteenth); A-2(d) to Rule 24 Certificate in 70-6672 (Twentieth); C-1(a) to Rule 24 Certificate in 70-6816 (Twenty-first); C-1(a) to Rule 24 Certificate in 70-7020 (Twenty-second); C-1(b) to Rule 24 Certificate in 70-7020 (Twenty-third); C-1(a) to Rule 24 Certificate in 70-7230 (Twenty-fourth); and A-2(a) to Rule 24 Certificate in 70-7419 (Twenty-fifth)).

(f) 2 -- Mortgage and Deed of Trust, dated as of February 1, 1988, as amended by eleventh Supplemental Indentures (A-2(a)-2 to Rule 24 Certificate in 70-7461 (Mortgage); A-2(b)-2 in 70-7461 (First); A-5(b) to Rule 24 Certificate in 70-7419 (Second); A-4(b) to Rule 24 Certificate in 70-7554 (Third); A-1(b)-1 to Rule 24 Certificate in 70-7737 (Fourth); A-2(b) to Rule 24 Certificate dated November 24, 1992 in 70-7914 (Fifth); A-2(e) to Rule 24 Certificate dated January 22, 1993 in 70-7914 (Sixth); A-2(g) to Form U-1 in 70-7914 (Seventh); A-2(i) to Rule 24 Certificate dated November 10, 1993 in 70-7914 (Eighth); A-2(j) to Rule 24 Certificate dated July 22, 1994 in 70-7914 (Ninth); and (A-2(l) to Rule 24 Certificate dated April 21, 1995 in File 70-7914 (Tenth); and A-2(a) to Rule 24 Certificate dated June 27, 1997 in File 70-8719 (Eleventh)).

Entergy New Orleans

(g) 1 -- Mortgage and Deed of Trust, dated as of May 1, 1987, as amended by six Supplemental Indentures (A-2(c) to Rule 24 Certificate in 70-7350 (Mortgage); A-5(b) to Rule 24 Certificate in 70-7350 (First); A-4(b) to Rule 24 Certificate in 70-7448 (Second); 4(f)4 to Form 10-K for the year ended December 31, 1992 in 0-5807 (Third); 4(a) to Form 10-Q for the quarter ended September 30, 1993 in 0-5807 (Fourth); 4(a) to Form 8-K dated April 26, 1995 in File No. 0-5807 (Fifth); and 4(a) to Form 8-K dated March 22, 1996 in File No. 0-5807 (Sixth)).

Entergy London

(h) 1 -- Indenture for Unsecured Subordinated Debt Securities relating to Preferred Securities, dated as of November 1, 1997 (filed as Exhibit A-1(a) to Rule 24 Certificate dated December 4, 1997 in File No. 70-9081).

(h) 2 -- Amended and Restated Limited Partnership Agreement of Entergy London Capital, L.P. dated as of November 19, 1997 of Series A Preferred Securities (filed as Exhibit A-5(a) to Rule 24 Certificate dated December 4, 1997 in File No. 70-9081).

(h) 3 -- Guarantee Agreement between Entergy London Investments plc (as Guarantor) and The Bank of New York (as Trustee) dated as of November 19, 1997 with respect to Entergy London Capital, L.P.'s obligation on its 8- 5/8% Cumulative Quarterly Income Preferred Securities, Series A (filed as Exhibit A-6(a) to Rule 24 Certificate dated December 4, 1997 in File No. 70-9081).

*(h) 4 -- The BPS1,010,000,000 Restated Credit Agreement dated November 17, 1997 among Entergy Power UK plc, ABN AMRO Bank N.V., Bank of America International Limited and Union Bank of Switzerland as arrangers and ABN AMRO Bank N.V. as Agent for the banks named therein.

(10) Material Contracts

Entergy Corporation

(a) 1 -- Agreement, dated April 23, 1982, among certain System companies, relating to System Planning and Development and Intra-System Transactions (10(a)1 to Form 10-K for the year ended December 31, 1982, in 1-3517).

(a) 2 -- Middle South Utilities (now Entergy Corporation) System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(a) 3 -- Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in

- 2-41080).
- (a) 4 -- Amendment, dated May 12, 1988, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
 - (a) 5 -- Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
 - (a) 6 -- Service Agreement with Entergy Services, dated as of April 1, 1963 (5(a)-5 in 2-41080).
 - (a) 7 -- Amendment, dated January 1, 1972, to Service Agreement with Entergy Services (5(a)-6 in 2-43175).
 - (a) 8 -- Amendment, dated April 27, 1984, to Service Agreement with Entergy Services (10(a)-7 to Form 10-K for the year ended December 31, 1984, in 1-3517).
 - (a) 9 -- Amendment, dated August 1, 1988, to Service Agreement with Entergy Services (10(a)-8 to Form 10-K for the year ended December 31, 1988, in 1-3517).
 - (a) 10-- Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(a)-9 to Form 10-K for the year ended December 31, 1990, in 1-3517).
 - (a) 11-- Amendment, dated January 1, 1992, to Service Agreement with Entergy Services (10(a)-11 for the year ended December 31, 1994 in 1-3517).
 - (a) 12-- Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (B to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
 - (a) 13-- First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate, dated June 24, 1977, in 70-5399).
 - (a) 14-- Second Amendment to Availability Agreement, dated as of June 15, 1981 (E to Rule 24 Certificate, dated July 1, 1981, in 70-6592).
 - (a) 15-- Third Amendment to Availability Agreement, dated as of June 28, 1984 (B-13(a) to Rule 24 Certificate, dated July 6, 1984, in 70-6985).
 - (a) 16-- Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (A to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
 - (a) 17-- Eighteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
 - (a) 18-- Nineteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
 - (a) 19-- Twenty-sixth Assignment of Availability Agreement, Consent and Agreement, dated as of October 1, 1992, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (B-2(c) to Rule 24 Certificate, dated November 2, 1992, in 70-7946).
 - (a) 20-- Twenty-seventh Assignment of Availability Agreement, Consent and Agreement, dated as of April 1, 1993, with United States Trust Company of New York and Gerard F. Ganey as Trustees (B-2(d) to Rule 24 Certificate dated May 4, 1993 in 70-7946).
 - (a) 21-- Twenty-ninth Assignment of Availability Agreement, Consent and Agreement, dated as of April 1, 1994, with United States Trust Company of New York and Gerard F. Ganey as Trustees (B-2(f) to Rule 24 Certificate dated May 6, 1994, in 70-7946).
 - (a) 22-- Thirtieth Assignment of Availability Agreement, Consent and Agreement, dated as of August 1, 1996, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans, and United States Trust Company of New York and Gerard F. Ganey, as Trustees (filed as Exhibit B-2(a) to Rule 24 Certificate dated August 8, 1996 in File No. 70-8511).
 - (a) 23-- Thirty-first Assignment of Availability Agreement, Consent and Agreement, dated as of August 1, 1996, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and United States Trust Company of New York and Gerard F. Ganey, as Trustees (filed as Exhibit B-2(b) to Rule 24 Certificate dated August 8, 1996 in File No. 70-8511).
 - (a) 24-- Thirty-second Assignment of Availability Agreement, Consent and Agreement, dated as of December 27, 1996, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and The Chase Manhattan Bank (filed as Exhibit B-2(a) to Rule 24 Certificate dated January 13, 1997 in File No. 70- 7561).

- (a) 25-- Capital Funds Agreement, dated June 21, 1974, between Entergy Corporation and System Energy (C to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (a) 26-- First Amendment to Capital Funds Agreement, dated as of June 1, 1989 (B to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (a) 27-- Eighteenth Supplementary Capital Funds Agreement and Assignment, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (a) 28-- Nineteenth Supplementary Capital Funds Agreement and Assignment, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (a) 29-- Twenty-sixth Supplementary Capital Funds Agreement and Assignment, dated as of October 1, 1992, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (B-3(c) to Rule 24 Certificate dated November 2, 1992 in 70-7946).
- (a) 30-- Twenty-seventh Supplementary Capital Funds Agreement and Assignment, dated as of April 1, 1993, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (B-3(d) to Rule 24 Certificate dated May 4, 1993 in 70-7946).
- (a) 31-- Twenty-ninth Supplementary Capital Funds Agreement and Assignment, dated as of April 1, 1994, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (B-3(f) to Rule 24 Certificate dated May 6, 1994, in 70-7946).
- (a) 32-- Thirtieth Supplementary Capital Funds Agreement and Assignment, dated as of August 1, 1996, among Entergy Corporation, System Energy and United States Trust Company of New York and Gerard F. Ganey, as Trustees (filed as Exhibit B-3(a) to Rule 24 Certificate dated August 8, 1996 in File No. 70-8511).
- (a) 33-- Thirty-first Supplementary Capital Funds Agreement and Assignment, dated as of August 1, 1996, among Entergy Corporation, System Energy and United States Trust Company of New York and Gerard F. Ganey, as Trustees (filed as Exhibit B-3(b) to Rule 24 Certificate dated August 8, 1996 in File No. 70-8511).
- (a) 34-- Thirty-second Supplementary Capital Funds Agreement and Assignment, dated as of December 27, 1996, among Entergy Corporation, System Energy and The Chase Manhattan Bank (filed as Exhibit B-1(a) to Rule 24 Certificate dated January 13, 1997 in File No. 70-7561).
- (a) 35-- First Amendment to Supplementary Capital Funds Agreements and Assignments, dated as of June 1, 1989, by and between Entergy Corporation, System Energy, Deposit Guaranty National Bank, United States Trust Company of New York and Gerard F. Ganey (C to Rule 24 Certificate, dated June 8, 1989, in 70-7026).
- (a) 36-- First Amendment to Supplementary Capital Funds Agreements and Assignments, dated as of June 1, 1989, by and between Entergy Corporation, System Energy, United States Trust Company of New York and Gerard F. Ganey (C to Rule 24 Certificate, dated June 8, 1989, in 70-7123).
- (a) 37-- First Amendment to Supplementary Capital Funds Agreement and Assignment, dated as of June 1, 1989, by and between Entergy Corporation, System Energy and Chemical Bank (C to Rule 24 Certificate, dated June 8, 1989, in 70-7561).
- +(a) 38-- Agreement between Entergy Corporation and Edwin Lupberger (10(a)-42 to Form 10-K for the year ended December 31, 1985, in 1-3517).
- (a) 39-- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).
- (a) 40-- Joint Construction, Acquisition and Ownership Agreement, dated as of May 1, 1980, between System Energy and SMEPA (B-1(a) in 70-6337), as amended by Amendment No. 1, dated as of May 1, 1980 (B-1(c) in 70-6337) and Amendment No. 2, dated as of October 31, 1980 (1 to Rule 24 Certificate, dated October 30, 1981, in 70-6337).
- (a) 41-- Operating Agreement dated as of May 1, 1980, between System Energy and SMEPA (B(2)(a) in 70-6337).
- (a) 42-- Assignment, Assumption and Further Agreement No. 1, dated as of December 1, 1988, among System Energy, Meridian Trust Company and Stephen M. Carta, and SMEPA (B-7(c)(1) to Rule 24 Certificate, dated January 9, 1989, in 70-7561).
- (a) 43-- Assignment, Assumption and Further Agreement No. 2, dated as of December 1, 1988, among System Energy, Meridian Trust Company and Stephen M. Carta, and SMEPA (B-7(c)(2) to Rule 24 Certificate, dated January 9, 1989, in 70-7561).
- (a) 44-- Substitute Power Agreement, dated as of May 1, 1980, among Entergy Mississippi, System Energy and SMEPA (B(3)(a) in 70-6337).

- (a) 45-- Grand Gulf Unit No. 2 Supplementary Agreement, dated as of February 7, 1986, between System Energy and SMEPA (10(aaa) in 33-4033).
- (a) 46-- Compromise and Settlement Agreement, dated June 4, 1982, between Texaco, Inc. and Entergy Louisiana (28(a) to Form 8-K, dated June 4, 1982, in 1-3517).
- +(a) 47-- Post-Retirement Plan (10(a)37 to Form 10-K for the year ended December 31, 1983, in 1-3517).
- (a) 48-- Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans
(10(a)-39 to Form 10-K for the year ended December 31, 1982, in 1-3517).
- (a) 49-- First Amendment to Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (a) 50-- Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (a) 51-- Middle South Utilities Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (Exhibit D-1 to Form U5S for the year ended December 31, 1987).
- (a) 52-- First Amendment, dated January 1, 1990, to the Middle South Utilities Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-2 to Form U5S for the year ended December 31, 1989).
- (a) 53-- Second Amendment dated January 1, 1992, to the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3 to Form U5S for the year ended December 31, 1992).
- (a) 54-- Third Amendment dated January 1, 1994 to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).
- (a) 55-- Fourth Amendment dated April 1, 1997 to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-5 to Form U5S for the year ended December 31, 1996).
- (a) 56-- Guaranty Agreement between Entergy Corporation and Entergy Arkansas, dated as of September 20, 1990 (B-1(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (a) 57-- Guarantee Agreement between Entergy Corporation and Entergy Louisiana, dated as of September 20, 1990 (B-2(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (a) 58-- Guarantee Agreement between Entergy Corporation and System Energy, dated as of September 20, 1990 (B-3(a) to Rule 24 Certificate, dated September 27, 1990, in 70- 7757).
- (a) 59-- Loan Agreement between Entergy Operations and Entergy Corporation, dated as of September 20, 1990 (B-12(b) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (a) 60-- Loan Agreement between Entergy Power and Entergy Corporation, dated as of August 28, 1990 (A-4(b) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (a) 61-- Loan Agreement between Entergy Corporation and Entergy Systems and Service, Inc., dated as of December 29, 1992 (A-4(b) to Rule 24 Certificate in 70-7947).
- +(a) 62-- Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a) 52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- +(a) 63-- Entergy Corporation Annual Incentive Plan (10(a) 54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- +(a) 64-- Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- +(a) 65-- Retired Outside Director Benefit Plan (10(a)63 to Form 10-K for the year ended December 31, 1991, in 1-3517).
- +(a) 66-- Agreement between Entergy Corporation and Jerry D. Jackson. (10(a) 67 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+(a) 67-- Agreement between Entergy Services, Inc., a subsidiary of Entergy Corporation, and Gerald D. McInvale (10(a) 68 to Form 10-K for the year ended December 31, 1992 in 1-3517).

*+(a) 68-- Agreement between Entergy Services, Inc., a subsidiary of Entergy Corporation, and Gerald D. McInvale.

+(a) 69-- Supplemental Retirement Plan (10(a) 69 to Form 10- K for the year ended December 31, 1992 in 1-3517).

+(a) 70-- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a)53 to Form 10-K for the year ended December 31, 1989 in 1-3517).

+(a) 71-- Amendment No. 1 to the Equity Ownership Plan of Entergy Corporation and Subsidiaries (10(a) 71 to Form 10- K for the year ended December 31, 1992 in 1-3517).

+(a) 72-- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a) 72 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+(a) 73-- Executive Medical Plan of Entergy Corporation and Subsidiaries (10(a) 73 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+(a) 74-- Stock Plan for Outside Directors of Entergy Corporation and Subsidiaries, as amended (10(a) 74 to Form 10-K for the year ended December 31, 1992 in 1- 3517).

+(a) 75-- Summary Description of Private Ownership Vehicle Plan of Entergy Corporation and Subsidiaries (10(a) 75 to Form 10-K for the year ended December 31, 1992 in 1- 3517).

(a) 76-- Agreement and Plan of Reorganization Between Entergy Corporation and Gulf States Utilities Company, dated June 5, 1992 (1 to Current Report on Form 8-K dated June 5, 1992 in 1-3517).

+(a) 77-- Amendment to Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 81 to Form 10-K for the year ended December 31, 1993 in 1-11299).

+(a) 78-- System Executive Retirement Plan (10(a) 82 to Form 10-K for the year ended December 31, 1993 in 1-11299).

System Energy

(b) 1 through

(b) 13-- See 10(a)-12 through 10(a)-24 above.

(b) 14 through

(b) 26-- See 10(a)-25 through 10(a)-37 above.

(b) 27-- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).

(b) 28-- Joint Construction, Acquisition and Ownership Agreement, dated as of May 1, 1980, between System Energy and SMEPA (B-1(a) in 70-6337), as amended by Amendment No. 1, dated as of May 1, 1980 (B-1(c) in 70-6337) and Amendment No. 2, dated as of October 31, 1980 (1 to Rule 24 Certificate, dated October 30, 1981, in 70-6337).

(b) 29-- Operating Agreement, dated as of May 1, 1980, between System Energy and SMEPA (B(2)(a) in 70-6337).

(b) 30-- Installment Sale Agreement, dated as of December 1, 1983 between System Energy and Claiborne County, Mississippi (B-1 to First Rule 24 Certificate in 70-6913).

(b) 31-- Installment Sale Agreement, dated as of June 1, 1984, between System Energy and Claiborne County, Mississippi (B-2 to Second Rule 24 Certificate in 70-6913).

(b) 32-- Installment Sale Agreement, dated as of December 1, 1984, between System Energy and Claiborne County, Mississippi (B-1 to First Rule 24 Certificate in 70-7026).

(b) 33-- Amended and Restated Installment Sale Agreement, dated as of May 1, 1995, between System Energy and Claiborne County, Mississippi (B-6(a) to Rule 24 Certificate in 70-8511).

- (b) 34-- Amended and Restated Installment Sale Agreement, dated as of February 15, 1996, between System Energy and Claiborne County, Mississippi (filed as Exhibit B-6(a) to Rule 24 Certificate dated March 4, 1996 in File No. 70-8511).
- (b) 35-- Facility Lease No. 1, dated as of December 1, 1988, between Meridian Trust Company and Stephen M. Carta (Stephen J. Kaba, successor), as Owner Trustees, and System Energy (B-2(c)(1) to Rule 24 Certificate dated January 9, 1989 in 70-7561), as supplemented by Lease Supplement No. 1 dated as of April 1, 1989 (B-22(b) (1) to Rule 24 Certificate dated April 21, 1989 in 70-7561) and Lease Supplement No. 2 dated as of January 1, 1994 (B-3(d) to Rule 24 Certificate dated January 31, 1994 in 70- 8215).
- (b) 36-- Facility Lease No. 2, dated as of December 1, 1988 between Meridian Trust Company and Stephen M. Carta (Stephen J. Kaba, successor), as Owner Trustees, and System Energy (B-2(c)(2) to Rule 24 Certificate dated January 9, 1989 in 70-7561), as supplemented by Lease Supplement No. 1 dated as of April 1, 1989 (B-22(b) (2) to Rule 24 Certificate dated April 21, 1989 in 70-7561) and Lease Supplement No. 2 dated as of January 1, 1994 (B-4(d) Rule 24 Certificate dated January 31, 1994 in 70- 8215).
- (b) 37-- Assignment, Assumption and Further Agreement No. 1, dated as of December 1, 1988, among System Energy, Meridian Trust Company and Stephen M. Carta, and SMEPA (B-7(c)(1) to Rule 24 Certificate, dated January 9, 1989, in 70-7561).
- (b) 38-- Assignment, Assumption and Further Agreement No. 2, dated as of December 1, 1988, among System Energy, Meridian Trust Company and Stephen M. Carta, and SMEPA (B-7(c)(2) to Rule 24 Certificate, dated January 9, 1989, in 70-7561).
- (b) 39-- Collateral Trust Indenture, dated as of January 1, 1994, among System Energy, GG1B Funding Corporation and Bankers Trust Company, as Trustee (A-3(e) to Rule 24 Certificate dated January 31, 1994, in 70-8215), as supplemented by Supplemental Indenture No. 1 dated January 1, 1994, (A-3(f) to Rule 24 Certificate dated January 31, 1994, in 70-8215).
- (b) 40-- Substitute Power Agreement, dated as of May 1, 1980, among Entergy Mississippi, System Energy and SMEPA (B(3)(a) in 70-6337).
- (b) 41-- Grand Gulf Unit No. 2 Supplementary Agreement, dated as of February 7, 1986, between System Energy and SMEPA (10(aaa) in 33-4033).
- (b) 42-- Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans (10(a)-39 to Form 10-K for the year ended December 31, 1982, in 1-3517).
- (b) 43-- First Amendment to the Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (b) 44-- Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (b) 45-- Fuel Lease, dated as of February 24, 1989, between River Fuel Funding Company #3, Inc. and System Energy (B-1(b) to Rule 24 Certificate, dated March 3, 1989, in 70-7604).
- (b) 46-- System Energy's Consent, dated January 31, 1995, pursuant to Fuel Lease, dated as of February 24, 1989, between River Fuel Funding Company #3, Inc. and System Energy (B-1(c) to Rule 24 Certificate, dated February 13, 1995 in 70-7604).
- (b) 47-- Sales Agreement, dated as of June 21, 1974, between System Energy and Entergy Mississippi (D to Rule 24 Certificate, dated June 26, 1974, in 70-5399).
- (b) 48-- Service Agreement, dated as of June 21, 1974, between System Energy and Entergy Mississippi (E to Rule 24 Certificate, dated June 26, 1974, in 70-5399).
- (b) 49-- Partial Termination Agreement, dated as of December 1, 1986, between System Energy and Entergy Mississippi (A-2 to Rule 24 Certificate, dated January 8, 1987, in 70-5399).
- (b) 50-- Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (D-1 to Form U5S for the year ended December 31, 1987).
- (b) 51-- First Amendment, dated January 1, 1990 to the Middle South Utilities Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-2 to Form U5S for the year ended December 31, 1989).

- (b) 52-- Second Amendment dated January 1, 1992, to the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3 to Form U5S for the year ended December 31, 1992).
- (b) 53-- Third Amendment dated January 1, 1994 to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).
- (b) 54-- Service Agreement with Entergy Services, dated as of July 16, 1974, as amended (10(b)-43 to Form 10-K for the year ended December 31, 1988, in 1-9067).
- (b) 55-- Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(b)-45 to Form 10-K for the year ended December 31, 1990, in 1-9067).
- (b) 56-- Amendment, dated January 1, 1992, to Service Agreement with Entergy Services (10(a) -11 to Form 10-K for the year ended December 31, 1994 in 1-3517).
- (b) 57-- Operating Agreement between Entergy Operations and System Energy, dated as of June 6, 1990 (B-3(b) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (b) 58-- Guarantee Agreement between Entergy Corporation and System Energy, dated as of September 20, 1990 (B-3(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- + (b) 59-- Agreement between System Energy and Donald C. Hintz (10(b)47 to Form 10-K for the year ended December 31, 1991, in 1-9067).
- + (b) 60-- Agreement between Entergy Corporation and Edwin Lupberger (10(a)-42 to Form 10-K for the year ended December 31, 1985 in 1-3517).
- + (b) 61-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (b) 62-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).
- (b) 63-- Amended and Restated Reimbursement Agreement, dated as of December 1, 1988 as amended and restated as of December 27, 1996, among System Energy Resources, Inc., The Bank of Tokyo-Mitsubishi, Ltd., as Funding Bank and The Chase Manhattan Bank (as successor by merger with Chemical Bank), as administrating bank, Union Bank of California, N.A., as documentation agent, and the Banks named therein, as Participating Banks (B-3(a) to Rule 24 Certificate dated January 13, 1997 in 70-7561).

Entergy Arkansas

- (c) 1 -- Agreement, dated April 23, 1982, among Entergy Arkansas and certain other System companies, relating to System Planning and Development and Intra-System Transactions (10(a) 1 to Form 10-K for the year ended December 31, 1982, in 1-3517).
- (c) 2 -- Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)2 in 2-41080).
- (c) 3 -- Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
- (c) 4 -- Amendment, dated May 12, 1988, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a) 4 in 2-41080).
- (c) 5 -- Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
- (c) 6 -- Service Agreement with Entergy Services, dated as of April 1, 1963 (5(a)-5 in 2-41080).
- (c) 7 -- Amendment, dated January 1, 1972, to Service Agreement with Entergy Services (5(a)- 6 in 2-43175).
- (c) 8 -- Amendment, dated April 27, 1984, to Service Agreement, with Entergy Services (10(a)- 7 to Form 10-K for the year ended December 31, 1984, in 1-3517).
- (c) 9 -- Amendment, dated August 1, 1988, to Service Agreement with Entergy Services (10(c)- 8 to Form 10-K for the year ended December 31, 1988, in 1-10764).

- (c) 10-- Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(c)-9 to Form 10-K for the year ended December 31, 1990, in 1-10764).
- (c) 11-- Amendment, dated January 1, 1992, to Service Agreement with Entergy Services (10(a)-11 to Form 10-K for the year ended December 31, 1994 in 1-3517).
- (c) 12 through
- (c) 24-- See 10(a)-12 through 10(a)-24 above.
- (c) 25-- Agreement, dated August 20, 1954, between Entergy Arkansas and the United States of America (SPA)(13(h) in 2-11467).
- (c) 26-- Amendment, dated April 19, 1955, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-2 in 2-41080).
- (c) 27-- Amendment, dated January 3, 1964, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-3 in 2-41080).
- (c) 28-- Amendment, dated September 5, 1968, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-4 in 2-41080).
- (c) 29-- Amendment, dated November 19, 1970, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-5 in 2-41080).
- (c) 30-- Amendment, dated July 18, 1961, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-6 in 2-41080).
- (c) 31-- Amendment, dated December 27, 1961, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-7 in 2-41080).
- (c) 32-- Amendment, dated January 25, 1968, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-8 in 2-41080).
- (c) 33-- Amendment, dated October 14, 1971, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-9 in 2-43175).
- (c) 34-- Amendment, dated January 10, 1977, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-10 in 2-60233).
- (c) 35-- Agreement, dated May 14, 1971, between Entergy Arkansas and the United States of America (SPA) (5(e) in 2-41080).
- (c) 36-- Amendment, dated January 10, 1977, to the United States of America (SPA) Contract, dated May 14, 1971 (5(e)-1 in 2-60233).
- (c) 37-- Contract, dated May 28, 1943, Amendment to Contract, dated July 21, 1949, and Supplement to Amendment to Contract, dated December 30, 1949, between Entergy Arkansas and McKamie Gas Cleaning Company; Agreements, dated as of September 30, 1965, between Entergy Arkansas and former stockholders of McKamie Gas Cleaning Company; and Letter Agreement, dated June 22, 1966, by Humble Oil & Refining Company accepted by Entergy Arkansas on June 24, 1966 (5(k)-7 in 2-41080).
- (c) 38-- Agreement, dated April 3, 1972, between Entergy Services and Gulf United Nuclear Fuels Corporation (5(l)-3 in 2-46152).
- (c) 39-- Fuel Lease, dated as of December 22, 1988, between River Fuel Trust #1 and Entergy Arkansas (B-1(b) to Rule 24 Certificate in 70-7571).
- (c) 40-- White Bluff Operating Agreement, dated June 27, 1977, among Entergy Arkansas and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas (B-2(a) to Rule 24 Certificate, dated June 30, 1977, in 70-6009).
- (c) 41-- White Bluff Ownership Agreement, dated June 27, 1977, among Entergy Arkansas and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas (B-1(a) to Rule 24 Certificate, dated June 30, 1977, in 70-6009).

- (c) 42-- Agreement, dated June 29, 1979, between Entergy Arkansas and City of Conway, Arkansas (5(r)-3 in 2-66235).
- (c) 43-- Transmission Agreement, dated August 2, 1977, between Entergy Arkansas and City Water and Light Plant of the City of Jonesboro, Arkansas (5(r)-3 in 2-60233).
- (c) 44-- Power Coordination, Interchange and Transmission Service Agreement, dated as of June 27, 1977, between Arkansas Electric Cooperative Corporation and Entergy Arkansas (5(r)-4 in 2-60233).
- (c) 45-- Independence Steam Electric Station Operating Agreement, dated July 31, 1979, among Entergy Arkansas and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas and City of Conway, Arkansas (5(r)-6 in 2-66235).
- (c) 46-- Amendment, dated December 4, 1984, to the Independence Steam Electric Station Operating Agreement (10(c) 51 to Form 10-K for the year ended December 31, 1984, in 1-10764).
- (c) 47-- Independence Steam Electric Station Ownership Agreement, dated July 31, 1979, among Entergy Arkansas and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas and City of Conway, Arkansas (5(r)-7 in 2-66235).
- (c) 48-- Amendment, dated December 28, 1979, to the Independence Steam Electric Station Ownership Agreement (5(r)-7(a) in 2-66235).
- (c) 49-- Amendment, dated December 4, 1984, to the Independence Steam Electric Station Ownership Agreement (10(c) 54 to Form 10-K for the year ended December 31, 1984, in 1-10764).
- (c) 50-- Owner's Agreement, dated November 28, 1984, among Entergy Arkansas, Entergy Mississippi, other co-owners of the Independence Station (10(c) 55 to Form 10-K for the year ended December 31, 1984, in 1-10764).
- (c) 51-- Consent, Agreement and Assumption, dated December 4, 1984, among Entergy Arkansas, Entergy Mississippi, other co-owners of the Independence Station and United States Trust Company of New York, as Trustee (10(c) 56 to Form 10-K for the year ended December 31, 1984, in 1-10764).
- (c) 52-- Power Coordination, Interchange and Transmission Service Agreement, dated as of July 31, 1979, between Entergy Arkansas and City Water and Light Plant of the City of Jonesboro, Arkansas (5(r)-8 in 2-66235).
- (c) 53-- Power Coordination, Interchange and Transmission Agreement, dated as of June 29, 1979, between City of Conway, Arkansas and Entergy Arkansas (5(r)-9 in 2-66235).
- (c) 54-- Agreement, dated June 21, 1979, between Entergy Arkansas and Reeves E. Ritchie ((10)(b)-90 to Form 10-K for the year ended December 31, 1980, in 1-10764).
- (c) 55-- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).
- +(c) 56-- Post-Retirement Plan (10(b) 55 to Form 10-K for the year ended December 31, 1983, in 1-10764).
- (c) 57-- Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (10(a) 39 to Form 10-K for the year ended December 31, 1982, in 1-3517).
- (c) 58-- First Amendment to Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (c) 59-- Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (c) 60-- Contract For Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste, dated June 30, 1983, among the DOE, System Fuels and Entergy Arkansas (10(b)-57 to Form 10-K for the year ended December 31, 1983, in 1-10764).
- (c) 61-- Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (D-1 to Form U5S for the year ended December 31, 1987).
- (c) 62-- First Amendment, dated January 1, 1990, to the Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-2 to Form U5S for the year ended December 31, 1989).

- (c) 63-- Second Amendment dated January 1, 1992, to the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3 to Form U5S for the year ended December 31, 1992).
- (c) 64-- Third Amendment dated January 1, 1994, to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).
- (c) 65-- Assignment of Coal Supply Agreement, dated December 1, 1987, between System Fuels and Entergy Arkansas (B to Rule 24 letter filing, dated November 10, 1987, in 70-5964).
- (c) 66-- Coal Supply Agreement, dated December 22, 1976, between System Fuels and Antelope Coal Company (B-1 in 70-5964), as amended by First Amendment (A to Rule 24 Certificate in 70-5964); Second Amendment (A to Rule 24 letter filing, dated December 16, 1983, in 70-5964); and Third Amendment (A to Rule 24 letter filing, dated November 10, 1987 in 70-5964).
- (c) 67-- Operating Agreement between Entergy Operations and Entergy Arkansas, dated as of June 6, 1990 (B-1(b) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (c) 68-- Guaranty Agreement between Entergy Corporation and Entergy Arkansas, dated as of September 20, 1990 (B-1(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (c) 69-- Agreement for Purchase and Sale of Independence Unit 2 between Entergy Arkansas and Entergy Power, dated as of August 28, 1990 (B-3(c) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 70-- Agreement for Purchase and Sale of Ritchie Unit 2 between Entergy Arkansas and Entergy Power, dated as of August 28, 1990 (B-4(d) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 71-- Ritchie Steam Electric Station Unit No. 2 Operating Agreement between Entergy Arkansas and Entergy Power, dated as of August 28, 1990 (B-5(a) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 72-- Ritchie Steam Electric Station Unit No. 2 Ownership Agreement between Entergy Arkansas and Entergy Power, dated as of August 28, 1990 (B-6(a) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 73-- Power Coordination, Interchange and Transmission Service Agreement between Entergy Power and Entergy Arkansas, dated as of August 28, 1990 (10(c)-71 to Form 10-K for the year ended December 31, 1990, in 1-10764).
- + (c) 74-- Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a)52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- + (c) 75-- Entergy Corporation Annual Incentive Plan (10(a)54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- + (c) 76-- Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- + (c) 77-- Agreement between Arkansas Power & Light Company and R. Drake Keith. (10(c) 78 to Form 10-K for the year ended December 31, 1992 in 1-10764).
- + (c) 78-- Supplemental Retirement Plan (10(a)69 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (c) 79-- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a)53 to Form 10-K for the year ended December 31, 1989 in 1-3517).
- + (c) 80-- Amendment No. 1 to the Equity Ownership Plan of Entergy Corporation and Subsidiaries (10(a)71 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (c) 81-- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a)72 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (c) 82-- Executive Medical Plan of Entergy Corporation and Subsidiaries (10(a)73 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (c) 83-- Stock Plan for Outside Directors of Entergy Corporation and Subsidiaries, as amended (10(a)74 to Form 10-K for the year ended December 31, 1992 in 1-3517).

- (c) 84-- Summary Description of Private Ownership Vehicle Plan of Entergy Corporation and Subsidiaries (10(a)75 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- (c) 85-- Agreement between Entergy Corporation and Edwin Lupberger (10(a)-42 to Form 10-K for the year ended December 31, 1985 in 1-3517).
- (c) 86-- Agreement between Entergy Corporation and Jerry D. Jackson (10(a)-67 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- (c) 87-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- (c) 88-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).
- (c) 89-- Agreement between System Energy and Donald C. Hintz (10(b)-47 to Form 10-K for the year ended December 31, 1991 in 1-9067).
- (c) 90-- Summary Description of Retired Outside Director Benefit Plan. (10(c) 90 to Form 10-K for the year ended December 31, 1992 in 1-10764).
- (c) 91-- Amendment to Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 81 to Form 10-K for the year ended December 31, 1993 in 1-11299).
- (c) 92-- System Executive Retirement Plan (10(a) 82 to Form 10-K for the year ended December 31, 1993 in 1-11299).
- (c) 93-- Loan Agreement dated June 15, 1993, between Entergy Arkansas and Independence Country, Arkansas (B-1 (a) to Rule 24 Certificate dated July 9, 1993 in 70- 8171).
- (c) 94-- Installment Sale Agreement dated January 1, 1991, between Entergy Arkansas and Pope Country, Arkansas (B-1 (b) to Rule 24 Certificate dated January 24, 1991 in 70- 7802).
- (c) 95-- Installment Sale Agreement dated November 1, 1990, between Entergy Arkansas and Pope Country, Arkansas (B-1 (a) to Rule 24 Certificate dated November 30, 1990 in 70- 7802).
- (c) 96-- Loan Agreement dated June 15, 1994, between Entergy Arkansas and Jefferson County, Arkansas (B-1(a) to Rule 24 Certificate dated June 30, 1994 in 70-8405).
- (c) 97-- Loan Agreement dated June 15, 1994, between Entergy Arkansas and Pope County, Arkansas (B-1(b) to Rule 24 Certificate in 70-8405).
- (c) 98-- Loan Agreement dated November 15, 1995, between Entergy Arkansas and Pope County, Arkansas (10(c) 96 to Form 10-K for the year ended December 31, 1995 in 1- 10764).
- (c) 99-- Agreement as to Expenses and Liabilities between Entergy Arkansas and Entergy Arkansas Capital I, dated as of August 14, 1996 (4(j) to Form 10-Q for the quarter ended September 30, 1996 in 1-10764).
- *(c) 100-- Loan Agreement dated December 1, 1997, between Entergy Arkansas and Jefferson County, Arkansas.

Entergy Gulf States

- (d) 1 -- Guaranty Agreement, dated July 1, 1976, between Entergy Gulf States and American Bank and Trust Company (C and D to Form 8-K, dated August 6, 1976 in 1-2703).
- (d) 2 -- Lease of Railroad Equipment, dated as of December 1, 1981, between The Connecticut Bank and Trust Company as Lessor and Entergy Gulf States as Lessee and First Supplement, dated as of December 31, 1981, relating to 605 One Hundred-Ton Unit Train Steel Coal Porter Cars (4- 12 to Form 10-K for the year ended December 31, 1981 in 1- 2703).
- (d) 3 -- Guaranty Agreement, dated August 1, 1992, between Entergy Gulf States and Hibernia National Bank, relating to Pollution Control Revenue Refunding Bonds of the Industrial Development Board of the Parish of Calcasieu, Inc. (Louisiana) (10-1 to Form 10-K for the year ended December 31, 1992 in 1-2703).

- (d) 4 -- Guaranty Agreement, dated January 1, 1993, between Entergy Gulf States and Hancock Bank of Louisiana, relating to Pollution Control Revenue Refunding Bonds of the Parish of Pointe Coupee (Louisiana) (10-2 to Form 10- K for the year ended December 31, 1992 in 1-2703).
- (d) 5 -- Deposit Agreement, dated as of December 1, 1983 between Entergy Gulf States, Morgan Guaranty Trust Co. as Depository and the Holders of Depository Receipts, relating to the Issue of 900,000 Depository Preferred Shares, each representing 1/2 share of Adjustable Rate Cumulative Preferred Stock, Series E-\$100 Par Value (4-17 to Form 10-K for the year ended December 31, 1983 in 1- 2703).
- (d) 6 -- Letter of Credit and Reimbursement Agreement, dated December 27, 1985, between Entergy Gulf States and Westpac Banking Corporation relating to Variable Rate Demand Pollution Control Revenue Bonds of the Parish of West Feliciana, State of Louisiana, Series 1985-D (4-26 to Form 10-K for the year ended December 31, 1985 in 1- 2703) and Letter Agreement amending same dated October 20, 1992 (10-3 to Form 10-K for the year ended December 31, 1992 in 1-2703).
- (d) 7 -- Reimbursement and Loan Agreement, dated as of April 23, 1986, by and between Entergy Gulf States and The Long-Term Credit Bank of Japan, Ltd., relating to Multiple Rate Demand Pollution Control Revenue Bonds of the Parish of West Feliciana, State of Louisiana, Series 1985 (4-26 to Form 10-K, for the year ended December 31, 1986 in 1-2703) and Letter Agreement amending same, dated February 19, 1993 (10 to Form 10-K for the year ended December 31, 1992 in 1-2703).
- (d) 8 -- Agreement effective February 1, 1964, between Sabine River Authority, State of Louisiana, and Sabine River Authority of Texas, and Entergy Gulf States, Central Louisiana Electric Company, Inc., and Louisiana Power & Light Company, as supplemented (B to Form 8-K, dated May 6, 1964, A to Form 8-K, dated October 5, 1967, A to Form 8-K, dated May 5, 1969, and A to Form 8-K, dated December 1, 1969, in 1-2708).
- (d) 9 -- Joint Ownership Participation and Operating Agreement regarding River Bend Unit 1 Nuclear Plant, dated August 20, 1979, between Entergy Gulf States, Cajun, and SRG&T; Power Interconnection Agreement with Cajun, dated June 26, 1978, and approved by the REA on August 16, 1979, between Entergy Gulf States and Cajun; and Letter Agreement regarding CEPCO buybacks, dated August 28, 1979, between Entergy Gulf States and Cajun (2, 3, and 4, respectively, to Form 8-K, dated September 7, 1979, in 1-2703).
- (d) 10-- Ground Lease, dated August 15, 1980, between Statmont Associates Limited Partnership (Statmont) and Entergy Gulf States, as amended (3 to Form 8-K, dated August 19, 1980, and A-3-b to Form 10-Q for the quarter ended September 30, 1983 in 1-2703).
- (d) 11-- Lease and Sublease Agreement, dated August 15, 1980, between Statmont and Entergy Gulf States, as amended (4 to Form 8-K, dated August 19, 1980, and A-3-c to Form 10-Q for the quarter ended September 30, 1983 in 1-2703).
- (d) 12-- Lease Agreement, dated September 18, 1980, between BLC Corporation and Entergy Gulf States (1 to Form 8-K, dated October 6, 1980 in 1-2703).
- (d) 13-- Joint Ownership Participation and Operating Agreement for Big Cajun, between Entergy Gulf States, Cajun Electric Power Cooperative, Inc., and Sam Rayburn G&T, Inc, dated November 14, 1980 (6 to Form 8-K, dated January 29, 1981 in 1-2703); Amendment No. 1, dated December 12, 1980 (7 to Form 8-K, dated January 29, 1981 in 1-2703); Amendment No. 2, dated December 29, 1980 (8 to Form 8-K, dated January 29, 1981 in 1-2703).
- (d) 14-- Agreement of Joint Ownership Participation between SRMPA, SRG&T and Entergy Gulf States, dated June 6, 1980, for Nelson Station, Coal Unit #6, as amended (8 to Form 8- K, dated June 11, 1980, A-2-b to Form 10-Q For the quarter ended June 30, 1982; and 10-1 to Form 8-K, dated February 19, 1988 in 1-2703).
- (d) 15-- Agreements between Southern Company and Entergy Gulf States, dated February 25, 1982, which cover the construction of a 140-mile transmission line to connect the two systems, purchase of power and use of transmission facilities (10-31 to Form 10-K, for the year ended December 31, 1981 in 1-2703).
- + (d) 16-- Executive Income Security Plan, effective October 1, 1980, as amended, continued and completely restated effective as of March 1, 1991 (10-2 to Form 10-K for the year ended December 31, 1991 in 1-2703).
- (d) 17-- Transmission Facilities Agreement between Entergy Gulf States and Mississippi Power Company, dated February 28, 1982, and Amendment, dated May 12, 1982 (A-2-c to Form 10-Q for the quarter ended March 31, 1982 in 1-2703) and Amendment, dated December 6, 1983 (10-43 to Form 10- K, for the year ended December 31, 1983 in 1-2703).
- (d) 18-- Lease Agreement dated as of June 29, 1983, between Entergy Gulf States and City National Bank of Baton Rouge, as Owner Trustee, in connection with the leasing of a Simulator and Training Center for River Bend Unit 1 (A-2-a to Form 10-Q for the quarter ended June 30, 1983 in 1-2703) and Amendment, dated December 14, 1984 (10-55 to Form 10-K, for the year ended December 31, 1984 in 1- 2703).

- (d) 19-- Participation Agreement, dated as of June 29, 1983, among Entergy Gulf States, City National Bank of Baton Rouge, PruFunding, Inc. Bank of the Southwest National Association, Houston and Bankers Life Company, in connection with the leasing of a Simulator and Training Center of River Bend Unit 1 (A-2-b to Form 10-Q for the quarter ended June 30, 1983 in 1-2703).
- (d) 20-- Tax Indemnity Agreement, dated as of June 29, 1983, between Entergy Gulf States and PruFunding, Inc., in connection with the leasing of a Simulator and Training Center for River Bend Unit I (A-2-c to Form 10-Q for the quarter ended June 30, 1993 in 1-2703).
- (d) 21-- Agreement to Lease, dated as of August 28, 1985, among Entergy Gulf States, City National Bank of Baton Rouge, as Owner Trustee, and Prudential Interfunding Corp., as Trustor, in connection with the leasing of improvement to a Simulator and Training Facility for River Bend Unit I (10-69 to Form 10-K, for the year ended December 31, 1985 in 1-2703).
- (d) 22-- First Amended Power Sales Agreement, dated December 1, 1985 between Sabine River Authority, State of Louisiana, and Sabine River Authority, State of Texas, and Entergy Gulf States, Central Louisiana Electric Co., Inc., and Louisiana Power and Light Company (10-72 to Form 10-K for the year ended December 31, 1985 in 1- 2703).
- + (d) 23-- Deferred Compensation Plan for Directors of Entergy Gulf States and Varibus Corporation, as amended January 8, 1987, and effective January 1, 1987 (10-77 to Form 10-K for the year ended December 31, 1986 in 1- 2703). Amendment dated December 4, 1991 (10-3 to Amendment No. 8 in Registration No. 2-76551).
- + (d) 24-- Trust Agreement for Deferred Payments to be made by Entergy Gulf States pursuant to the Executive Income Security Plan, by and between Entergy Gulf States and Bankers Trust Company, effective November 1, 1986 (10-78 to Form 10-K for the year ended December 31, 1986 in 1- 2703).
- + (d) 25-- Trust Agreement for Deferred Installments under Entergy Gulf States' Management Incentive Compensation Plan and Administrative Guidelines by and between Entergy Gulf States and Bankers Trust Company, effective June 1, 1986 (10-79 to Form 10-K for the year ended December 31, 1986 in 1-2703).
- + (d) 26-- Nonqualified Deferred Compensation Plan for Officers, Nonemployee Directors and Designated Key Employees, effective December 1, 1985, as amended, continued and completely restated effective as of March 1, 1991 (10-3 to Amendment No. 8 in Registration No. 2-76551).
- + (d) 27-- Trust Agreement for Entergy Gulf States' Nonqualified Directors and Designated Key Employees by and between Entergy Gulf States and First City Bank, Texas-Beaumont, N.A. (now Texas Commerce Bank), effective July 1, 1991 (10-4 to Form 10-K for the year ended December 31, 1992 in 1-2703).
- (d) 28-- Lease Agreement, dated as of June 29, 1987, among GSG&T, Inc., and Entergy Gulf States related to the leaseback of the Lewis Creek generating station (10-83 to Form 10-K for the year ended December 31, 1988 in 1- 2703).
- (d) 29-- Nuclear Fuel Lease Agreement between Entergy Gulf States and River Bend Fuel Services, Inc. to lease the fuel for River Bend Unit 1, dated February 7, 1989 (10-64 to Form 10-K for the year ended December 31, 1988 in 1- 2703).
- (d) 30-- Trust and Investment Management Agreement between Entergy Gulf States and Morgan Guaranty and Trust Company of New York (the "Decommissioning Trust Agreement") with respect to decommissioning funds authorized to be collected by Entergy Gulf States, dated March 15, 1989 (10-66 to Form 10-K for the year ended December 31, 1988 in 1-2703).
- (d) 31-- Amendment No. 2 dated November 1, 1995 between Entergy Gulf States and Mellon Bank to Decommissioning Trust Agreement (10(d) 31 to Form 10-K for the year ended December 31, 1995).
- (d) 32-- Credit Agreement, dated as of December 29, 1993, among River Bend Fuel Services, Inc. and Certain Commercial Lending Institutions and CIBC Inc. as Agent for the Lenders (10(d) 34 to Form 10-K for year ended December 31, 1994).
- (d) 33-- Amendment No. 1 dated as of January 31, to Credit Agreement, dated as of December 31, 1993, among River Bend Fuel Services, Inc. and certain commercial lending institutions and CIBC Inc. as agent for Lenders (10(d) 33 to Form 10-K for the year ended December 31, 1995).
- (d) 34-- Partnership Agreement by and among Conoco Inc., and Entergy Gulf States, CITGO Petroleum Corporation and Vista Chemical Company, dated April 28, 1988 (10-67 to Form 10-K for the year ended December 31, 1988 in 1- 2703).
- + (d) 35-- Gulf States Utilities Company Executive Continuity Plan, dated January 18, 1991 (10-6 to Form 10-K for the year ended December 31, 1990 in 1-2703).

- (d) 36-- Trust Agreement for Entergy Gulf States' Executive Continuity Plan, by and between Entergy Gulf States and First City Bank, Texas-Beaumont, N.A. (now Texas Commerce Bank), effective May 20, 1991 (10-5 to Form 10-K for the year ended December 31, 1992 in 1-2703).
- (d) 37-- Gulf States Utilities Board of Directors' Retirement Plan, dated February 15, 1991 (10-8 to Form 10-K for the year ended December 31, 1990 in 1-2703).
- (d) 38-- Gulf States Utilities Company Employees' Trustee Retirement Plan effective July 1, 1955 as amended, continued and completely restated effective January 1, 1989; and Amendment No.1 effective January 1, 1993 (10-6 to Form 10-K for the year ended December 31, 1992 in 1-2703).
- (d) 39-- Agreement and Plan of Reorganization, dated June 5, 1992, between Entergy Gulf States and Entergy Corporation (2 to Form 8-K, dated June 8, 1992 in 1-2703).
- (d) 40-- Gulf States Utilities Company Employee Stock Ownership Plan, as amended, continued, and completely restated effective January 1, 1984, and January 1, 1985 (A to Form 11-K, dated December 31, 1985 in 1-2703).
- (d) 41-- Trust Agreement under the Gulf States Utilities Company Employee Stock Ownership Plan, dated December 30, 1976, between Entergy Gulf States and the Louisiana National Bank, as Trustee (2-A to Registration No. 2-62395).
- (d) 42-- Letter Agreement dated September 7, 1977 between Entergy Gulf States and the Trustee, delegating certain of the Trustee's functions to the ESOP Committee (2-B to Registration Statement No. 2-62395).
- (d) 43-- Gulf States Utilities Company Employees Thrift Plan as amended, continued and completely restated effective as of January 1, 1992 (28-1 to Amendment No. 8 to Registration No. 2-76551).
- (d) 44-- Restatement of Trust Agreement under the Gulf States Utilities Company Employees Thrift Plan, reflecting changes made through January 1, 1989, between Entergy Gulf States and First City Bank, Texas-Beaumont, N.A., (now Texas Commerce Bank), as Trustee (2-A to Form 8-K dated October 20, 1989 in 1-2703).
- (d) 45-- Operating Agreement between Entergy Operations and Entergy Gulf States, dated as of December 31, 1993 (B-2(f) to Rule 24 Certificate in 70-8059).
- (d) 46-- Guarantee Agreement between Entergy Corporation and Entergy Gulf States, dated as of December 31, 1993 (B-5(a) to Rule 24 Certificate in 70-8059).
- (d) 47-- Service Agreement with Entergy Services, dated as of December 31, 1993 (B-6(c) to Rule 24 Certificate in 70-8059).
- (d) 48-- Amendment to Employment Agreement between J. L. Donnelly and Entergy Gulf States, dated December 22, 1993 (10(d) 57 to Form 10-K for the year ended December 31, 1993 in 1-2703).
- (d) 49-- Assignment, Assumption and Amendment Agreement to Letter of Credit and Reimbursement Agreement between Entergy Gulf States, Canadian Imperial Bank of Commerce and Westpac Banking Corporation (10(d) 58 to Form 10-K for the year ended December 31, 1993 in 1-2703).
- (d) 50-- Third Amendment, dated January 1, 1994, to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).
- (d) 51-- Refunding Agreement between Entergy Gulf States and West Feliciana Parish (dated December 20, 1994 (B-12(a) to Rule 24 Certificate dated December 30, 1994 in 70-8375).
- (d) 52-- Agreement as to Expenses and Liabilities between Entergy Gulf States and Entergy Gulf States Capital I, dated as of January 28, 1997 (10(d)52 to Form 10-K for the year ended December 31, 1996 in 1-2703).
- (d) 53-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).

Entergy Louisiana

- (e) 1 -- Agreement, dated April 23, 1982, among Entergy Louisiana and certain other System companies, relating to System Planning and

Development and Intra-System Transactions (10(a) 1 to Form 10-K for the year ended December 31, 1982, in 1-3517).

(e) 2 -- Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(e) 3 -- Amendment, dated as of February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).

(e) 4 -- Amendment, dated May 12, 1988, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a) 4 in 2-41080).

(e) 5 -- Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).

(e) 6 -- Service Agreement with Entergy Services, dated as of April 1, 1963 (5(a)-5 in 2-42523).

(e) 7 -- Amendment, dated as of January 1, 1972, to Service Agreement with Entergy Services (4(a)-6 in 2-45916).

(e) 8 -- Amendment, dated as of April 27, 1984, to Service Agreement with Entergy Services (10(a) 7 to Form 10-K for the year ended December 31, 1984, in 1-3517).

(e) 9 -- Amendment, dated as of August 1, 1988, to Service Agreement with Entergy Services (10(d)-8 to Form 10-K for the year ended December 31, 1988, in 1-8474).

(e) 10-- Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(d)-9 to Form 10-K for the year ended December 31, 1990, in 1-8474).

(e) 11-- Amendment, dated January 1, 1992, to Service Agreement with Entergy Services (10(a)-11 to Form 10-K for the year ended December 31, 1994 in 1-3517).

(e) 12 through

(e) 24-- See 10(a)-12 through 10(a)-24 above.

(e) 25-- Fuel Lease, dated as of January 31, 1989, between River Fuel Company #2, Inc., and Entergy Louisiana (B-1(b) to Rule 24 Certificate in 70-7580).

(e) 26-- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).

(e) 27-- Compromise and Settlement Agreement, dated June 4, 1982, between Texaco, Inc. and Entergy Louisiana (28(a) to Form 8-K, dated June 4, 1982, in 1-8474).

+ (e) 28-- Post-Retirement Plan (10(c)23 to Form 10-K for the year ended December 31, 1983, in 1-8474).

(e) 29-- Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans (10(a) 39 to Form 10-K for the year ended December 31, 1982, in 1-3517).

(e) 30-- First Amendment to the Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).

(e) 31-- Revised Unit Power Sales Agreement (10(ss) in 33-4033).

(e) 32-- Middle South Utilities, Inc. and Subsidiary Companies Intercompany Tax Allocation Agreement, dated April 28, 1988 (D-1 to Form U5S for the year ended December 31, 1987).

(e) 33-- First Amendment, dated January 1, 1990, to the Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated January 1, 1990 (D-2 to Form U5S for the year ended December 31, 1989).

(e) 34-- Second Amendment dated January 1, 1992, to the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3 to Form U5S for the year ended December 31, 1992).

(e) 35-- Third Amendment dated January 1, 1994 to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).

- (e) 36-- Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste, dated February 2, 1984, among DOE, System Fuels and Entergy Louisiana (10(d)33 to Form 10-K for the year ended December 31, 1984, in 1-8474).
- (e) 37-- Operating Agreement between Entergy Operations and Entergy Louisiana, dated as of June 6, 1990 (B-2(c) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (e) 38-- Guarantee Agreement between Entergy Corporation and Entergy Louisiana, dated as of September 20, 1990 (B-2(a), to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- + (e) 39-- Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a) 52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- + (e) 40-- Entergy Corporation Annual Incentive Plan (10(a) 54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- + (e) 41-- Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- + (e) 42-- Supplemental Retirement Plan (10(a) 69 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 43-- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 53 to Form 10-K for the year ended December 31, 1989 in 1-3517).
- + (e) 44-- Amendment No. 1 to the Equity Ownership Plan of Entergy Corporation and Subsidiaries (10(a) 71 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 45-- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a) 72 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 46-- Executive Medical Plan of Entergy Corporation and Subsidiaries (10(a) 73 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 47-- Stock Plan for Outside Directors of Entergy Corporation and Subsidiaries (10(a) 74 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 48-- Summary Description of Private Ownership Vehicle Plan of Entergy Corporation and Subsidiaries (10(a) 75 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 49-- Agreement between Entergy Corporation and Edwin Lupberger (10(a) 42 to Form 10-K for the year ended December 31, 1985 in 1-3517).
- + (e) 50-- Agreement between Entergy Corporation and Jerry D. Jackson (10(a) 67 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 51-- Agreement between Entergy Services and Gerald D. McInvale (10(a) 68 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (e) 52-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).
- + (e) 53-- Agreement between System Energy and Donald C. Hintz (10(b) 47 to Form 10-K for the year ended December 31, 1991 in 1-9067).
- + (e) 54-- Summary Description of Retired Outside Director Benefit Plan (10(c)90 to Form 10-K for the year ended December 31, 1992 in 1-10764).
- + (e) 55-- Amendment to Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 81 to Form 10-K for the year ended December 31, 1993 in 1-11299).
- + (e) 56-- System Executive Retirement Plan (10(a) 82 to Form 10-K for the year ended December 31, 1993 in 1-11299).
- (e) 57-- Installment Sale Agreement, dated July 20, 1994, between Entergy Louisiana and St. Charles Parish, Louisiana (B-6(e) to Rule 24 Certificate dated August 1, 1994 in 70-7822).

(e) 58-- Installment Sale Agreement, dated November 1, 1995, between Entergy Louisiana and St. Charles Parish, Louisiana (B-6(a) to Rule 24 Certificate dated December 19, 1995 in 70-8487).

(e) 59-- Agreement as to Expenses and Liabilities between Entergy Louisiana, Inc. and Entergy Louisiana Capital I dated July 16, 1996 (4(d) to Form 10-Q for the quarter ended June 30, 1996 in 1-8474).

Entergy Mississippi

(f) 1 -- Agreement dated April 23, 1982, among Entergy Mississippi and certain other System companies, relating to System Planning and Development and Intra-System Transactions (10(a) 1 to Form 10-K for the year ended December 31, 1982, in 1-3517).

(f) 2 -- Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(f) 3 -- Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a) 4 in 2-41080).

(f) 4 -- Amendment, dated May 12, 1988, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a) 4 in 2-41080).

(f) 5 -- Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).

(f) 6 -- Service Agreement with Entergy Services, dated as of April 1, 1963 (D in 37-63).

(f) 7 -- Amendment, dated January 1, 1972, to Service Agreement with Entergy Services (A to Notice, dated October 14, 1971, in 37-63).

(f) 8 -- Amendment, dated April 27, 1984, to Service Agreement with Entergy Services (10(a) 7 to Form 10-K for the year ended December 31, 1984, in 1-3517).

(f) 9 -- Amendment, dated as of August 1, 1988, to Service Agreement with Entergy Services (10(e) 8 to Form 10-K for the year ended December 31, 1988, in 0-320).

(f) 10-- Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(e) 9 to Form 10-K for the year ended December 31, 1990, in 0-320).

(f) 11-- Amendment, dated January 1, 1992, to Service Agreement with Entergy Services (10(a)-11 to Form 10-K for the year ended December 31, 1994 in 1-3517).

(f) 12 though

(f) 24-- See 10(a)-12 - 10(a)-24 above.

(f) 25-- Installment Sale Agreement, dated as of June 1, 1974, between Entergy Mississippi and Washington County, Mississippi (B-2(a) to Rule 24 Certificate, dated August 1, 1974, in 70-5504).

(f) 26-- Installment Sale Agreement, dated as of July 1, 1982, between Entergy Mississippi and Independence County, Arkansas, (B-1(c) to Rule 24 Certificate dated July 21, 1982, in 70-6672).

(f) 27-- Installment Sale Agreement, dated as of December 1, 1982, between Entergy Mississippi and Independence County, Arkansas, (B-1(d) to Rule 24 Certificate dated December 7, 1982, in 70-6672).

(f) 28-- Amended and Restated Installment Sale Agreement, dated as of April 1, 1994, between Entergy Mississippi and Warren County, Mississippi, (B-6(a) to Rule 24 Certificate dated May 4, 1994, in 70-7914).

(f) 29-- Amended and Restated Installment Sale Agreement, dated as of April 1, 1994, between Entergy Mississippi and Washington County, Mississippi, (B-6(b) to Rule 24 Certificate dated May 4, 1994, in 70-7914).

(f) 30-- Substitute Power Agreement, dated as of May 1, 1980, among Entergy Mississippi, System Energy and SMEPA (B-3(a) in 70-6337).

(f) 31-- Amendment, dated December 4, 1984, to the Independence Steam Electric Station Operating Agreement (10(c) 51 to Form 10-K for the year ended December 31, 1984, in 0-375).

(f) 32-- Amendment, dated December 4, 1984, to the Independence Steam Electric Station Ownership Agreement

(10(c) 54 to Form 10-K for the year ended December 31, 1984, in 0-375).

(f) 33-- Owners Agreement, dated November 28, 1984, among Entergy Arkansas, Entergy Mississippi and other co- owners of the Independence Station (10(c) 55 to Form 10-K for the year ended December 31, 1984, in 0-375).

(f) 34-- Consent, Agreement and Assumption, dated December 4, 1984, among Entergy Arkansas, Entergy Mississippi, other co-owners of the Independence Station and United States Trust Company of New York, as Trustee (10(c) 56 to Form 10-K for the year ended December 31, 1984, in 0-375).

(f) 35-- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).

+ (f) 36-- Post-Retirement Plan (10(d) 24 to Form 10-K for the year ended December 31, 1983, in 0-320).

(f) 37-- Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (10(a) 39 to Form 10-K for the year ended December 31, 1982, in 1-3517).

(f) 38-- First Amendment to the Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).

(f) 39-- Revised Unit Power Sales Agreement (10(ss) in 33-4033).

(f) 40-- Sales Agreement, dated as of June 21, 1974, between System Energy and Entergy Mississippi (D to Rule 24 Certificate, dated June 26, 1974, in 70-5399).

(f) 41-- Service Agreement, dated as of June 21, 1974, between System Energy and Entergy Mississippi (E to Rule 24 Certificate, dated June 26, 1974, in 70-5399).

(f) 42-- Partial Termination Agreement, dated as of December 1, 1986, between System Energy and Entergy Mississippi (A-2 to Rule 24 Certificate dated January 8, 1987, in 70-5399).

(f) 43-- Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (D-1 to Form U5S for the year ended December 31, 1987).

(f) 44-- First Amendment dated January 1, 1990 to the Middle South Utilities Inc. and Subsidiary Companies Intercompany Tax Allocation Agreement (D-2 to Form U5S for the year ended December 31, 1989).

(f) 45-- Second Amendment dated January 1, 1992, to the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3 to Form U5S for the year ended December 31, 1992).

(f) 46-- Third Amendment dated January 1, 1994 to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).

+ (f) 47-- Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a) 52 to Form 10-K for the year ended December 31, 1989, in 1-3517).

+ (f) 48-- Entergy Corporation Annual Incentive Plan (10(a) 54 to Form 10-K for the year ended December 31, 1989, in 1-3517).

+ (f) 49-- Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).

+ (f) 50-- Supplemental Retirement Plan (10(a)69 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+ (f) 51-- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a)53 to Form 10-K for the year ended December 31, 1989 in 1-3517).

+ (f) 52-- Amendment No. 1 to the Equity Ownership Plan of Entergy Corporation and Subsidiaries (10(a)71 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+ (f) 53-- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a)72 to Form 10-K for the year ended December 31, 1992 in 1-3517).

- + (f) 54-- Executive Medical Plan of Entergy Corporation and Subsidiaries (10(a)73 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (f) 55-- Stock Plan for Outside Directors of Entergy Corporation and Subsidiaries, as amended (10(a)74 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (f) 56-- Summary Description of Private Ownership Vehicle Plan of Entergy Corporation and Subsidiaries (10(a)75 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (f) 57-- Agreement between Entergy Corporation and Edwin Lupberger (10(a)-42 to Form 10-K for the year ended December 31, 1985 in 1-3517).
- + (f) 58-- Agreement between Entergy Corporation and Jerry D. Jackson (10(a)-67 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (f) 59-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (f) 60-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).
- + (f) 61-- Agreement between System Energy and Donald C. Hintz (10(b)-47 to Form 10-K for the year ended December 31, 1991 in 1-9067).
- + (f) 62-- Summary Description of Retired Outside Director Benefit Plan (10(c)-90 to Form 10-K for the year ended December 31, 1992 in 1-10764).
- + (f) 63-- Amendment to Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 81 to Form 10-K for the year ended December 31, 1993 in 1-11299).
- + (f) 64-- System Executive Retirement Plan (10(a) 82 to Form 10-K for the year ended December 31, 1993 in 1-11299).

Entergy New Orleans

- (g) 1 -- Agreement, dated April 23, 1982, among Entergy New Orleans and certain other System companies, relating to System Planning and Development and Intra-System Transactions (10(a)-1 to Form 10-K for the year ended December 31, 1982, in 1-3517).
- (g) 2 -- Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).
- (g) 3 -- Amendment dated as of February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
- (g) 4 -- Amendment, dated May 12, 1988, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a) 4 in 2-41080).
- (g) 5 -- Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
- (g) 6 -- Service Agreement with Entergy Services dated as of April 1, 1963 (5(a)-5 in 2-42523).
- (g) 7 -- Amendment, dated as of January 1, 1972, to Service Agreement with Entergy Services (4(a)-6 in 2-45916).
- (g) 8 -- Amendment, dated as of April 27, 1984, to Service Agreement with Entergy Services (10(a)7 to Form 10-K for the year ended December 31, 1984, in 1-3517).
- (g) 9 -- Amendment, dated as of August 1, 1988, to Service Agreement with Entergy Services (10(f)-8 to Form 10-K for the year ended December 31, 1988, in 0-5807).
- (g) 10-- Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(f)-9 to Form 10-K for the year ended December 31, 1990, in 0-5807).
- (g) 11-- Amendment, dated January 1, 1992, to Service Agreement with Entergy Services (10(a)-11 to Form 10-K for year ended December 31, 1994 in 1-3517).

- (g) 12 through
- (g) 24-- See 10(a)-12 - 10(a)-24 above.
- (g) 25-- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).
- + (g) 26-- Post-Retirement Plan (10(e) 22 to Form 10-K for the year ended December 31, 1983, in 1-1319).
- (g) 27-- Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans
(10(a) 39 to Form 10-K for the year ended December 31, 1982, in 1-3517).
- (g) 28-- First Amendment to the Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (g) 29-- Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (g) 30-- Transfer Agreement, dated as of June 28, 1983, among the City of New Orleans, Entergy New Orleans and Regional Transit Authority (2(a) to Form 8-K, dated June 24, 1983, in 1-1319).
- (g) 31-- Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (D-1 to Form U5S for the year ended December 31, 1987).
- (g) 32-- First Amendment, dated January 1, 1990, to the Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-2 to Form U5S for the year ended December 31, 1989).
- (g) 33-- Second Amendment dated January 1, 1992, to the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3 to Form U5S for the year ended December 31, 1992).
- (g) 34-- Third Amendment dated January 1, 1994 to Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement (D-3(a) to Form U5S for the year ended December 31, 1993).
- + (g) 35-- Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a)52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- + (g) 36-- Entergy Corporation Annual Incentive Plan (10(a)54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- + (g) 37-- Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- + (g) 38-- Supplemental Retirement Plan (10(a)69 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (g) 39-- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a)53 to Form 10-K for the year ended December 31, 1989 in 1-3517).
- + (g) 40-- Amendment No. 1 to the Equity Ownership Plan of Entergy Corporation and Subsidiaries (10(a)71 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (g) 41-- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a)72 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (g) 42-- Executive Medical Plan of Entergy Corporation and Subsidiaries (10(a)73 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (g) 43-- Stock Plan for Outside Directors of Entergy Corporation and Subsidiaries, as amended (10(a)74 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (g) 44-- Summary Description of Private Ownership Vehicle Plan of Entergy Corporation and Subsidiaries (10(a)75 to Form 10-K for the year ended December 31, 1992 in 1-3517).
- + (g) 45-- Agreement between Entergy Corporation and Edwin Lupberger (10(a)-42 to Form 10-K for the year ended December 31, 1985 in 1-3517).

+(g) 46-- Agreement between Entergy Corporation and Jerry D. Jackson (10(a)-67 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+(g) 47-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1992 in 1-3517).

+(g) 48-- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).

+(g) 49-- Agreement between System Energy and Donald C. Hintz (10(b)-47 to Form 10-K for the year ended December 31, 1991 in 1-9067).

+(g) 50-- Summary Description of Retired Outside Director Benefit Plan (10(c)-90 to Form 10-K for the year ended December 31, 1992 in 1-10764).

+(g) 51-- Amendment to Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 81 to Form 10-K for the year ended December 31, 1993 in 1-11299).

+(g) 52-- System Executive Retirement Plan (10(a) 82 to Form 10-K for the year ended December 31, 1993 in 1-11299).

Entergy London

(h) 1 -- London Electricity Public Electricity Supply ("PES") License dated March 26, 1990, as revised through January 8, 1996 (10.01 in File No. 333-33331).

(h) 2 -- Modifications to the PES License issued to London Electricity effective October 1997 (10.02 in File No. 333- 33331).

(h) 3 -- Second-Tier License to Supply Electricity for London Electricity dated March 25, 1991 (10.03 in File No. 333-33331).

(h) 4 -- Pooling and Settlement Agreement dated March 30, 1990, as amended and restated at October 17, 1996, and as supplemented through July 28, 1997 among the Generators named therein, the Suppliers named therein (including London Electricity), Energy Settlements and Information Services (as Settlement System Administrator), Energy Pool Funds Administration Limited (as Pool Funds Administrator), The National Grid Company plc (as Grid Operator and Ancillary Services Provider), London Electricity and Other Parties (10.04 in File No. 333-33331).

(h) 5 -- Master Connection and Use of System Agreement dated as of March 30, 1990 among The National Grid Company plc and its users (including London Electricity) (10.05 in File No. 333-33331).

(h) 6 -- Master Agreement dated as of October 25, 1995 among The National Grid Holding plc, The National Grid Company plc, London Electricity and the other RECs (10.06 in File No. 333-33331).

(h) 7 -- Memorandum of Understanding between the National Grid Group plc, London Electricity and each of the RECs, dated November 17, 1995 (10.07 in File No. 333-33331).

+(h) 8 -- Agreement between Entergy Services and Gerald D. McInvale (10(a)-68 to Form 10-K for the year ended December 31, 1997 in 1-11299).
(12) Statement Re Computation of Ratios

*(a) Entergy Arkansas's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.

*(b) Entergy Gulf States' Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.

*(c) Entergy Louisiana's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.

*(d) Entergy Mississippi's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.

- * (e) Entergy New Orleans' Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.
- * (f) System Energy's Computation of Ratios of Earnings to Fixed Charges, as defined.
- * (g) Entergy London's Computation of Ratios of Earnings to Fixed Charges, as defined.
- * (21) Subsidiaries of the Registrants
- (23) Consents of Experts and Counsel
 - * (a) The consent of Coopers & Lybrand L.L.P. is contained herein at page 248.
- * (24) Powers of Attorney
- (27) Financial Data Schedule
 - * (a) Financial Data Schedule for Entergy Corporation and Subsidiaries as of December 31, 1997.
 - * (b) Financial Data Schedule for Entergy Arkansas as of December 31, 1997.
 - * (c) Financial Data Schedule for Entergy Gulf States as of December 31, 1997.
 - * (d) Financial Data Schedule for Entergy Louisiana as of December 31, 1997.
 - * (e) Financial Data Schedule for Entergy Mississippi as of December 31, 1997.
 - * (f) Financial Data Schedule for Entergy New Orleans as of December 31, 1997.
 - * (g) Financial Data Schedule for System Energy as of December 31, 1997.
 - * (h) Financial Data Schedule for Entergy London as of December 31, 1997.
- * Filed herewith.
- + Management contracts or compensatory plans or arrangements.

RESTATED ARTICLES OF INCORPORATION

OF

MISSISSIPPI POWER & LIGHT COMPANY

Pursuant to the provisions of Section 64 of the Mississippi Business Corporation Law (Section 79-3-127, Mississippi Code of 1972, as amended), the undersigned Corporation adopts the following Restated Articles of Incorporation:

FIRST: The name of the Corporation is **MISSISSIPPI POWER & LIGHT COMPANY.**

SECOND: The period of its duration is ninety-nine (99) years.

THIRD: The purpose or purposes which the Corporation is authorized to pursue are:

To acquire, buy, hold, own, sell, lease, exchange, dispose of, finance, deal in, construct, build, equip, improve, use, operate, maintain and work upon:

(a) Any and all kinds of plants and systems for the manufacture, production, storage, utilization, purchase, sale, supply, transmission, distribution or disposition of electricity, natural or artificial gas, water or steam, or power produced thereby, or of ice and refrigeration of any and every kind;

(b) Any and all kinds of telephone, telegraph, radio, wireless and other systems, facilities and devices for the receipt and transmission of sounds and signals, any and all kinds of interurban, city and street railways and railroads and bus lines for the transportation of passengers and/or freight, transmission lines, systems, appliances, equipment and devices and tracks, stations, buildings and other structures and facilities;

(c) Any and all kinds of works, power plants, manufactories, structures, substations, systems, tracks, machinery, generators, motors, lamps, poles, pipes, wires, cables, conduits, apparatus, devices, equipment, supplies, articles and merchandise of every kind pertaining to or in anywise connected with the construction, operation or maintenance of telephone, telegraph, radio, wireless and other systems, facilities and devices for the receipt and transmission of sounds and signals, or of interurban, city and street railways and railroads and bus lines, or in anywise connected with or pertaining to the manufacture, production, purchase, use, sale, supply, transmission, distribution, regulation, control or application of electricity, natural or artificial gas, water, steam, ice, refrigeration and power or any other purposes;

To acquire, buy, hold, own, sell, lease, exchange, dispose of, transmit, distribute, deal in, use, manufacture, produce, furnish and supply street and interurban railway and bus service, electricity, natural or artificial gas, light, heat, ice, refrigeration, water and steam in any form and for any purposes whatsoever, and any power or force or energy in any form and for any purposes whatsoever;

To buy, sell, manufacture, produce and generally deal in milk, cream and any articles or substances used or usable in or in connection with the manufacture and production of ice cream, ices, beverages and soda fountain supplies; to buy, sell, manufacture, produce and generally deal in ice cream and ices;

To acquire, organize, assemble, develop, build up and operate constructing and operating and other organizations and systems, and to hire, sell, lease, exchange, turn over, deliver and dispose of such organizations and systems in whole or in part and as going organizations and systems and otherwise, and to enter into and perform contracts, agreements and undertakings of any kind in connection with any or all the foregoing powers;

To do a general contracting business;

To purchase, acquire, develop, mine, explore, drill, hold, own and dispose of lands, interests in and rights with respect to lands and waters and fixed and movable property;

To borrow money and contract debts when necessary for the transaction of the business of the Corporation or for the exercise of its corporate rights, privileges or franchises or for any other lawful purpose of its incorporation; to issue bonds, promissory notes, bills of exchange, debentures and other obligations and evidences of indebtedness payable at a specified time or times or payable upon the happening of a specified event or events, whether secured by mortgage, pledge or otherwise or unsecured, for money borrowed or in payment for property purchased or acquired or any other lawful objects;

To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds,

securities or evidences of indebtedness created by, any other corporation or corporations of the State of Mississippi or any other state or government and, while the owner of such stock, to exercise all the rights, powers and privileges of individual ownership with respect thereto including the right to vote thereon, and to consent and otherwise act with respect thereto;

To aid in any manner any corporation or association, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts or obligations of which are held by or for the Corporation or in which or in the welfare of which the Corporation shall have any interest, and to do any acts designed to protect, preserve, improve or enhance the value of any property at any time held or controlled by the Corporation, or in which it may be at any time interested; and to organize or promote or facilitate the organization of subsidiary companies;

To purchase, hold, sell and transfer shares of its own capital stock, provided that the Corporation shall not purchase its own shares of capital stock except from surplus of its assets over its liabilities including capital; and provided, further, that the shares of its own capital stock owned by the Corporation shall not be voted upon directly or indirectly nor counted as outstanding for the purposes of any stockholders' quorum or vote;

In any manner to acquire, enjoy, utilize and to dispose of patents, copyrights and trade-marks and any licenses or other rights or interests therein and thereunder:

To purchase, acquire, hold, own or dispose of franchises, concessions, consents, privileges and licenses necessary for and in its opinion useful or desirable for or in connection with the foregoing powers;

To do all and everything necessary and proper for the accomplishment of the objects enumerated in these Restated Articles of Incorporation or any amendment thereof or necessary or incidental to the protection and benefits of the Corporation, and in general to carry on any lawful business necessary or not incidental to the attainment of the objects of the Corporation whether or not such business is similar in nature to the objects set forth in these Restated Articles of Incorporation or any amendment thereof.

To do any or all things herein set forth, to the same extent and as fully as natural persons might or could do, and in any part of the world, and as principal, agent, contractor or otherwise, and either alone or in conjunction with any other persons, firms, associations or corporations;

To conduct its business in all its branches in the State of Mississippi, other states, the District of Columbia, the territories and colonies of the United States, and any foreign countries, and to have one or more offices out of the State of Mississippi and to hold, purchase, mortgage and convey real and personal property both within and without the State of Mississippi; provided, however, that the Corporation shall not exercise any of the powers set forth herein for the purpose of engaging in business as a street railway, telegraph or telephone company unless prior thereto this Article Third shall have been amended to set forth a description of the line and the points it will traverse.

FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is 17,004,478 shares, divided into 2,004,476 shares of Preferred Stock of the par value of \$100 per share and 15,000,000 shares of Common Stock without par value.

The preferences, limitations and relative rights in respect of the shares of each class and the variations in the relative rights and preferences as between series of any preferred or special class in series are as follows:

The Preferred Stock shall be issuable in one or more series from time to time and the shares of each series shall have the same rank and be identical with each other and shall have the same relative rights except with respect to the following:

- (a) The number of shares to constitute each such series and the distinctive designation thereof;
- (b) The annual rate or rates of dividends payable on shares of such series, the dates on which dividends shall be paid in each year and the date from which such dividends shall commence to accumulate;
- (c) The amount or amounts payable upon redemption thereof; and
- (d) The sinking fund provisions, if any, for the redemption or purchase of shares;

which different characteristics of clauses (a), (b), (c) and (d) above may be stated and expressed with respect to each series in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors or in these Restated Articles of Incorporation of any amendment thereof.

A series of 60,000 shares of Preferred Stock shall:

- (a) be designated "4.36% Preferred Stock Cumulative, \$100 Par Value";

(b) have a dividend rate of \$4.36 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be February 1, 1963, and such dividends to be cumulative from the last date to which dividends upon the 4.36% Preferred Stock Cumulative, \$100 Par Value, of Mississippi Power & Light Company, a Florida corporation, are paid;

(c) be subject to redemption in the manner provided herein with respect to the Preferred Stock at the price of \$105.36 per share if redeemed on or before February 1, 1964, and of \$103.88 per share if redeemed after February 1, 1964, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption.

A series of 44,476 shares of the Preferred Stock shall:

(a) be designated "4.56% Preferred Stock, Cumulative, \$100 Par Value";

(b) have a dividend rate of \$4.56 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be February 1, 1963, and such dividends to be cumulative from the last date to which dividends upon the 4.56% Preferred Stock, Cumulative, \$100 Par Value, of Mississippi Power & Light Company, a Florida corporation, are paid; and

(c) be subject to redemption in the manner provided herein with respect to the Preferred Stock at the price of \$108.50 per share if redeemed on or before November 1, 1964, and of \$107.00 per share if redeemed after November 1, 1964, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption.

A series of 100,000 shares of the Preferred Stock shall:

(a) be designated "4.92% Preferred Stock, Cumulative, \$100 Par Value";

(b) have a dividend rate of \$4.92 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be February 1, 1966, and such dividends to be cumulative from the date of issue of said series; and

(c) be subject to redemption at the price of \$106.30 per share if redeemed on or before January 1, 1971, of \$104.38 per share if redeemed after January 1, 1971 and on or before January 1, 1976, and of \$102.88 per share if redeemed after January 1, 1976, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption.

A series of 75,000 shares of the Preferred Stock shall:

(a) be designated "9.16% Preferred Stock, Cumulative, \$100 Par Value";

(b) have a dividend rate of \$9.16 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be November 1, 1970, and such dividends to be cumulative from the date of issue of said series; and

(c) be subject to redemption at the price of \$110.93 per share if redeemed on or before August 1, 1975, of \$108.64 per share if redeemed after August 1, 1975 and on or before August 1, 1980, of \$106.35 per share if redeemed after August 1, 1980 and on or before August 1, 1985, and of \$104.06 per share if redeemed after August 1, 1985, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 9.16% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to August 1, 1975 if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 9.16% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than the effective dividend cost to the Corporation of the 9.16% Preferred Stock, Cumulative, \$100 Per Value.

A series of 100,000 shares of the Preferred Stock shall:

(a) be designated "7.44% Preferred Stock, Cumulative, \$100 Par Value";

(b) have a dividend rate of \$7.44 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be May 1, 1973, and such dividends to be cumulative from February 14, 1973; and

(c) be subject to redemption at the price of \$108.39 per share if redeemed on or before February 1, 1978, of \$106.53 per share if redeemed after February 1, 1978 and on or before February 1, 1983, of \$104.67 per share if redeemed after February 1, 1983 and on or before February 1, 1988, and of \$102.81 per share if redeemed after February 1, 1988, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 7.44% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to February 1, 1978 if such redemption is for the purpose or in anticipation of refunding such share through

the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 7.44% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than the effective dividend cost to the Corporation of the 7.44% Preferred Stock, Cumulative, \$100 Par Value.

A series of 200,000 shares of the Preferred Stock shall:

(a) be designated "17% Preferred Stock, Cumulative, \$100 Par Value"

(b) have a dividend rate of \$17.00 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be November 1, 1981, and such dividends to be cumulative from the date of issuance;

(c) be subject to redemption at the price of \$117.00 per share if redeemed on or before September 1, 1986, of \$112.75 per share if redeemed after September 1, 1986 and on or before September 1, 1991, of \$108.50 per share if redeemed after September 1, 1991 and on or before September 1, 1996, and of \$104.25 per share if redeemed after September 1, 1996, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 17% Preferred Stock Cumulative, \$100 Par Value, shall be redeemed prior to September 1, 1986 if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 17% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock; has an effective dividend cost to the Corporation (so computed) of less than the effective dividend cost to the Corporation of the 17% Preferred Stock, Cumulative, \$100 Par Value; and

(d) be subject to redemption as and for a sinking fund as follows: On September 1, 1986 and on each September 1 thereafter (each such date being hereinafter referred to as a "17% Sinking Fund Redemption Date"), for so long as any shares of the 17% Preferred Stock, Cumulative, \$100 Par Value, shall remain outstanding, the Corporation shall redeem, out of funds legally available therefor, 10,000 shares of the 17% Preferred Stock, Cumulative, \$100 Par value (or the number of shares then outstanding if less than 10,000) at the sinking fund redemption price of \$100 per share plus, as to each share so redeemed, an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of redemption (the obligation of the Corporation so to redeem the shares of the 17% Preferred Stock, Cumulative, \$100 Par Value, being hereinafter referred to as the "17% Sinking Fund Obligation"); the 17% Sinking Fund Obligation shall be cumulative; if on any 17% Sinking Fund Redemption Date, the Corporation shall not have funds legally available therefor sufficient to redeem the full number of shares required to be redeemed on that date, the 17% Sinking Fund Obligation with respect to the shares not redeemed shall carry forward to each successive 17% Sinking Fund Redemption Date until such shares shall have been redeemed; whenever on any 17% Sinking Fund Redemption Date, the funds of the Corporation legally available for the satisfaction of the 17% Sinking Fund Obligation and all other sinking fund and similar obligations then existing with respect to any other class or series of its stock ranking on a parity as to dividends or assets with the 17% Preferred Stock, Cumulative, \$100 Par Value (such Obligation and obligations collectively being hereinafter referred to as the "Total Sinking Fund Obligation") are insufficient to permit the Corporation to satisfy fully its Total Sinking Fund Obligation on that date, the Corporation shall apply to the satisfaction of its 17% Sinking Fund Obligation on that date that proportion of such legally available funds which is equal to the ratio of such 17% Sinking Fund Obligation to such Total Sinking Fund Obligation; in addition to the 17% Sinking Fund Obligation, the Corporation shall have the option, which shall be noncumulative, to redeem, upon authorization of the Board of Directors, on each 17% Sinking Fund Redemption Date, at the aforesaid sinking fund redemption price, up to 10,000 additional shares of the 17% Preferred Stock, Cumulative, \$100 Par Value; the Corporation shall be entitled, at its election, to credit against its 17% Sinking Fund Obligation on any 17% Sinking Fund Redemption Date any shares of the 17% Preferred Stock, Cumulative, Stock Par Value (including shares of the 17% Preferred Stock, Cumulative, \$100 Par Value optionally redeemed at the aforesaid sinking fund price) theretofore redeemed (other than shares of the 17% Preferred Stock, Cumulative, \$100 Par Value redeemed pursuant to the 17% Sinking Fund Obligation) purchased or otherwise acquired and not previously credited against the 17% Sinking Fund Obligation.

A series of 100,000 shares of the Preferred Stock shall:

(a) be designated "14-3/4% Preferred Stock, Cumulative, \$100 Par Value";

(b) have a dividend rate of \$14.75 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be May 1 1982, and such dividends to be cumulative from the date of issuance;

(c) be subject to redemption at the price of \$114.75 per share if redeemed after the issuance and sale and on or before March 1, 1983, \$113.11 per share if redeemed after March 1, 1983 and on or before March 1, 1984, \$111.47 per share if redeemed after March 1, 1984 and on or before March 1, 1985, \$109.83 per share if redeemed after March 1, 1985 and on or before March 1, 1986, \$108.19 per share if redeemed after March 1, 1986 and on or before March 1, 1987, \$106.56 per share if redeemed after March 1, 1987 and on or before March 1, 1988, \$104.92 per share if redeemed after March 1, 1988 and on or before March 1, 1989, \$103.28 per share if redeemed after March 1, 1989 and on or before March 1, 1990, \$101.64 per share if redeemed after March 1, 1990 and on or before March 1, 1991, and \$100.00 per share if redeemed

after March 1, 1991, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 14-3/4% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to March 1, 1987 if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 14-3/4% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than the effective dividend cost to the Corporation of the 14-3/4% Preferred Stock, Cumulative, \$100 Par Value; and

(d) be subject to redemption as and for a sinking fund as follows. On March 1, 1990, 1991 and 1992 (each such date being hereinafter referred to as a "14-3/4% Sinking Fund Redemption Date"), the Corporation shall redeem, out of funds legally available therefor, 33,333, 33,333 and 33,334 shares, respectively, of the 14-3/4% Preferred Stock, Cumulative, \$100 Par Value, at the sinking fund redemption price of \$100 per share plus, as to each share so redeemed, an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of redemption (the obligation of the Corporation so to redeem the shares of the 14-3/4% Preferred Stock, Cumulative, \$100 Par Value, being hereinafter referred to as the "14-3/4% Sinking Fund Obligation"); the 14-3/4% Sinking Fund Obligation shall be cumulative; if on any 14-3/4% Sinking Fund Redemption Date, the Corporation shall not have funds legally available therefor sufficient to redeem the full number of shares required to be redeemed on that date, the 14-3/4% Sinking Fund Obligation with respect to the shares not redeemed shall carry forward to each successive 14-3/4% Sinking Fund Redemption Date (or, in the event the 14-3/4% Sinking Fund Obligation is not satisfied on March 1, 1992, to such date as soon thereafter as funds are legally available to satisfy the 14-3/4% Sinking Fund Obligation) until such shares shall have been redeemed; whenever on any 14-3/4% Sinking Fund Redemption Date, the funds of the Corporation legally available for the satisfaction of the 14-3/4% Sinking Fund Obligation and all other sinking fund and similar obligations then existing with respect to any other class or series of its stock ranking on a parity as to dividends or assets with the 14-3/4% Preferred Stock, Cumulative, \$100 Par Value (such Obligation and obligations collectively being hereinafter referred to as the "Total Sinking Fund Obligation") are insufficient to permit the Corporation to satisfy fully its Total Sinking Fund Obligation on that date, the Corporation shall apply to the satisfaction of its 14-3/4% Sinking Fund Obligation on that date that proportion of such legally available funds which is equal to the ratio of such 14-3/4% Sinking Fund Obligation to such Total Sinking Fund Obligation.

A series of 100,000 shares of the Preferred Stock shall:

(a) be designated "12.00% Preferred Stock, Cumulative, \$100 Par Value";

(b) have a dividend rate of \$12.00 per share per annum payable quarterly on February 1, May 1, August 1 and November 1 of each year, the first dividend date to be May 1, 1983, and such dividends to be cumulative from the date of issuance;

(c) be subject to redemption at the price of \$112.00 per share if redeemed on or before March 1, 1988, of \$109.00 per share if redeemed after March 1, 1988 and on or before March 1, 1993, of \$106.00 per share if redeemed after March 1, 1993 and on or before March 1, 1998, and of \$103.00 per share if redeemed after March 1, 1998, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 12.00% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to March 1, 1988 if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 12.00% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than 12.7497% to per annum; and

(d) be subject to redemption as and for a sinking fund as follows: on March 1, 1888 and on each March 1 thereafter (each such date being hereinafter referred to as a "12.00% Sinking Fund Redemption Date"), for so long as any shares of the 12.00% Preferred Stock, Cumulative, \$100 Par Value, shall remain outstanding, the Corporation shall redeem, out of funds legally available therefor, 5,000 shares of the 12.00% Preferred Stock, Cumulative, \$100 Par Value (or the number of shares then outstanding if less than 5,000) at the sinking fund redemption price of \$100 per share plus, as to each share so redeemed, an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of redemption (the obligation of the Corporation so to redeem the shares of the 12.00% Preferred Stock, Cumulative, \$100 Par Value, being hereinafter referred to as the "12.00% Sinking Fund Obligation"); the 12.00% Sinking Fund Obligation shall be cumulative; if on any 12.00% Sinking Fund Redemption Date, the Corporation shall not have funds legally available therefor sufficient to redeem the full number of shares required to be redeemed on that date, the 12.00% Sinking Fund Obligation with respect to the shares not redeemed shall carry forward to each successive 12.00% Sinking Fund Redemption Date until such shares shall have been redeemed; whenever on any 12.00% Sinking Fund Redemption Date, the funds of the Corporation legally available for the satisfaction of the 12.00% Sinking Fund Obligation and all other sinking fund and similar obligations then existing with respect to any other class or series of its stock ranking on a parity as to dividends or assets with the 12.00% Preferred Stock Cumulative, \$100 Par Value (such Obligation and obligations collectively being hereinafter referred to as the "Total Sinking Fund Obligation") are insufficient to permit the Corporation to satisfy fully its Total Sinking Fund Obligation on that date, the Corporation shall apply to the satisfaction of its 12.00% Sinking Fund Obligation on that date that proportion of such legally available funds which is equal to the ratio of such 12.00% Sinking Fund Obligation to such Total Sinking Fund Obligation; in addition to the 12.00% Sinking Fund Obligation, the Corporation shall have the option, which shall be noncumulative, to redeem, upon authorization of the Board of Directors,

on each 12.00% Sinking Fund Redemption Date, at the aforesaid sinking fund redemption price, up to 5,000 additional shares of the 12.00% Preferred Stock Cumulative, \$100 Par Value; the Corporation shall be entitled, at its election, to credit against its 12.00% Sinking Fund Obligation on any 12.00% Sinking Fund Redemption Date any shares of the 12.00% Preferred Stock, Cumulative, \$100 Par Value (including shares of the 12.00% Preferred Stock Cumulative, \$100 Par Value optionally redeemed at the aforesaid sinking fund price) theretofore redeemed (other than shares of the 12.00% Preferred Stock, Cumulative, \$100 Par Value redeemed pursuant to the 12.00% Sinking Fund Obligation) purchased or otherwise acquired and not previously credited against the 12.00% Sinking Fund Obligation.

Subject to the foregoing, the distinguishing characteristics of the Preferred Stock shall be:

(A) Each series of the Preferred Stock, *pari passu* with all shares of preferred stock of any class or series then outstanding, shall be entitled but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends in preference to the Common Stock, to dividends at the rate stated and expressed with respect to such series herein or by the resolution or resolutions providing for the issue of such series adopted by the Board of Directors; such dividends to be cumulative from such date and payable on such dates in each year as may be stated and expressed in said resolution, to stockholders of record as of a date not to exceed 40 days and not less than 10 days preceding the dividend payment dates so fixed.

(B) If and when dividends payable on any of the Preferred Stock of the Corporation at any time outstanding shall be in default in an amount equal to four full quarterly payments or more per share, and thereafter until all dividends on any such preferred stock in default shall have been paid, the holders of the Preferred Stock *pari passu* with the holders of other preferred stock then outstanding, voting separately as a class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and, except as provided in the following paragraph, the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining directors of the Corporation. The terms of office, as directors, of all persons who may be directors of the Corporation at the time shall terminate upon the election of a majority of the Board of Directors by the holders of the Preferred Stock except that if the holders of the Common Stock shall not have elected the remaining directors of the Corporation, then, and only in that event, the directors of the Corporation in office just prior to the election of a majority of the Board of Directors by the holders of the Preferred Stock shall elect the remaining directors of the Corporation. Thereafter, while such default continues and the majority of the Board of Directors is being elected by the holders of the Preferred Stock, the remaining directors, whether elected by directors, as aforesaid, or whether originally or later elected by holders of the Common Stock shall continue in office until their successors are elected by holders of the Common Stock and shall qualify.

If and when all dividends then in default on the Preferred Stock; then outstanding shall be paid (such dividends to be declared and paid out of any funds legally available therefor as soon as reasonably practicable), the holders of the Preferred Stock shall be divested of any special right with respect to the election of directors, and the voting power of the holders of the Preferred Stock and the holders of the Common Stock shall revert to the status existing before the first dividend payment date on which dividends on the Preferred Stock were not paid in full, but always subject to the same provisions for vesting such special rights in the holders of the Preferred Stock in case of further like defaults in the payment of dividends thereon as described in the immediately foregoing paragraph. Upon termination of any such special voting right upon payment of all accumulated and unpaid dividends on the Preferred Stock, the terms of office of all persons who may have been elected directors of the Corporation by vote of the holders of the Preferred Stock as a class, pursuant to such special voting right shall forthwith terminate, and the resulting vacancies shall be filled by the vote of a majority of the remaining directors.

In case of any vacancy in the office of a director occurring among the directors elected by the holders of the Preferred Stock, voting separately as a class, the remaining directors elected by the holders of the Preferred Stock, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, may elect a successor or successors to hold office for the unexpired term or terms of the director or directors whose place or places shall be vacant. Likewise, in case of any vacancy in the office of a director occurring among the directors not elected by the holders of the Preferred Stock, the remaining directors not elected by the holders of the Preferred Stock, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, may elect a successor or successors to hold office for the unexpired term or terms of the director or directors whose place or places shall be vacant.

Whenever the right shall have accrued to the holders of the Preferred Stock to elect directors, voting separately as a class, it shall be the duty of the President, a Vice-President or the Secretary of the Corporation forthwith to call and cause notice to be given to the shareholders entitled to vote of a meeting to be held at such time as the Corporation's officers may fix, not less than forty-five nor more than sixty days after the accrual of such right, for the purpose of electing directors. The notice so given shall be mailed to each holder of record of preferred stock at his last known address appearing on the books of the Corporation and shall set forth, among other things, (i) that by reason of the fact that dividends payable on preferred stock are in default in an amount equal to four full quarterly payments or more per share, the holders of the Preferred Stock, voting separately as a class, have the right to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors of the Corporation, (ii) that any holder of the Preferred Stock has the right, at any reasonable time, to inspect, and make copies of, the list or lists of holders of the Preferred Stock maintained at the principal office of the Corporation or at the office of any Transfer Agent of the Preferred Stock, and (iii) either the entirety of this paragraph or the substance thereof with respect to the number of shares of the Preferred Stock required to be represented at any meeting, or adjournment thereof, called for the election of directors of the Corporation. At the first meeting of stockholders held for the purpose of electing directors during such time as the holders of the Preferred Stock shall have the special right, voting separately as a class, to elect directors, the presence in person or by proxy of the holders of a majority of the outstanding Common Stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders

of a majority of the outstanding Preferred Stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that in the absence of a quorum of the holders of the Preferred Stock, no election of directors shall be held, but a majority of the holders of the Preferred Stock who are present in person or by proxy shall have power to adjourn the election of the directors to a date not less than fifteen nor more than fifty days from the giving of the notice of such adjourned meeting hereinafter provided for; and provided, further, that at such adjourned meeting, the presence in person or by proxy of the holders of 35% of the outstanding Preferred Stock shall be required to constitute a quorum of such class for the election of directors. In the event such first meeting of stockholders shall be so adjourned, it shall be the duty of the President, a Vice- President or the Secretary of the Corporation, within ten days from the date on which such first meeting shall have been adjourned, to cause notice of such adjourned meeting to be given to the shareholders entitled to vote thereat, such adjourned meeting to be held not less than fifteen days nor more than fifty days from the giving of such second notice. Such second notice shall be given in the form and manner hereinabove provided for with respect to the notice required to be given of such first meeting of stockholders, and shall further set forth that a quorum was not present at such first meeting and that the holders of 35% of the outstanding Preferred Stock shall be required to constitute a quorum of such class for the election of directors at such adjourned meeting. If the requisite quorum of holders of the Preferred Stock shall not be present at said adjourned meeting, then the directors of the Corporation then in office shall remain in office until the next Annual Meeting of the Corporation, or special meeting in lieu thereof and until their successors shall have been elected and shall qualify. Neither such first meeting nor such adjourned meeting shall be held on a date within sixty days of the date of the next Annual Meeting of the Corporation, or special meeting in lieu thereof. At each Annual Meeting of the Corporation, or special meeting in lieu thereof, held during such time as the holders of the Preferred Stock, voting separately as a class, shall have the right to elect a majority of the Board of Directors, the foregoing provisions of this paragraph shall govern each Annual Meeting, or special meeting in lieu thereof, as if said Annual Meeting or special meeting were the first meeting of stockholders held for the purpose of electing directors after the right of the holders of the Preferred Stock, voting separately as a class, to elect a majority of the Board of Directors, should have accrued the exception, that if, at any adjourned annual meeting, or special meeting in lieu thereof, the holders of 35% of the outstanding Preferred Stock are not present in person or by proxy, all the directors shall be elected by a vote of the holders of a majority of the Common Stock of the Corporation present or represented at the meeting.

(C) So long as any shares of the Preferred Stock are outstanding, the Corporation shall not, without the consent (given by vote at a meeting called for that purpose) of at least two-thirds of the total number of shares of the Preferred Stock then outstanding:

(1) create, authorize or issue any new stock which, after issuance would rank prior to the Preferred Stock as to dividends, in liquidation, dissolution, winding up or distribution, or create, authorize or issue any security convertible into shares of any such stock except for the purpose of providing funds for the redemption of all of the Preferred Stock then outstanding, such new stock or security not to be issued until such redemption shall have been authorized and notice of such redemption given and the aggregate redemption price deposited as provided in paragraph (G) below; provided, however, that any such new stock or security shall be issued within twelve months after the vote of the Preferred Stock herein provided for authorizing the issuance of such new stock or security; or

(2) amend, alter, or repeal any of the rights, preferences or powers of the holders of the Preferred Stock so as to affect adversely any such rights, preferences or powers; provided, however, that if such amendment, alteration or repeal affects adversely the rights, preferences or powers of one or more, but not all, series of Preferred Stock at the time outstanding, only the consent of the holders of at least two-thirds of the total number of outstanding shares of all series so affected shall be required; and provided, further, that an amendment to increase or decrease the authorized amount of Preferred Stock or to create or authorize, or increase or decrease the amount of, any class of stock; ranking on a parity with the outstanding shares of the Preferred Stock as to dividends or assets shall not be deemed to affect adversely the rights, preferences or powers of the holders of the Preferred Stock or any series thereof.

(D) So long as any shares of the Preferred Stock are outstanding, the Corporation shall not, without the consent (given by vote at a meeting called for that purpose) of the holders of a majority of the total number of shares of the Preferred Stock then outstanding:

(1) merge or consolidate with or into any other corporation or corporations or sell or otherwise dispose of all or substantially all of the assets of the Corporation, unless such merger or consolidation or sale or other disposition, or the exchange, issuance or assumption of all securities to be issued or assumed in connection with any such merger or consolidation or sale or other disposition, shall have been ordered, approved or permitted under the Public Utility Holding Company Act of 1935; or

(2) issue or assume any unsecured notes, debentures or other securities representing unsecured indebtedness for purposes other than (i) the refunding of outstanding unsecured indebtedness theretofore issued or assumed by the Corporation resulting in equal or longer maturities, or (ii) the reacquisition, redemption or other retirement of all outstanding shares of the Preferred Stock, if immediately after such issue or assumption, the total principal amount of all unsecured notes, debentures or other securities representing unsecured indebtedness issued or assumed by the Corporation, including unsecured indebtedness then to be issued or assumed (but excluding the principal amount then outstanding of any unsecured notes, debentures, or other securities representing unsecured indebtedness having a maturity in excess of ten (10) years and in amount not exceeding 10% of the aggregate of (a) and (b) of this section below) would exceed ten per centum (10%) of the aggregate of (a) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Corporation and then to be outstanding, and

(b) the capital and surplus of the Corporation as then to be stated on the books of account of the Corporation. When unsecured notes, debentures or other securities representing unsecured debt of a maturity in excess of ten (10) years shall become of a maturity of ten (10) years

or less, it shall then be regarded as unsecured debt of a maturity of less than ten (10) years and shall be computed with such debt for the purpose of determining the percentage ratio to the sum of (a) and (b) above of unsecured debt of a maturity of less than ten (10) years, and when provision shall have been made, whether through a sinking fund or otherwise, for the retirement, prior to their maturity, of unsecured notes, debentures, or other securities representing unsecured debt of a maturity in excess of ten (10) years, the amount of any such security so required to be retired in less than ten

(10) years shall be regarded as unsecured debt of a maturity of less than ten (10) years (and not as unsecured debt of a maturity in excess of ten (10) years) and shall be computed with such debt for the purpose of determining the percentage ratio to the sum of (a) and (b) above of unsecured debt of a maturity of less than ten (10) years, provided, however, that the payment due upon the maturity of unsecured debt having an original single maturity in excess of ten (10) years or the payment due upon the latest maturity of any serial debt which had original maturities in excess of ten

(10) years shall not, for purposes of this provision, be regarded as unsecured debt of a maturity of less than ten

(10) years until such payment or payments shall be required to be made within three (3) years; furthermore, when unsecured notes, debentures or other securities representing unsecured debt of a maturity of less than ten (10) years shall exceed 10% of the sum of (a) and (b) above, no additional unsecured notes, debentures or other securities representing unsecured debt shall be issued or assumed

(except for the purpose set forth in (i) or (ii) above) until such ratio is reduced to 10% of the sum of (a) and (b) above; or

(3) issue, sell or otherwise dispose of any shares of the Preferred Stock in addition to the 104,476 shares of the Preferred Stock originally authorized, or of any other class of stock ranking on a parity with the Preferred Stock as to dividends or in liquidation, dissolution, winding up or distribution, unless the gross income of the Corporation and Mississippi Power & Light Company, a Florida corporation, for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the issuance, sale or disposition of such stock, determined in accordance with generally accepted accounting practices (but in any event after deducting all taxes and the greater of (a) the amount for said period charged by the Corporation and Mississippi Power & Light Company, a Florida corporation, on their books to depreciation expense or (b) the largest amount required to be provided therefor by any mortgage indenture of the Corporation) to be available for the payment of interest, shall have been at least one and one-half times the sum of (i) the annual interest charges on all interest bearing indebtedness of the Corporation and

(ii) the annual dividend requirements on all outstanding shares of the Preferred Stock and of all other classes of stock ranking prior to, or on a parity with, the Preferred Stock as to dividends or distributions, including the shares proposed to be issued; provided, that there shall be excluded from the foregoing computation interest charges on all indebtedness and dividends on all shares of stock which are to be retired in connection with the issue of such additional shares of the Preferred Stock or other class of stocks ranking prior to, or on a parity with, the Preferred Stock as to dividends or distributions; and provided, further, that in any case where such additional shares of the Preferred Stock, or other class of stock ranking on a parity with the Preferred Stock as to dividends or distributions, are to be issued in connection with the acquisition of additional property, the gross income of the property to be so acquired, computed on the same basis as the gross income of the Corporation, may be included on a pro forma basis in making the foregoing computation; or

(4) issue, sell, or otherwise dispose of any shares of the Preferred Stock, in addition to the 104,476 shares of the Preferred Stock originally authorized, or of any other class of stock ranking on a parity with the Preferred Stock as to dividends or distributions, unless the aggregate of the capital of the Corporation applicable to the Common Stock and the surplus of the Corporation shall be not less than the aggregate amount payable on the involuntary liquidation, dissolution, or winding up of the Corporation, in respect of all shares of the Preferred Stock and all shares of stock, if any, ranking prior thereto, or on a parity therewith, as to dividends or distributions, which will be outstanding after the issue of the shares proposed to be issued; provided, that if, for the purposes of meeting the requirements of this subparagraph (4), it becomes necessary to take into consideration any earned surplus of the Corporation, the Corporation shall not thereafter pay any dividends on shares of the Common Stock which would result in reducing the Corporation's Common Stock equity (as in paragraph (H) hereinafter defined) to an amount less than the aggregate amount payable, on involuntary liquidation, dissolution or winding up the Corporation, on all shares of the Preferred Stock and of any stock ranking prior to, or on a parity with, the Preferred Stock, as to dividends or other distributions, at the time outstanding.

(E) Each holder of Common Stock of the Corporation shall be entitled to one vote, in person or by proxy, for each share of such stock standing in his name on the books of the Corporation. Except as hereinbefore expressly provided in this Section Fourth, the holders of the Preferred Stock shall have no power to vote and shall be entitled to no notice of any meeting of the stockholders of the Corporation. As to matters upon which holders of the Preferred Stock are entitled to vote as hereinbefore expressly provided, each holder of such Preferred Stock shall be entitled to one vote, in person or by proxy, for each share of such Preferred Stock standing in his name on the books of the Corporation.

(F) In the event of any voluntary liquidation, dissolution or winding up of the Corporation, the Preferred Stock, pari passu with all shares of preferred stock of any class or series then outstanding, shall have a preference over the Common Stock until an amount equal to the then current redemption price shall have been paid. In the event of any involuntary liquidation, dissolution or winding up of the Corporation, which shall include any such liquidation, dissolution or winding up which may arise out of or result from the condemnation or purchase of all or a major portion of the properties of the Corporation, by (i) the United States Government or any authority, agency or instrumentality thereof, (ii) a state of the United States or any political subdivision, authority, agency, or instrumentality thereof, or (iii) a district, cooperative or other association or entity not organized for profit, the Preferred Stock, pari passu with all shares of preferred stock of any class or series then outstanding, shall also have a preference over the Common Stock until the full par value thereof and an amount equal to all accumulated and unpaid dividends thereon shall have been paid by dividends or distribution.

(G) Upon the affirmative vote of a majority of the shares of the issued and outstanding Common Stock at any annual meeting, or any special meeting called for that purpose, the Corporation may at any time redeem all of any series of said Preferred Stock or may from time to time redeem any part thereof, by paying in cash the redemption price then applicable thereto as stated and expressed with respect to such series in the resolution providing for the issue of such shares adopted by the Board of Directors of the Corporation, or in these Restated Articles of Incorporation or any amendment thereof, plus, in each case, an amount equivalent to the accumulated and unpaid dividends, if any, to the date of redemption. Notice of the intention of the Corporation to redeem all or any part of the Preferred Stock shall be mailed not less than thirty (30) days nor more than sixty (60) days before the date of redemption to each holder of record of Preferred Stock to be redeemed, at his post office address as shown by the Corporation's records, and not less than thirty (30) days' nor more than sixty (60) days' notice of such redemption may be published in such manner as may be prescribed by resolution of the Board of Directors of the Corporation; and, in the event of such publication, no defect in the mailing of such notice shall affect the validity of the proceedings for the redemption of any shares of Preferred Stock so to be redeemed. Contemporaneously with the mailing or the publication of such notice as aforesaid or at any time thereafter prior to the date of redemption, the Corporation may deposit the aggregate redemption price (or the portion thereof not already paid in the redemption of such Preferred Stock so to be redeemed) with any bank or trust company in the City of New York, New York, or in the City of Jackson, Mississippi, named in such notice, payable to the order of the record holders of the Preferred Stock so to be redeemed, as the case may be, on the endorsement and surrender of their certificates, and thereupon said holders shall cease to be stockholders with respect to such shares; and from and after the making of such deposit such holders shall have no interest in or claim against the Corporation with respect to said shares, but shall be entitled only to receive such moneys from said bank or trust company, with interest, if any, allowed by such bank or trust company on such moneys deposited as in this paragraph provided, on endorsement and surrender of their certificates, as aforesaid. Any moneys so deposited, plus interest thereon, if any, remaining unclaimed at the end of six years from the date fixed for redemption, if thereafter requested by resolution of the Board of Directors, shall be repaid to the Corporation, and in the event of such repayment to the Corporation, such holders of record of the shares so redeemed as shall not have made claim against such moneys prior to such repayment to the Corporation, shall be deemed to be unsecured creditors of the Corporation for an amount, without interest, equivalent to the amount deposited, plus interest thereon, if any, allowed by such bank or trust company, as above stated, for the redemption of such shares and so paid to the Corporation. Shares of the Preferred Stock which have been redeemed shall not be reissued. If less than all of the shares of the Preferred Stock are to be redeemed, the shares thereof to be redeemed shall be selected by lot, in such manner as the Board of Directors of the Corporation shall determine, by an independent bank or trust company selected for that purpose by the Board of Directors of the Corporation. Nothing herein contained shall limit any legal right of the Corporation to purchase or otherwise acquire any shares of the Preferred Stock; provided, however, that, so long as any shares of the Preferred Stock are outstanding, the Corporation shall not redeem, purchase or otherwise acquire less than all of the shares of the Preferred Stock, if, at the time of such redemption, purchase or other acquisition, dividends payable on the Preferred Stock shall be in default in whole or in part, unless, prior to or concurrently with such redemption, purchase or other acquisition, all such defaults shall be cured or unless such redemption, purchase or other acquisition shall have been ordered, approved or permitted under the Public Utility Holding Company Act of 1935; and provided further that, so long as any shares of the Preferred Stock are outstanding, the Corporation shall not make any payment or set aside any funds for payment into any sinking fund for the purchase or redemption of any shares of the Preferred Stock, if, at the time of such payment, or the setting apart of funds for such payment, dividends payable on the Preferred Stock shall be in default in whole or in part, unless, prior to or concurrently with such payment or the setting apart of funds for such payment, all such defaults shall be cured or unless such payment, or the setting apart of funds for such payment, shall have been ordered, approved or permitted under the Public Utility Holding Company Act of 1935. Any shares of the Preferred Stock so redeemed, purchased or acquired shall retired and cancelled.

(H) For the purposes of this paragraph (H) and subparagraph

(4) of paragraph (D) the term "Common Stock Equity" shall mean the aggregate of the par value of, or stated capital represented by, the outstanding shares (other than shares owned by the Corporation) of stock ranking junior to the Preferred Stock as to dividends and assets, of the premium on such junior stock and of the surplus (including earned surplus, capital surplus and surplus invested in plant) of the Corporation less (1) any amounts recorded on the books of the Corporation for utility plant and other plant in excess of the original cost thereof, (2) unamortized debt discount and expense, capital stock discount and expense and any other intangible items set forth on the asset side of the balance sheet as a result of accounting convention,

(3) the excess, if any, of the aggregate amount payable on involuntary liquidation, dissolution or winding up of the affairs of the Corporation upon all outstanding preferred stock of the Corporation over the aggregate par or stated value thereof and any premiums thereon and (4) the excess, if any, for the period beginning with January 1, 1954, to the end of the month within ninety (90) days preceding the date as of which Common Stock Equity is determined, of the cumulative amount computed under requirements contained in the Corporation's mortgage indentures relating to minimum depreciation provisions (this cumulative amount being the aggregate of the largest amounts separately computed for entire periods of differing coexisting mortgage indenture requirements), over the amount charged by the Corporation and Mississippi Power & Light Company, a Florida corporation, on their books for depreciation during such period, including the final fraction of a year; provided, however, that no deductions shall be required to be made in respect of items referred to in subdivisions (1) and (2) of this paragraph (H) in cases in which such items are being amortized or are provided for, or are being provided for, by reserves. For the purpose of this paragraph (H): (i) the term "total capitalization" shall mean the sum of the Common Stock Equity plus item three (3) in this paragraph (H) and the stated capital applicable to, and any premium on, outstanding stock of the Corporation not included in Common Stock Equity, and the principal amount of all outstanding debt of the Corporation maturing more than twelve months after the date of issue thereof; and (ii) the term "dividends on Common Stock" shall embrace dividends on Common Stock (other than dividends payable only in shares of Common Stock), distributions on, and purchases or other acquisitions for value of, any Common Stock of the Corporation or other stock if any, subordinate to its Preferred Stock. So long as any shares of the Preferred Stock are outstanding, the Corporation shall not declare or pay any dividends on the

Common Stock, except as follows:

(a) If and so long as the Common Stock Equity at the end of the calendar month immediately preceding the date on which a dividend on Common Stock is declared is, or as a result of such dividend would become, less than 20% of total capitalization, the Corporation shall not declare such dividends in an amount which, together with all other dividends on Common Stock paid within the year ending with and including the date on which such dividend is payable, exceeds 50% of the net income of the Corporation available for dividends on the Common Stock for the twelve full calendar months immediately preceding the month in which such dividends are declared, except in an amount not exceeding the aggregate of dividends on Common Stock which under the restrictions set forth above in this subparagraph (a) could have been, and have not been, declared; and

(b) If and so long as the Common Stock Equity at the end of the calendar month immediately preceding the date on which a dividend on Common Stock is declared is, or as a result of such dividend would become, less than 25% but not less than 20% of total capitalization, the Corporation shall not declare dividends on the Common Stock in an amount which, together with all other dividends on Common Stock paid within the year ending with and including the date on which such dividend is payable, exceeds 75% of the net income of the Corporation and Mississippi Power & Light Company, a Florida corporation, available for dividends on the Common Stock for the twelve full calendar months immediately preceding the month in which such dividends are declared, except in an amount not exceeding the aggregate of dividends on Common Stock which under the restrictions set forth above in subparagraph (a) and in this subparagraph (b) could have been and have not been declared; and

(c) If any time when the Common Stock Equity is 25% or more of total capitalization, the Corporation may not declare dividends on shares of the Common Stock which would reduce the Common Stock Equity below 25% of total capitalization, except to the extent provided in subparagraphs (a) and (b) above.

At anytime when the aggregate of all amounts credited subsequent to January 1, 1954, to the depreciation reserve account of the Corporation and Mississippi Power & Light Company, a Florida corporation, through charges to operating revenue deductions or otherwise on the books of the Corporation and Mississippi Power & Light Company, a Florida corporation, shall be less than the amount computed as provided in clause (aa) below, under requirements contained in the Corporation's mortgage indentures, then for the purposes of subparagraphs (a) and (b) above, in determining the earnings available for common stock dividends during any twelve-month period, the amount to be provided for depreciation in that period shall be (aa) the greater of the cumulative amount charged to depreciation expense on the books of the Corporation and Mississippi Power & Light Company, a Florida corporation, or the cumulative amount computed under requirements contained in the Corporation's mortgage indentures relating to minimum depreciation provisions (the latter cumulative amount being the aggregate of the largest amounts separately computed for entire periods of differing co-existing mortgage indenture requirements) for the period from January 1, 1954, to and including said twelve-month period, less

(bb) the greater of the cumulative amount charged to depreciation expense on the books of the Corporation and Mississippi Power & Light Company, a Florida corporation, or the cumulative amount computed under requirements contained in the Corporation's mortgage indentures relating to minimum depreciation provisions (the latter cumulative amount being the aggregate of the largest amounts separately computed for entire periods of differing coexisting mortgage indenture requirements) from January 1, 1954, up to but excluding said twelve-month period; provided that in the event any company other than Mississippi Power & Light Company, a Florida corporation, is merged into the Corporation the "cumulative amount computed under requirements contained in the Corporation's mortgage indentures relating to minimum depreciation provisions" referred to above shall be computed without regard, for the period prior to the merger, of property acquired in the merger, and the "cumulative amount charged to depreciation expense on the books of the Corporation" shall be exclusive of amounts provided for such property prior to the merger.

(I) The Board of Directors are hereby expressly authorized by resolution or resolutions to state and express the series and distinctive serial designation of any authorized and unissued shares of Preferred Stock proposed to be issued, the number of shares to constitute each such series, the annual rate or rates of dividends payable on shares of each series together with the dates on which such dividends shall be paid in each year, the date from which such dividends shall commence to accumulate, the amount or amounts payable upon redemption and the sinking fund provisions, if any, for the redemption or purchase of shares.

(J) Dividends may be paid upon the Common Stock only when (i) dividends have been paid or declared and funds set apart for the payment of dividends as aforesaid on the Preferred Stock from the date(s) after which dividends thereon became cumulative, to the beginning of the period then current, with respect to which such dividends on the Preferred Stock are usually declared, and (ii) all payments have been made or funds have been set aside for payments then or theretofore due under sinking fund provisions, if any, for the redemption or purchase of shares of any series of the Preferred Stock, but whenever (x) there shall have been paid or declared and funds shall have been set apart for the payment of all such dividends upon the Preferred Stock as aforesaid, and

(y) all payments shall have been made or funds shall have been set aside for payments then or theretofore due under sinking fund provisions, if any, for the redemption or purchase of shares of any series of the Preferred Stock, then, subject to the limitations above set forth, dividends upon the Common Stock may be declared payable then or thereafter, out of any net earnings or surplus of assets over liabilities, including capital, then remaining. After the payment of the limited dividends and/or shares in distribution of assets to which the Preferred Stock is expressly entitled in preference to the Common Stock, in accordance with the provisions hereinabove set forth, the Common Stock alone (subject to the rights of any class of stock hereafter authorized) shall receive all further dividends and shares in distribution.

(K) Subject to the limitations hereinabove set forth the Corporation from time to time may resell any of its own stock, purchased or otherwise acquired by it as hereinafter provided for, at such price as may be fixed by its Board of Directors or Executive Committee.

(L) Subject to the limitations hereinabove set forth the Corporation in order to acquire funds with which to redeem any outstanding Preferred Stock of any class, may issue and sell stock of any class then authorized but unissued, bonds, notes, evidences of indebtedness, or other securities.

(M) Subject to the limitations hereinabove set forth the Board of Directors of the Corporation may at any time authorize the conversion or exchange of the whole or any particular share of the outstanding preferred stock of any class with the consent of the holder thereof, into or for stock of any other class at the time of such consent authorized but unissued and may fix the terms and conditions upon which such conversion or exchange may be made; provided that without the consent of the holders of record of two-thirds of the shares of Common Stock outstanding given at a meeting of the holders of the Common Stock called and held as provided by the By-Laws or given in writing without a meeting, the Board of Directors shall not authorize the conversion or exchange of any preferred stock of any class into or for Common Stock or authorize the conversion or exchange of any preferred stock; of any class into or for preferred stock of any other class, if by such conversion or exchange the amount which the holders of the shares of stock so converted or exchanged would be entitled to receive either as dividends or shares in distribution of assets in preference to the Common Stock would be increased.

(N) A consolidation, merger or amalgamation of the Corporation with or into any other corporation or corporations shall not be deemed a distribution of assets of the Corporation within the meaning of any provisions of these Restated Articles of Incorporation.

(O) The consideration received by the Corporation from the sale of any additional stock without nominal or par value shall be entered in the Corporation's capital stock account.

(P) Subject to the limitations hereinabove set forth upon the vote of a majority of all the Directors of the Corporation and of a majority of the total number of shares of stock then issued and outstanding and entitled to vote, irrespective of class (or if the vote of a larger number or different proportion of shares is required by the laws of the State of Mississippi notwithstanding the above agreement of the stockholders of the Corporation to the contrary, then upon the vote of the larger number or different proportion of shares so required), the Corporation may from time to time create or authorize one or more other classes of stock with such preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications as may be determined by said vote, which may be the same as or different from the preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications of the classes of stock of the Corporation then authorized. Any such vote authorizing the creation of a new class of stock may provide that all moneys payable by the Corporation with respect to any class of stock thereby authorized shall be paid in the money of any foreign country named therein or designated by the Board of Directors, pursuant to authority therein granted, at a fixed rate of exchange with the money of the United States of America therein stated or provided for and all such payments shall be made accordingly. Any such vote may authorize any shares of any class then authorized but unissued to be issued as shares of such new class or classes

(Q) Subject to the limitations hereinabove set forth, either the Preferred Stock or the Common Stock or both of said classes of stock, may be increased at any time upon vote of the holders of a majority of the total number of shares of the Corporation then issued and outstanding and entitled to vote thereon, irrespective of class.

(R) If any provisions in this Section Fourth shall be in conflict or inconsistent with any other provisions of these Restated Articles of Incorporation of the Corporation the provisions of this Section Fourth shall prevail and govern.

FIFTH: The Corporation will not commence business until at least \$1,000 has been received by it as consideration for the issuance of shares.

SIXTH: Existing provisions limiting or denying to shareholders the preemptive right to acquire additional or treasury shares of the Corporation are:

No holder of any stock of the Corporation shall be entitled as of right to purchase or subscribe for any part of any unissued stock of the Corporation, or any additional stock of any class to be issued by reason of any increase of the authorized capital stock of the Corporation or of bonds, certificates of indebtedness, debentures, or other securities convertible into stock of the Corporation, but any such unissued stock or any such additional authorized issue of new stock, or of securities convertible into stock, may be issued and disposed of by the Board of Directors without offering to the stockholders then of record, or to any class of stockholders, any thereof on any terms.

SEVENTH: Existing provisions of the Restated Articles of Incorporation for the regulation of the internal affairs of the Corporation are:

(a) General authority is hereby conferred upon the Board of Directors to fix the consideration for which shares of stock of the Corporation without nominal or par value may be issued and disposed of, and the shares of stock of the Corporation without nominal or par value, whether authorized by these Restated Articles of Incorporation or by subsequent increase of the authorized number of shares of stock or by amendment of these Restated Articles of Incorporation by consolidation or merger or otherwise, and/or any securities convertible into stock of the

Corporation without nominal or par value may be issued and disposed of for such consideration and on such terms and in such manner as may be fixed from time to time by the Board of Directors.

(b) The issue of the whole, or any part determined by the Board of Directors, of the shares of stock of the Corporation as partly paid, and subject to calls thereon until the whole thereof shall have been paid, is hereby authorized.

(c) The Board of Directors shall have power to authorize the payment of compensation to the directors for services to the Corporation, including fees for attendance at meetings of the Board of Directors or the Executive Committee and all other committees and to determine the amount of such compensation and fees.

(d) The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost or destroyed and the Board of Directors may, in their discretion, require the owner of the lost or destroyed certificate, or his legal representative, to give bond in such sum as they may direct as indemnity against any claim that may be made against the Corporation, its officers, employees or agents by reason thereof; a new certificate may be issued without requiring any bond when, in the judgment of the directors, it is proper so to do.

If the Corporation shall neglect or refuse to issue such a new certificate and it shall appear that the owner thereof has applied to the Corporation for a new certificate in place thereof and has made due proof of the loss or destruction thereof and has given such notice of his application for such new certificate on such newspaper of general circulation, published in the State of Mississippi as reasonably should be approved by the Board of Directors, and in such other newspaper as may be required by the Board of Directors, and has tendered to the Corporation adequate security to indemnify the Corporation, its officers employees, or agents, and any person other than such applicant who shall thereafter appear to be the lawful owner of such alleged lost or destroyed certificate against damage, loss or expense because of the issuance of such new certificate, and the effect thereof as herein provided, then, unless there is adequate cause why such new certificate shall not be issued, the Corporation, upon the receipt of said indemnity, shall issue a new certificate of stock in place of such lost or destroyed certificate. In the event that the Corporation shall nevertheless refuse to issue a new certificate as aforesaid, the applicant may then petition any court of competent jurisdiction for relief against the failure of the Corporation to perform its obligations hereunder. In the event that the Corporation shall issue such new certificate, any person who shall thereafter claim any rights under the certificate in place of which such new certificate is issued, whether such new certificate is issued pursuant to the judgment or decree of such court or voluntarily by the Corporation after the publication of notice and the receipt of proof and indemnity as aforesaid, shall have recourse to such indemnity and the Corporation shall be discharged from all liability to such person by reason of such certificate and the shares represented thereby.

(e) No stockholder shall have any right to inspect any account, book or document of the Corporation, except as conferred by statute or authorized by the directors.

(f) A director of the Corporation shall not be disqualified by his office from dealing or contracting with the Corporation either as a vendor, purchaser or otherwise, nor shall any transaction or contract of the Corporation be void or voidable by reason of the fact that any director or any firm of which any director is a member or any corporation of which any director is a shareholder, officer or director, is in any way interested in such transaction or contract, provided that such transaction or contract is or shall be authorized, ratified or approved either (1) by a vote of a majority of a quorum of the Board of Directors or the Executive Committee, without counting in such majority or quorum any directors so interested or members of a firm so interested or a shareholder, officer or director of a corporation so interested, or (2) by the written consent, or by vote at a stockholders' meeting of the holders of record of a majority in number of all the outstanding shares of stock of the Corporation entitled to vote; nor shall any director be liable to account to the Corporation for any profits realized by or from or through any such transaction or contract of the Corporation, authorized, ratified or approved as aforesaid by reason of the fact that he or any firm of which he is a member or any corporation of which he is a shareholder, officer or director was interested in such transaction or contract. Nothing herein contained shall create any liability in the events above described or prevent the authorization, ratification or approval of such contract in any other manner provided by law.

(g) Any director may be removed, whether cause shall be assigned for his removal or not, and his place filled at any meeting of the stockholders by the vote of a majority of the outstanding stock of the Corporation entitled to vote. Vacancies in the Board of Directors, except vacancies arising from the removal of directors, shall be filled by the directors remaining in office.

(h) Any property of the Corporation not essential to the conduct of its corporate business and purposes may be sold, leased, exchanged or otherwise disposed of by authority of its Board of Directors and the Corporation may sell, lease or exchange all of its property and franchises or any of its property, franchises, corporate rights or privileges essential to the conduct of its corporate business and purposes upon the consent of and for such considerations and upon such terms as may be authorized by a majority of the Board of Directors and the holders of a majority of the outstanding shares of stock entitled to vote, expressed in writing or by vote at a meeting called for that purpose in the manner provided by the By-Laws of the Corporation for special meetings of stockholders; and at no time shall any of the plants, properties, easements, franchises (other than corporate franchises) or securities then owned by the Corporation be deemed to be property, franchises, corporate rights or privileges essential to the conduct of the corporate business and purposes of the Corporation.

Upon the vote or consent of the stockholders required to dissolve the Corporation, the Corporation shall have power, as the attorney and agent

of the holders of all of its outstanding stock, to sell, assign and transfer all such stock to a new corporation organized under the laws of the United States, the State of Mississippi or any other state, and to receive as the consideration therefor shares of stock of such new corporation of the several classes into which the stock of the Corporation is then divided, equal in number to the number of shares of stock of the Corporation of said several classes then outstanding, such shares of said new corporation to have the same preferences, voting powers, restrictions and qualifications thereof as may then attach to the classes of stock of the Corporation then outstanding so far as the same shall be consistent with such laws of the United States or of the State of Mississippi or of such other state, except that the whole or any part of such stock or any class thereof may be stock with or without nominal or par value. In order to make effective such a sale, assignment and transfer, the Corporation shall have the right to transfer all its outstanding stock on its books and to issue and deliver new certificates therefor in such names and amounts as such new corporation may direct without receiving for cancellation the certificates for such stock previously issued and then outstanding. Upon completion of such sale, assignment and transfer, the holders of the stock of the Corporation shall have no rights or interests in or against the Corporation except the right, upon surrender of certificates for stock of the Corporation properly endorsed, if required, to receive from the Corporation certificates for shares of stock of such new corporation of the class corresponding to the class of the shares surrendered, equal in number to the number of shares of the stock of the Corporation so surrendered.

(i) Upon the written assent or pursuant to the affirmative vote in person or by proxy of the holders of a majority in number of the shares then outstanding and entitled to vote, irrespective of class, (1) any or every statute of the State of Mississippi hereafter enacted, whereby the rights, powers or privileges of the Corporation are or may be increased, diminished or in any way affected or whereby the rights, powers or privileges of the stockholders of corporations organized under the law under which the Corporation is organized, are increased, diminished or in any way affected or whereby effect is given to the action taken by any part, less than all, of the stockholders of any such corporation, shall, notwithstanding any provisions which may at the time be contained in these Restated Articles of Incorporation or any law, apply to the Corporation, and shall be binding not only upon the Corporation, but upon every stockholder thereof, to the same extent as if such statute had been in force at the date of the making and filing of these Restated Articles of Incorporation and/or (2) amendments of these Restated Articles of Incorporation authorized at the time of the making of such amendments by the laws of the State of Mississippi may be made.

EIGHTH: The Restated Articles of Incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as heretofore amended and restated, and supersede the original Articles of Incorporation, and all amendments thereto, and prior Restated Articles of Incorporation and all amendments thereto.

DATED: December 21, 1983.

MISSISSIPPI POWER & LIGHT COMPANY

By: D. C. LUTKEN

Its President

[CORPORATE SEAL]

By: F. S. YORK, JR.

Its Secretary

**STATE OF MISSISSIPPI
COUNTY OF HINDS**

I, Bethel Ferguson, a Notary Public, do hereby certify that on this 21st day of December, 1983, personally appeared before me D. C. Lutken, who, being by me first duly sworn, declared that he is the President of Mississippi Power & Light Company, that he signed the foregoing document as President of the Corporation, and that the statements therein contained are true.

BETHEL FERGUSON
Notary Public

My commission expires July 23, 1987.

[NOTARY'S SEAL]

RESTATED ARTICLES OF INCORPORATION
of
MISSISSIPPI POWER & LIGHT COMPANY

Filing and Recording Data

Restated Articles of Incorporation filed with Secretary of State- -December 21, 1983

Certificate of Restated Articles of Incorporation issued by Secretary of State--December 21, 1983

Certificate of Restated Articles of Incorporation and Restated Articles of Incorporation filed for record in the office of the Chancery Clerk of the First Judicial District of Hinds County, Mississippi, Book 189, Page 624--December 22, 1983.

MISSISSIPPI POWER & LIGHT COMPANY

Statement of Resolution Establishing Series of Shares

October 25, 1984

Pursuant to the provisions of Section 79-3-29 of the Mississippi Business Corporation Law, the undersigned Corporation submits the following statement for the purpose of establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof:

1. The name of the corporation is Mississippi Power & Light Company.
2. The attached resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof was duly adopted by the Board of Directors of the Corporation on October 24, 1984.

Dated this the 25th day of October, 1984.

MISSISSIPPI POWER & LIGHT COMPANY

*By/s/ William Cavanaugh,
III
William Cavanaugh, III
President*

*By /s/ Frank S. York, Jr.
Frank S. York, Jr.
Senior Vice President,
Chief Financial
Officer
and Secretary*

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this October 25, 1984, personally appeared before me William Cavanaugh, III, who, being by me first duly sworn, declared that he is President of Mississippi Power & Light Company, that he executed the foregoing document as President of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary
Public*

My Commission Expires:

March 30, 1986

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this October 25, 1984, personally appeared before me Frank S. York, Jr., who, being by me first duly sworn, declared that he is Senior Vice President, Chief Financial Officer and Secretary of Mississippi Power & Light Company, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary
Public*

My Commission Expires:

March 30, 1986

RESOLVED That there is hereby established a series of the Preferred Stock of Mississippi Power & Light Company as follows:

A series of 150,000 shares of the Preferred Stock shall:

(a) be designated "16.16% Preferred Stock, Cumulative, \$100 Par Value;"

(b) have a dividend rate of \$16.16 per share per annum payable quarterly on February 1, May 1, August 1, and November 1 of each year, the first dividend date to be February 1, 1986, and such dividends to be cumulative from the date of issuance;

(c) be subject to redemption at the price of \$116.16 per share if redeemed on or before November 1, 1989, of \$112.12 per share if redeemed after November 1, 1989, and on or before November 1, 1994, of \$108.08 per share if redeemed after November 1, 1994, and on or before November 1, 1999, and of \$104.04 per share if redeemed after November 1, 1999, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 16.16% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to November 1, 1989, if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 16.16% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than 16.2772% per annum; and

(d) be subject to redemption as and for a sinking fund as follows: on November 1, 1989 and on each November 1 thereafter (each such date being hereinafter referred to as a "16.16% Sinking Fund Redemption Date"), for so long as any shares of the 16.16% Preferred Stock, Cumulative, \$100 Par Value, shall remain outstanding, the Corporation shall redeem, out of funds legally available therefor, 7,500 shares of the 16.16% Preferred Stock, Cumulative, \$100 Par Value, (or the number of shares then outstanding if less than 7,500) at the sinking fund redemption price of \$100 per share plus, as to each share so redeemed, an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of redemption (the obligation of the Corporation so to redeem the shares of the 16.16% Preferred Stock, Cumulative, \$100 Par Value, being hereinafter referred to as the "16.16% Sinking Fund Obligation"); the 16.16% Sinking Fund Obligation shall be cumulative; if on any 16.16% Sinking Fund Redemption Date, the Corporation shall not have funds legally available therefor sufficient to redeem the full number of shares required to be redeemed on that date, the 16.16% Sinking Fund Obligation with respect to the shares not redeemed shall carry forward to each successive 16.16% Sinking Fund Redemption Date until such shares shall have been redeemed; whenever on any 16.16% Sinking Fund Redemption Date, the funds of the Corporation legally available for the satisfaction of the 16.16% Sinking Fund Obligation and all other sinking fund and similar obligations then existing with respect to any other class or series of its stock ranking on a parity as to dividends or assets with the 16.16% Preferred Stock, Cumulative, \$100 Par Value (such obligation and obligations collectively being hereinafter referred to as the "Total Sinking Fund Obligations"), are insufficient to permit the Corporation to satisfy fully its Total Sinking Fund Obligation on that date, the Corporation shall apply to the satisfaction on its 16.16% Sinking Fund Obligation on that date that proportion of such legally available funds which is equal to the ratio of such 16.16% Sinking Fund Obligation to such Total Sinking Fund Obligation; in addition to the 16.16% Sinking Fund Obligation, the Corporation shall have the option, which shall be noncumulative, to redeem, upon authorization of the Board of Directors, on each 16.16% Sinking Fund Redemption Date, at the aforesaid sinking fund redemption price, up to 7,500 additional shares of the 16.16% Preferred Stock, Cumulative \$100 Par Value; the Corporation shall be entitled, at its election, to credit against its 16.16% Sinking Fund Obligation on any 16.16% Sinking Fund Redemption Date any shares of the Preferred Stock, Cumulative, \$100 Par Value (including shares of the 16.16% Preferred Stock, Cumulative, \$100 Par Value, optionally redeemed at the aforesaid sinking

fund price) theretofore redeemed (other than shares of the 16.16% Preferred Stock, Cumulative, \$100 Par Value, redeemed pursuant to the 16.16% Sinking Fund Obligation) purchased or otherwise acquired and not previously credited against the 16.16% Sinking Fund Obligation.

MISSISSIPPI POWER & LIGHT COMPANY

Statement of Resolution Establishing Series of Shares

July 24, 1986

Pursuant to the provisions of Section 79-3-29 of the Mississippi Code of 1972, the undersigned Corporation submits the following statement for the purpose of establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof:

1. The name of the corporation is Mississippi Power & Light Company.
2. The attached resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof was duly adopted by the Board of Directors of the Corporation on July 24, 1986.

Dated this the 24th day of July, 1986.

MISSISSIPPI POWER & LIGHT COMPANY

*By/s/ William Cavanaugh,
III
William Cavanaugh, III
President*

*By /s/ Frank S. York, Jr.
Frank S. York, Jr.
Senior Vice President,
Chief Financial
Officer
and Secretary*

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joseph L. Blount, a Notary Public, do hereby certify that on this July 24, 1986, personally appeared before me William Cavanaugh, III, who, being by me first duly sworn, declared that he is President of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as President of the Corporation, and that the statements therein contained are true.

*/s/ Joseph L. Blount
Joseph L. Blount, Notary
Public*

My Commission Expires:

January 20, 1990

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joseph L. Blount, a Notary Public, do hereby certify that on this July 24, 1986, personally appeared before me Frank S. York, Jr., who, being by me first duly sworn, declared that he is Senior Vice President, Chief Financial Officer and Secretary of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joseph L. Blount
Joseph L. Blount, Notary
Public*

My Commission Expires:

January 20, 1990

RESOLVED That there is hereby established a series of the Preferred Stock of Mississippi Power & Light Company as follows:

A series of 350,000 shares of the Preferred Stock shall:

(a) be designated "9% Preferred Stock, Cumulative, \$100 Par Value;"

(b) have a dividend rate of \$9.00 per share per annum payable quarterly on February 1, May 1, August 1, and November 1 of each year, the first dividend date to be November 1, 1986, and such dividends to be cumulative from the date of issuance;

(c) be subject to redemption at the price of \$109.00 per share if redeemed on or before July 1, 1991, of \$106.75 per share if redeemed after July 1, 1991, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 9% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to July 1, 1991, if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 9% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than 9.9901% per annum; and

(d) be subject to redemption as and for a sinking fund as follows: on July 1, 1991, and on each July 1 thereafter (each such date being hereinafter referred to as a "9% Sinking Fund Redemption Date"), for so long as any shares of the 9% Preferred Stock, Cumulative, \$100 Par Value, shall remain outstanding, the Corporation shall redeem, out of funds legally available therefor, 70,000 shares of the 9% Preferred Stock, Cumulative, \$100 Par Value, (or the number of shares then outstanding if less than 70,000) at the sinking fund redemption price of \$100 per share plus, as to each share so redeemed, an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of redemption (the obligation of the Corporation so to redeem the shares of the 9% Preferred Stock, Cumulative, \$100 Par Value, being hereinafter referred to as the "9% Sinking Fund Obligation"); the 9% Sinking Fund Obligation shall be cumulative; if on any 9% Sinking Fund Redemption Date, the Corporation shall not have funds legally available therefor sufficient to redeem the full number of shares required to be redeemed on that date, the 9% Sinking Fund Obligation with respect to the shares not redeemed shall carry forward to each successive 9% Sinking Fund Redemption Date until such shares shall have been redeemed; whenever on any 9% Sinking Fund Redemption Date, the funds of the Corporation legally available for the satisfaction of the 9% Sinking Fund Obligation and all other sinking fund and similar obligations then existing with respect to any other class or series of its stock ranking on a parity as to dividends or assets with the 9% Preferred Stock, Cumulative, \$100 Par Value (such obligation and obligations collectively being hereinafter referred to as the "Total Sinking Fund Obligations"), are insufficient to permit the Corporation to satisfy fully its Total Sinking Fund Obligation on that date, the Corporation shall apply to the satisfaction on its 9% Sinking Fund Obligation on that date that proportion of such legally available funds which is equal to the ratio of such 9% Sinking Fund Obligation to such Total Sinking Fund Obligation; the Corporation shall be entitled, at its election, to credit against its 9% Sinking Fund Obligation on any 9% Sinking Fund Redemption Date any shares of the Preferred Stock, Cumulative, \$100 Par Value, theretofore redeemed (other than shares of the 9% Preferred Stock, Cumulative, \$100 Par Value, redeemed pursuant to the 9% Sinking Fund Obligation) purchased or otherwise acquired and not previously credited against the 9% Sinking Fund Obligation.

MISSISSIPPI POWER & LIGHT COMPANY

Statement of Cancellation of Shares

September 1, 1986

Pursuant to the provisions of Section 79-3-133 of the Mississippi Code of 1972, the undersigned Corporation submits the following statement of cancellation of redeemable shares by redemption:

1. The name of the corporation is Mississippi Power & Light Company.
2. The number of redeemable shares cancelled through redemption is 20,000 shares of 17% preferred stock, cumulative, \$100 par value.
3. The aggregate number of issued shares, itemized by class and series, after giving effect to such cancellation is as follows:
 - (a) 6,275,000 shares of common stock, without par value;
 - (b) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (c) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (d) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (e) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (f) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (g) 180,000 shares of 17% preferred stock, cumulative, \$100 par value;
 - (h) 100,000 shares of 14.75% preferred stock, cumulative, \$100 par value;
 - (i) 100,000 shares of 12% preferred stock, cumulative, \$100 par value;
 - (j) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (k) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
4. The amount, expressed in dollars, of the stated capital of the Corporation, after giving effect to such cancellation is \$270,205,800.00.
5. The Restated Articles of Incorporation of the Corporation provide that the cancelled shares shall not be reissued, and the number of shares which the Corporation has authority to issue, itemized by class, after giving effect to such cancellation, is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 6,275,000 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,984,476 shares of preferred stock, 1,258,808 shares of which are issued and outstanding as outlined above.

Dated this the 10th day of December, 1986.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ Frank S. York, Jr.
Frank S. York, Jr.
Senior Vice President,
Chief Financial Officer
and Secretary

By /s/ A. H. Mapp
A. H. Mapp
Assistant Secretary
and
Assistant Treasurer

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this 10th day of December, 1986, personally appeared before me Frank S. York, Jr.,

who, being by me first duly sworn, declared that he is Senior Vice President, Chief Financial Officer and Secretary of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

/s/ Joy L. Spears
Joy L. Spears, Notary

Public
My Commission Expires:

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this 10th day of December, 1986, personally appeared before me A. H. Mapp, who, being by me first duly sworn, declared that he is Assistant Secretary and Assistant Treasurer of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

/s/ Joy L. Spears
Joy L. Spears, Notary

Public
My Commission Expires:

MISSISSIPPI POWER & LIGHT COMPANY

Statement of Cancellation of Shares

November 1, 1986

Pursuant to the provisions of Section 79-3-133 of the Mississippi Code of 1972, the undersigned Corporation submits the following statement of cancellation of redeemable shares by redemption:

1. The name of the corporation is Mississippi Power & Light Company.
2. The number of redeemable shares cancelled through redemption is 180,000 shares of 17% preferred stock, cumulative, \$100 par value.
3. The aggregate number of issued shares, itemized by class and series, after giving effect to such cancellation is as follows:
 - (a) 6,275,000 shares of common stock, without par value;
 - (b) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (c) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (d) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (e) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (f) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (g) 100,000 shares of 14.75% preferred stock, cumulative, \$100 par value;
 - (h) 100,000 shares of 12% preferred stock, cumulative, \$100 par value;
 - (i) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (j) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
4. The amount, expressed in dollars, of the stated capital of the Corporation, after giving effect to such cancellation is \$252,205,800.00.
5. The Restated Articles of Incorporation of the Corporation provide that the cancelled shares shall not be reissued, and the number of shares which the Corporation has authority to issue, itemized by class, after giving effect to such cancellation, is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 6,275,000 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,804,476 shares of preferred stock, 1,078,808 shares of which are issued and outstanding as outlined above.

Dated this the 10th day of December, 1986.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ Frank S. York, Jr.
Frank S. York, Jr.
Senior Vice President,
Chief Financial Officer
and Secretary

By /s/ A. H. Mapp
A. H. Mapp
Assistant Secretary
and
Assistant Treasurer

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this 10th day of December, 1986, personally appeared before me Frank S. York, Jr., who, being by me first duly sworn, declared that he is Senior Vice President, Chief Financial Officer and Secretary of Mississippi Power &

Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary*

Public

My Commission Expires:

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this 10th day of December, 1986, personally appeared before me A. H. Mapp, who, being by me first duly sworn, declared that he is Assistant Secretary and Assistant Treasurer of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary*

Public

My Commission Expires:

MISSISSIPPI POWER & LIGHT COMPANY

Statement of Cancellation of Shares

November 1, 1986

Pursuant to the provisions of Section 79-3-133 of the Mississippi Code of 1972, the undersigned Corporation submits the following statement of cancellation of redeemable shares by redemption:

1. The name of the corporation is Mississippi Power & Light Company.
2. The number of redeemable shares cancelled through redemption is 100,000 shares of 14.75% preferred stock, cumulative, \$100 par value.
3. The aggregate number of issued shares, itemized by class and series, after giving effect to such cancellation is as follows:
 - (a) 6,275,000 shares of common stock, without par value;
 - (b) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (c) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (d) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (e) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (f) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (g) 100,000 shares of 12% preferred stock, cumulative, \$100 par value;
 - (h) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (i) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
4. The amount, expressed in dollars, of the stated capital of the Corporation, after giving effect to such cancellation is \$242,205,800.00.
5. The Restated Articles of Incorporation of the Corporation provide that the cancelled shares shall not be reissued, and the number of shares which the Corporation has authority to issue, itemized by class, after giving effect to such cancellation, is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 6,275,000 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,704,476 shares of preferred stock, 978,808 shares of which are issued and outstanding as outlined above.

Dated this the 10th day of December, 1986.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ Frank S. York, Jr.
Frank S. York, Jr.
Senior Vice President,
Chief Financial Officer
and Secretary

By /s/ A. H. Mapp
A. H. Mapp
Assistant Secretary
and
Assistant Treasurer

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this 10th day of December, 1986, personally appeared before me Frank S. York, Jr., who, being by me first duly sworn, declared that he is Senior Vice President, Chief Financial Officer and Secretary of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and

Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary*

Public

My Commission Expires:

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this 10th day of December, 1986, personally appeared before me A. H. Mapp, who, being by me first duly sworn, declared that he is Assistant Secretary and Assistant Treasurer of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary*

Public

My Commission Expires:

MISSISSIPPI POWER & LIGHT COMPANY

Statement of Resolution Establishing Series of Shares

January 13, 1987

Pursuant to the provisions of Section 79-3-29 of the Mississippi Code of 1972, the undersigned Corporation submits the following statement for the purpose of establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof:

1. The name of the corporation is Mississippi Power & Light Company.
2. The attached resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof was duly adopted by the Board of Directors of the Corporation on January 13, 1987.

Dated this the 13th day of January, 1987.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ D. C. Lutken*
 D. C. Lutken
 President, Chairman of
 the Board and Chief
 Executive Officer

By */s/ G. A. Goff*
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this January 13, 1987, personally appeared before me D. C. Lutken, who, being by me first duly sworn, declared that he is President, Chairman of the Board and Chief Executive Officer of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as President, Chairman of the Board and Chief Executive Officer of the Corporation, and that the statements therein contained are true.

/s/ Joy L. Spears
Joy L. Spears, Notary
Public

My Commission Expires:

STATE OF MISSISSIPPI

COUNTY OF MINDS

I, Joy L. Spears, a Notary Public, do hereby certify that on this January 13, 1987, personally appeared before me G. A. Goff, who, being by me first duly sworn, declared that he is Senior Vice President, Chief Financial Officer and Secretary of Mississippi Power & Light Company, a Mississippi corporation, that he executed the foregoing document as Senior Vice President, Chief Financial Officer and Secretary of the Corporation, and that the statements therein contained are true.

*/s/ Joy L. Spears
Joy L. Spears, Notary
Public*

My Commission Expires:

RESOLVED That there is hereby established a series of the Preferred Stock of Mississippi Power & Light Company as follows:

A series of 350,000 shares of the Preferred Stock shall:

(a) be designated "9.76% Preferred Stock, Cumulative, \$100 Par Value;"

(b) have a dividend rate of \$9.76 per share per annum payable quarterly on February 1, May 1, August 1, and November 1 of each year, the first dividend date to be May 1, 1987, and such dividends to be cumulative from the date of issuance;

(c) be subject to redemption at the price of \$109.76 per share if redeemed on or before January 1, 1988, of \$108.68 per share if redeemed after January 1, 1988, and on or before January 1, 1989, of \$107.60 per share if redeemed after January 1, 1989, and on or before January 1, 1990, of \$106.51 per share if redeemed after January 1, 1990, and on or before January 1, 1991, of \$105.43 per share if redeemed after January 1, 1991, and on or before January 1, 1992, of \$104.34 per share if redeemed after January 1, 1992, and on or before January 1, 1993, of \$103.26 per share if redeemed after January 1, 1993, and on or before January 1, 1994, of \$102.17 per share if redeemed after January 1, 1994, and on or before January 1, 1995, of \$101.09 per share if redeemed after January 1, 1995, and on or before January 1, 1996, and of \$100.00 per share if redeemed after January 1, 1996, in each case plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that no share of the 9.76% Preferred Stock, Cumulative, \$100 Par Value, shall be redeemed prior to January 1, 1992, if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Corporation, or through the use, directly or indirectly, of funds derived through the issuance by the Corporation of stock ranking prior to or on a parity with the 9.76% Preferred Stock, Cumulative, \$100 Par Value, as to dividends or assets, if such borrowed funds have an effective interest cost to the Corporation (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Corporation (so computed) of less than 9.9165% per annum; and

(d) be subject to redemption as and for a sinking fund as follows: on January 1, 1993, and on each January 1 thereafter (each such date being hereinafter referred to as a "9.76% Sinking Fund Redemption Date"), for so long as any shares of the 9.76% Preferred Stock, Cumulative, \$100 Par Value, shall remain outstanding, the Corporation shall redeem, out of funds legally available therefor, 70,000 shares of the 9.76% Preferred Stock, Cumulative, \$100 Par Value, (or the number of shares then outstanding if less than 70,000) at the sinking fund redemption price of \$100 per share plus, as to each share so redeemed, an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of redemption (the obligation of the Corporation so to redeem the shares of the 9.76% Preferred Stock, Cumulative, \$100 Par Value, being hereinafter referred to as the "9.76% Sinking Fund Obligation"); the 9.76% Sinking Fund Obligation shall be cumulative; if on any 9.76% Sinking Fund Redemption Date, the Corporation shall not have funds legally available therefor sufficient to redeem the full number of shares required to be redeemed on that date, the 9.76% Sinking Fund Obligation with respect to the shares not redeemed shall carry forward to each successive 9.76% Sinking Fund Redemption Date until such shares shall have been redeemed; whenever on any 9.76% Sinking Fund Redemption Date, the funds of the Corporation legally available for the satisfaction of the 9.76% Sinking Fund Obligation and all other sinking fund and similar obligations then existing with respect to any other class or series of its stock ranking on a parity as to dividends or assets with the 9.76% Preferred Stock, Cumulative, \$100 Par Value (such obligation and obligations collectively being hereinafter referred to as the "Total Sinking Fund Obligations"), are insufficient to permit the Corporation to satisfy fully its Total Sinking Fund Obligation on that date, the Corporation shall apply to the satisfaction on its 9.76% Sinking Fund Obligation on that date that proportion of such legally available funds which is equal to the ratio of such 9.76% Sinking Fund Obligation to such Total Sinking Fund Obligation; the Corporation shall be entitled, at its election, to credit against its 9.76% Sinking Fund Obligation on any 9.76% Sinking Fund Redemption Date any shares of the Preferred Stock, Cumulative, \$100 Par Value, theretofore redeemed (other than shares of the 9.76% Preferred Stock, Cumulative, \$100 Par Value, redeemed pursuant to the 9.76% Sinking Fund Obligation) purchased or otherwise acquired and not previously credited against the 9.76% Sinking Fund Obligation.

FURTHER RESOLVED That the officers of the Company are hereby authorized and directed to execute, file, publish and record all such statements and other documents, and to do and perform all such other and further acts and things, as in the judgment of the officer or officers taking such action may be necessary or desirable for the purpose of causing the immediately preceding resolution to become fully effective and of causing said resolution to become and constitute an amendment of the Restated Articles of Incorporation of the Company, all in the manner and to the extent required by the Mississippi Business Corporation Law.

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (Supp. 1987)

March 8, 1988

The undersigned corporation, pursuant to Section 79-4-6.31 of the Mississippi Code of 1972, as amended, submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 5,000 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 6,275,000 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,699,476 shares of preferred stock, 1,323,808 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 95,000 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 8th day of March, 1988.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

By /s/ J. R. Martin
 J. R. Martin
 Treasurer and
Assistant
 Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (Supp. 1988)

January 19, 1989

The undersigned corporation, pursuant to Section 79-4-6.31 of the Mississippi Code of 1972, as amended, submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 1,500 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:

(a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and

(b) 1,699,476 shares of preferred stock, 1,323,808 shares of which are issued and outstanding in the following series:

- (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
- (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
- (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
- (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
- (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
- (vi) 93,500 shares of 12% preferred stock, cumulative, \$100 par value;
- (vii) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
- (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
- (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 19th day of January, 1989.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

REGISTERED AGENT/OFFICE STATEMENT OF CHANGE

(Mark appropriate box)

X DOMESTIC X PROFIT

FOREIGN NONPROFIT

1. Name of Corporation:

Mississippi Power & Light Company

Federal Tax ID: 64-0205830

2. Current street address of registered office:

308 East Pearl Street
Jackson, Mississippi 39201

3. New street address of registered office: (No change)

4. Name of current registered agent:

Donald C. Lutken or Robert C. Grenfell

5. Name of new registered agent:

Michael B. Bemis or Robert C. Grenfell

6. (Mark appropriate box) (X) The undersigned hereby accepts designation as registered agent for service of process.

/s/ Michael B. Bemis

/s/ Robert C. Grenfell

*() Statement of written consent if
attached.*

7. () Nonprofit. The street address of the registered office and the street address of the principal office of its registered agent will be identical.

(X) Profit. The street address of the registered office and the street address of the business office of its registered agent will be identical.

8. The corporation has been notified of the change of registered office.

Mississippi Power & Light Company Corporate Name

By: *Michael B. Bemis, President and COO* /s/ *Michael B.
Bemis*

PRINTED NAME/CORPORATE TITLE

SIGNATURE

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (Supp. 1988)

March 30, 1989

The undersigned corporation, pursuant to Section 79-4-6.31 of the Mississippi Code of 1972, as amended, submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 8,500 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,699,476 shares of preferred stock, 1,323,808 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 85,000 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 30th day of March, 1989.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (Supp. 1988)

March 30, 1989

The undersigned corporation, pursuant to Section 79-4-6.31 of the Mississippi Code of 1972, as amended, submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 5,800 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,692,176 shares of preferred stock, 1,316,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 87,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 150,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 30th day of March, 1989.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

ARTICLES OF CORRECTION

(Mark appropriate box)

X PROFIT NONPROFIT

The undersigned corporation, pursuant to Section 79-4-1.24 (if a profit corporation) or Section 79-11-113 (if a nonprofit corporation) of the Mississippi Code of 1972, as amended, hereby executes the following document and sets forth:

1. The name of the corporation is:

Mississippi Power & Light Company

2. (Mark appropriate box.) (X) The document to be corrected is Articles of Amendment which became effective on March 31, 1989 (date).

() A copy of the document to be corrected is attached.

3. The aforesaid articles contain the following incorrect statement:

See Attachment "A"

4. a. The reason such statement is incorrect is: The reduction in the number of shares of the class and series referred to in attachment A was incorrectly states as 8,500, and should have been 5,800, which incorrect statement is a component of certain other statements made in the Articles of Amendment, all as reflected in attachment "A".

or

b. The manner in which the execution of such document was defective was:

5. The correction is as follows: Attachment "B", a new executed form of Articles of Amendment, is substituted in its entirety for the Articles of Amendment referred to above.

6. The certificate of correction shall become effective on March 31, 1989.

By: Mississippi Power & Light Company
printed name/corporation title

Officer

/s/ G. A. Goff
G. A. Goff
Senior Vice President,
Chief Financial

and Secretary

ATTACHMENT "A"

The following incorrect statements were included in the Articles of Amendment under Miss. Code Ann. Section 74-4-6.31 (Supp. 1988) dated March 30, 1989:

1. Paragraph 2 thereof provided as follows: "The reduction in the number of authorized shares, itemized by class and series, is 8,500 shares of 12% Preferred Stock, Cumulative, \$100 par value."
2. Paragraph 3(b) provided in part as follows: "1,699,476 shares of preferred stock, 1,323,808 shares of which are issued and outstanding in the following series:
 - (vi) 85,000 shares of 12% preferred stock, cumulative, \$100 par value;

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (Supp. 1988)

November 2, 1989

The undersigned corporation, pursuant to Miss. Code Ann.

Section 79-4-6.31 (Supp. 1988), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 90,000 shares of 16.16% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,602,176 shares of preferred stock, 1,226,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$200 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 87,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 60,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 2nd day of November, 1989.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1972)

March 28, 1990

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1972), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 10,000 shares of 12.009% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,592,176 shares of preferred stock, 1,216,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$200 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 77,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 60,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 30th day of March, 1990.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1972)

November 2, 1990

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1972), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 15,000 shares of 16.16% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,577,176 shares of preferred stock, 1,201,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 77,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 45,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 2nd day of November, 1990.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

March 26, 1991

Ms. Sylvia Jacobs
Branch Supervisor-Corporations Business Services Secretary of State of State of Mississippi 202 North Congress Street, Suite 601
Jackson, MS 39205

Re: Mississippi Power & Light Company
Articles of Amendment

Dear Ms. Jacobs:

I received your Notice of Return regarding the Articles of Amendment we recently filed for Mississippi Power & Light Company under Section 79-4-6.31 of the Mississippi Code. Your Notice of Return states that we must use Form C-3 provided in the Guide for Domestic Corporations published by the Mississippi Secretary of State.

I draw your attention to the fact that the Articles of Amendment we are filing are being filed under Section 79-4-6.31 (1989) of the Mississippi Code, and not Section 79-4-10.06. I agree that if we were filing Articles of Amendment under Section 79-4-10.06, the proper form to use would be Form C-3 provided by the Mississippi Secretary of State. However, the Articles of Amendment we are filing are being filed only because stock was redeemed by the corporation and is now being cancelled.

We have used the form enclosed with this letter numerous times in the past to file Articles of Amendment pursuant to Section 79-4-6.31, after consultation with Ray Bailey. It is my opinion that the form for the standard Articles of Amendment would not be appropriate for the type of amendment we are filing, and there is no place on the form to provide the information required under Section 79-4-6.31. Accordingly, I am returning our duplicate originals of the Articles of Amendment and request that you file one among the records in your office, and return the conformed copy, marked "Filed," to my attention at the above address.

If you have any questions, please feel free to call at the above direct dial number.

Very truly yours,

Cockrell

/s/ J. Michael

J. Michael Cockrell

DMC/st
Enclosure

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

March 18, 1991

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is (a) 80 shares of 4.36% preferred stock, cumulative, \$100 par value; (b) 588 shares of 4.56% preferred stock, cumulative, \$100 par value; and (c) 10,000 shares of 12% preferred stock, cumulative, \$100 par value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,566,508 shares of preferred stock, 1,191,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 67,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 45,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 350,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 18th day of March, 1991.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ G. A. Goff
 G. A. Goff
 Senior Vice
President,
 Chief Financial
Officer
 and Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

July 12, 1991

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,496,508 shares of preferred stock, 1,121,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 67,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 45,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 280,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 12th day of July, 1991.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ A. H. Mapp*
A. H. Mapp
Assistant Treasurer
and
Assistant Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

November 19, 1991

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 15,000 shares of 16.16% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,481,508 shares of preferred stock, 1,106,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 67,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 30,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 280,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 19th day of November, 1991.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ A. H. Mapp*
A. H. Mapp
Assistant Treasurer

and
Assistant Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

March 13, 1992

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 10,000 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 7,579,400 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,471,508 shares of preferred stock, 1,096,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 57,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 30,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 280,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 13th day of March, 1992.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ A. H. Mapp*
Title: *Assistant*
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

July 15, 1992

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,401,508 shares of preferred stock, 1,026,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 57,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 30,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 210,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and

Dated this the 15th day of July, 1992.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ A. H. Mapp*
Title: *Assistant*
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment - Statement of Resolution Establishing Series of Shares

October 22, 1992

Pursuant to the provisions of Section 79-4-6.02(d) of the Mississippi Code of 1972 (Supp. 1989), Mississippi Power & Light Company submits the following statement for the purpose of establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof:

1. The name of the corporation is Mississippi Power & Light Company.
2. The attached resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof was duly adopted by the Board of Directors of the Corporation on October 22, 1992.

Dated this the 22nd day of October, 1992.

MISSISSIPPI POWER & LIGHT COMPANY

By /s/ A. H. Mapp
 Allan H. Mapp
 Assistant Secretary
and
 Assistant Treasurer

MISSISSIPPI POWER & LIGHT COMPANY

Excerpts from the minutes of the Meeting

of the Board of Directors held on October 22, 1992

RESOLVED That there is hereby established a series of the Preferred Stock of Mississippi Power & Light Company as follows:

A series of 200,000 shares of the Preferred Stock shall:

- (a) be designated as the "8.36% Preferred Stock, Cumulative, \$100 Par Value";
- (b) have a dividend rate of \$8.36 per share per annum payable quarterly on February 1, May 1, August 1, and November 1 of each year, the first dividend date to be February 1, 1993, and such dividends to be cumulative from the date of issuance; and
- (c) be subject to redemption at the price of \$100 par share plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption (except that no share of the 8.36% Preferred Stock shall be redeemed on or before October 1, 1997).

FURTHER RESOLVED That the officers of the Company are hereby authorized and directed to execute, file and publish and record all such statements and other documents, and to do and perform all such other and further acts and things, as in the judgment of the officer and officers taking such action may be necessary or desirable for the purpose of causing the immediately preceding resolution to become fully effective and of causing said resolution to become and constitute an amendment of the Restated Articles of Incorporation of the Company, all in the manner and to the extent required by the Mississippi Business Corporation Law.

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

November 6, 1992

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 15,000 shares of 16.16% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,386,508 shares of preferred stock, 1,211,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 57,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 15,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 210,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 350,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (x) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 6th day of November, 1993.

MISSISSIPPI POWER & LIGHT COMPANY

*By /s/ A. H. Mapp
Title: Assistant
Secretary*

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

January 12, 1993

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.76% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,316,508 shares of preferred stock, 1,141,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 57,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 15,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 210,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 280,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (x) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 12th day of January, 1993.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ A. H. Mapp*
Title: *Assistant*
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

March 10, 1993

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 10,000 shares of 12.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,306,508 shares of preferred stock, 1,131,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 47,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 15,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 210,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 280,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (x) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 10th day of March, 1993.

MISSISSIPPI POWER & LIGHT COMPANY

By */s/ A. H. Mapp*
Title: *Assistant*
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

July 12, 1993

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,236,508 shares of preferred stock, 1,061,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 47,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 15,000 shares of 16.16% preferred stock, cumulative, \$100 par value;
 - (viii) 140,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (ix) 280,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (x) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 12th day of July, 1993.

MISSISSIPPI POWER & LIGHT COMPANY

*By /s/ James W. Snider
Title: Assistant
Secretary*

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

November 15, 1993

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 15,000 shares of 16.16% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 1,221,508 shares of preferred stock, 1,046,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 47,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 140,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (viii) 280,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 15th day of November, 1993.

MISSISSIPPI POWER & LIGHT COMPANY

*By /s/ James W. Snider
Title: Assistant
Secretary*

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-10.06 (1989)

February 4, 1994

The undersigned corporation, pursuant to Section 79-4-10.06 of the Mississippi Code of 1972, as amended, submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. As evidenced by the attached Stockholder's Written Approval of Amendment authorizing 1,500,000 additional shares of Preferred Stock of the par value of \$100 per share, the following amendment of the Restated Articles of Incorporation, as amended (the "Charter"), was proposed by the Board of Directors of Mississippi Power & Light Company on October 29, 1993, was adopted by the stockholders of the Corporation entitled to vote on the amendment on February 4, 1994, in accordance with and in the manner prescribed by the laws of the State of Mississippi and the Charter of Mississippi Power & Light Company:

The first paragraph in Article FOURTH of the Charter is amended to read as follows:

FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is 17,721,508 shares, divided into 2,721,508 shares of Preferred Stock of the par value of \$100 per share and 15,000,000 shares of Common Stock without par value.

3. Pursuant to the Laws of the State of Mississippi and the Charter of Mississippi Power & Light Company, the holders of Preferred Stock of the par value of \$100 per share were not entitled to vote on the amendment as a separate voting group. The holders of the outstanding shares of common stock were the only stockholders entitled to vote on the amendment.
4. The number of shares of common stock of the corporation outstanding at the time of such adoption was 8,666,357; and the number of shares entitled to vote thereon was 8,666,357.

Dated this the 4th day of February, 1994.

MISSISSIPPI POWER & LIGHT COMPANY

By: /s/ Edwin Lupberger
Edwin Lupberger
Chairman of the Board
and
Chief Executive Officer

By: /s/ Donald E. Meiners
Donald E. Meiners
President

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

March 17, 1994

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 10,000 shares of 12.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,641,508 shares of preferred stock, 966,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 37,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 140,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (viii) 210,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 17th day of March, 1994.

MISSISSIPPI POWER & LIGHT COMPANY

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

August 1, 1994

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,571,508 shares of preferred stock, 896,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 37,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 70,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (viii) 210,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 1st day of August, 1994.

MISSISSIPPI POWER & LIGHT COMPANY

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

January 18, 1995

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.76% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,501,508 shares of preferred stock, 826,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 37,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 70,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (viii) 140,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 18th day of January, 1995.

MISSISSIPPI POWER & LIGHT COMPANY

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

March 7, 1995

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 10,000 shares of 12.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,491,508 shares of preferred stock, 816,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 27,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 70,000 shares of 9% preferred stock, cumulative, \$100 par value;
 - (viii) 140,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 7th day of March, 1995.

MISSISSIPPI POWER & LIGHT COMPANY

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

July 20, 1995

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.00% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,421,508 shares of preferred stock, 746,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 27,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 140,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 20th day of July, 1995.

MISSISSIPPI POWER & LIGHT COMPANY

By: */s/ J. W. Snider, Jr.*
Assistant
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

January 19, 1996

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.76% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,351,508 shares of preferred stock, 676,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 27,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 70,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 19th day of January, 1996.

MISSISSIPPI POWER & LIGHT COMPANY

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

MISSISSIPPI POWER & LIGHT COMPANY

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

March 6, 1996

The undersigned corporation, pursuant to Miss. Code Ann.
Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Mississippi Power & Light Company.
2. The reduction in the number of authorized shares, itemized by class and series, is 10,000 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,341,508 shares of preferred stock, 666,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 17,700 shares of 12% preferred stock, cumulative, \$100 par value;
 - (vii) 70,000 shares of 9.76% preferred stock, cumulative, \$100 par value; and
 - (ix) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 6th day of March, 1996.

MISSISSIPPI POWER & LIGHT COMPANY

By: */s/ J. W. Snider, Jr.*
Assistant
Secretary

OFFICE OF THE MISSISSIPPI SECRETARY OF STATE

P. O. Box 136, Jackson, MS 39205-0136 (601) 359-1333 Articles of Amendment

The undersigned persons, pursuant to Section 79-4-10.06 (if a profit corporation) or Section 79-11-305 (if a nonprofit corporation) of the Mississippi Code of 1972, hereby execute the following document and set forth:

1. Type of Corporation

X Profit Nonprofit

2. Name of Corporation

Mississippi Power & Light Company

3. The future effective date is (Complete if applicable)

4. Set forth the text of each amendment adopted. (Attach page)

5. If an amendment for a business corporation provides for an exchange, reclassification, or cancellation of issued shares, set forth the provisions for implementing the amendment if they are not contained in the amendment itself.
(Attach page)

6. The amendment(s) was (were) adopted on: 04/22/96

FOR PROFIT CORPORATION (Check the appropriate box)

Adopted by the incorporators directors without
shareholder action and shareholder
action was not required.

FOR NONPROFIT CORPORATION (Check the appropriate box)

Adopted by the incorporators board of directors
without member action and member
action was not required.

FOR PROFIT CORPORATION

7. If the amendment was approved by shareholders

(a) The designation, number of outstanding shares, number of votes entitled to be cast by each voting group entitled to vote separately on the amendment, and the number of votes of each voting group indisputably represented at the meeting were

votes indisputably Designation	No of outstanding shares	No. of votes entitled to be case	No. of represented
Common Stock	8666357	8666357	8666357

(b) EITHER

(i) the total number of votes cast for and against the amendment by each voting group entitled to vote separately on the amendment was

Voting Group AGAINST	Total no. of votes case FOR	Total no. of votes case
Common stock	8666357	0

OR

(ii) the total number of undistributed votes cast for the amendment by each voting group was

Total no. of Voting Group undisputed votes case FOR the plan

and the number of votes case for the amendment by each voting group was sufficient for approval by that voting group.

FOR NONPROFIT CORPORATION

8. If the amendment was approved by the members

(a) The designation, number of memberships outstanding, number of votes entitled to be cast by each class entitled to vote separately on the amendment, and the number of votes of each class indisputably represented at the meeting were

votes indisputably Designation	No. of memberships outstanding	No. of votes entitled to be cast	No. of represented
--------------------------------------	--------------------------------------	--	-----------------------

(b) EITHER

(i) the total number of votes cast for and against the amendment by each class entitled to vote separately on the amendment was

Total no. of Total no. of Voting votes cast FOR votes cast AGAINST

OR

(ii) the total number of undistributed votes cast for the amendment by each class was

Total no. of undisputed Voting class votes cast FOR the amendment

and the number of votes cast for the amendment by each voting group was sufficient for approval by that voting group.

By: *Signature* /s/ *Michael G.
Thompson*

Printed Name *Michael G. Thompson*

Title: Senior Vice President The Restated Articles of Incorporation of Mississippi Power & Light Company, as amended, are amended, effective April 22, 1996, by deleting the title and article FIRST in their entirety and replacing therefor the following:

RESTATED ARTICLES OF INCORPORATION

OF

ENTERGY MISSISSIPPI, INC.

FIRST: The name of the Corporation is ENTERGY MISSISSIPPI, INC.

Any additional references to "Mississippi Power & Light Company" in said Restated Articles of Incorporation, as amended, are changed to "Entergy Mississippi, Inc."

ENTERGY MISSISSIPPI, INC.

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

January 28, 1996

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Entergy Mississippi, Inc.
2. The reduction in the number of authorized shares, itemized by class and series, is 70,000 shares of 9.76% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,271,508 shares of preferred stock, 596,508 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 17,700 shares of 12% preferred stock, cumulative, \$100 par value; and
 - (vii) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 28th day of January, 1997.

ENTERGY MISSISSIPPI, INC.

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
P. O. BOX 136, JACKSON, MS 39205-0136 (601)359-1333
ARTICLES OF CORRECTION
(Mark appropriate box)

The undersigned, pursuant to Section 79-4-1.24 (if a profit corporation) or Section 79-11-113 (if a nonprofit corporation) of the Mississippi Code of 1972, as amended, hereby executes the following document and sets forth:

X PROFIT NONPROFIT

2. The name of the corporation is:

Mississippi Power & Light Company

3. (Mark appropriate box.) (X) The document to be corrected is Articles of Amendment which became effective on January 28, 1997 (date).

() A copy of the document to be corrected is attached.

4. The aforesaid articles contain the following incorrect statement:

See Attachment "A"

5. a. The reason such statement is incorrect is: The Articles of Amendment referred to above failed to reflect the reduction in the number of authorized shares of preferred stock of the 12% Series.

or

b. The manner in which the execution of such document was defective was:

6. The correction is as follows: Attachment "B", a corrected executed form of Articles of Amendment, is substituted in its entirety for the Articles of Amendment referred to above.

6. The certificate of correction shall become effective on January 28, 1997.

By: *Mississippi Power & Light Company*
Jr.

printed name/corporation title

/s/ J. W. Snider,

J. W. Snider, Jr.
Assistant Secretary

Attachment A

The following incorrect statements were included in the Articles of Amendment dated January 28, 1997:

1. The date on the face of the Articles of Amendment was January 28, 1996.
2. Paragraph 2 failed to include in the reduction in the number of authorized preferred shares 17,700 shares of 12% Preferred Stock, Cumulative, \$100 Par Value.
3. Paragraph 3(b) provided in part as follows:
"2,271,508 shares of Preferred Stock, 596,508 shares of which are issued and outstanding in the following series."
4. Paragraph 3(b)(vi) was included erroneously.

ENTERGY MISSISSIPPI, INC.

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31 (1989)

January 28, 1997

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31 (1989), submits the following document and sets forth:

1. The name of the corporation is Entergy Mississippi, Inc.
2. The reduction in the number of authorized shares, itemized by class and series, is (a) 17,700 shares of 12% Preferred Stock, Cumulative, \$100 Par Value and (b) 70,000 shares of 9.76% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,253,808 shares of preferred stock, 578,808 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 75,000 shares of 9.16% preferred stock, cumulative, \$100 par value;
 - (v) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (vi) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 28th day of January, 1997.

ENTERGY MISSISSIPPI, INC.

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

ENTERGY MISSISSIPPI, INC.

Articles of Amendment Under Miss. Code Ann.

Section 79-4-6.31

November 17, 1997

The undersigned corporation, pursuant to Miss. Code Ann. Section 79-4-6.31, submits the following document and sets forth:

1. The name of the corporation is Entergy Mississippi, Inc.
2. The reduction in the number of authorized shares, itemized by class and series, is 75,000 shares of 9.16% Preferred Stock, Cumulative, \$100 Par Value.
3. The total number of authorized shares, itemized by class and series, remaining after reduction of the shares is as follows:
 - (a) 15,000,000 shares of common stock, without par value, 8,666,357 of such shares being issued and outstanding at the date hereof; and
 - (b) 2,178,808 shares of preferred stock, 503,808 shares of which are issued and outstanding in the following series:
 - (i) 59,920 shares of 4.36% preferred stock, cumulative, \$100 par value;
 - (ii) 43,888 shares of 4.56% preferred stock, cumulative, \$100 par value;
 - (iii) 100,000 shares of 4.92% preferred stock, cumulative, \$100 par value;
 - (iv) 100,000 shares of 7.44% preferred stock, cumulative, \$100 par value;
 - (v) 200,000 shares of 8.36% preferred stock, cumulative, \$100 par value.

Dated this the 17th day of November, 1997.

ENTERGY MISSISSIPPI, INC.

By: /s/ J. W. Snider, Jr.
Assistant
Secretary

Exhibit 4(h)4

RESTATEMENT AGREEMENT

DATED 17th November, 1997

relating to a BPS1,250,000,000

Credit Agreement dated 17th December, 1996

(as amended)

FOR

ENTERGY LONDON INVESTMENTS PLC

(formerly ENTERGY POWER UK PLC)

and

LONDON ELECTRICITY PLC

ARRANGED BY

ABN AMRO BANK N.V.

and

UNION BANK OF SWITZERLAND

Allen & Overy

London

INDEX


Clause	
Page	
1.	Interpretation
4	
2.	Amendments to and restatement of the Credit Agreement
4	
3.	Representations and warranties
5	
4.	Conditions precedent
5	
5.	Miscellaneous
5	
6.	Governing law
5	
Schedules	
1.	BANKS
6	
	PART I - CONTINUING BANKS
6	
	PART II - NEW BANKS
6	
	PART III - RETIRING BANKS
7	
2.	CONDITIONS PRECEDENT TO THE EFFECTIVE DATE
8	
3.	FORM OF RESTATED CREDIT AGREEMENT
10	
SIGNATORIES	
125	

THIS RESTATEMENT AGREEMENT is dated 17th November, 1997 and made between:-

- (1) ENTERGY UK LIMITED (Registered No. 3386063) ("EUK");
- (2) ENTERGY LONDON INVESTMENTS PLC (Registered No. 3261188)
(the "Company");
- (3) LONDON ELECTRICITY plc (Registered No. 2366852)
("London Electricity");
- (4) ENTERGY UK FINANCE LIMITED (Registered No. 3385743),
ENTERGY LONDON HOLDINGS LIMITED (Registered No. 3385734),
ENTERGY LONDON LIMITED (Registered No. 3261305),
ENTERGY INTERNATIONAL INVESTMENTS NO. 1 LTD LLC and
ENTERGY INTERNATIONAL INVESTMENTS NO. 2 LTD LLC (the "Additional Guarantors");
- (5) ABN AMRO BANK N.V. and UNION BANK OF SWITZERLAND as arrangers (in this capacity the "Arrangers");
- (6) THE FINANCIAL INSTITUTIONS listed in Part I of Schedule 1 to this Restatement Agreement (the "Continuing Banks");
- (7) THE FINANCIAL INSTITUTIONS listed in Part II of Schedule 1 to this Restatement Agreement (the "New Banks");
- (8) THE FINANCIAL INSTITUTIONS listed in Part III of Schedule 1 to this Restatement Agreement (the "Retiring Banks"); and
- (9) ABN AMRO BANK N.V. as agent (in this capacity the "Agent").

BACKGROUND:-

(A) By a credit agreement dated 17th December, 1996 (as amended) (the "Credit Agreement"), the Continuing Banks and the Retiring Banks agreed to make available to the Company and London Electricity a BPS1,250,000,000 syndicated credit facility.

(B) The Company wishes to amend the Credit Agreement on the terms below to reflect (inter alia) the change in the corporate  relating to its shareholding, the refinancing of Facility B (as defined in the Credit Agreement) and various other matters which have

1. INTERPRETATION

1.1 Terms defined

In this Restatement Agreement:-

- (a) "Effective Date" means 21st November, 1997 or such other date as the Agent (with the prior agreement of the other Finance Parties) may agree;
- (b) "EIL Facility Agreement" means the U.S.\$120,000,000 Credit Agreement dated as of 17th November, 1997 between Entergy International Ltd LLC, the Banks (as defined therein) and ABN AMRO Bank N.V. as administrative agent;
- (c) "Finance Parties" means the Arrangers, the Continuing Banks, the Retiring Banks, the New Banks and the Agent;
- (d) "Obligors" means EUK, the Company, the Additional Guarantors and London Electricity; and
- (e) "Restated Credit Agreement" means the Credit Agreement as restated and amended in the terms of Schedule 3.

1.2 Interpretation

- (a) Terms defined in the Credit Agreement shall, unless the contrary intention appears or the context otherwise requires, have the same meaning in this Restatement Agreement.
- (b) A reference to the "agreed form" is a reference to the form of a document agreed by the Company and the Agent prior to the date of this Agreement.
- (c) Clauses 1.2 (Construction) of the Credit Agreement shall apply to this Restatement Agreement, as though it were set out in full in this Restatement Agreement, but as if references in that clause to the Credit Agreement were construed as references to this Restatement Agreement.
- (d) This Restatement Agreement is a Finance Document.

2. AMENDMENTS TO AND RESTATEMENT OF THE CREDIT AGREEMENT

With effect on and from the Effective Date:-

- (a) the Credit Agreement shall be amended and restated in the form set out in Schedule 3 so that the rights and obligations of the parties to this Restatement Agreement (other than the Retiring Banks) shall be governed by the terms of the Restated Credit Agreement;
- (b) each New Bank will become a Bank under the Restated Credit Agreement with Commitments as set out opposite its name in Part II of Schedule 1 to the Restated Credit Agreement; and
- (c) without prejudice to accrued rights and obligations, the Retiring Banks shall cease to have any rights, and be released from all obligations, under the Credit Agreement.

Notwithstanding the current terms of the Credit Agreement, accrued commitment fee under the Credit Agreement will be payable on the Effective Date.

3. REPRESENTATIONS AND WARRANTIES

Each Obligor represents and warrants to the Finance Parties that the representations and warranties set out in clause 16 (Representations and warranties) of the Restated Credit Agreement are true and accurate in all respects as at (unless expressly stated to be given at the Effective Date) the date of this Restatement Agreement and (in all cases) as at the Effective Date, but as if references in the Restated Credit Agreement to the Restated Credit Agreement were construed as references to this Restatement Agreement.

4. CONDITIONS PRECEDENT

- (a) Clause 2 above will only come into effect if the Agent has received in form and substance satisfactory to the Agent:
 - (i) all of the documents referred to in Part I of Schedule 2; and

(ii) evidence that the conditions referred to in Part II of Schedule 2 have been, or will on the Effective Date be, satisfied.

The Agent shall promptly notify the other parties to this Restatement Agreement of satisfaction of the above conditions precedent.

(b) If the Effective Date shall not have occurred by the date falling three months after the date of this Restatement Agreement, this Restatement Agreement shall lapse and be of no further effect.

5. MISCELLANEOUS

The provisions of Clauses 10 (Payments), 21 (Expenses), 22 (Stamp duties), 30 (Severability), 31 (Counterparts), 32 (Notices) and 33 (Jurisdiction) of the Restated Credit Agreement shall apply to this Restatement Agreement as though they were set out in full in this Restatement Agreement, but as if references in those clauses to the Restated Credit Agreement were construed as references to this Restatement Agreement.

6. GOVERNING LAW

This Restatement Agreement is governed by English law.

This Restatement Agreement has been entered into on the date stated at the beginning of this Restatement Agreement.

SCHEDULE 1

BANKS

PART I

CONTINUING BANKS

ABN AMRO Bank N.V.
Union Bank of Switzerland
Bayerische Landesbank Girozentrale London Branch The Sanwa Bank, Limited
The Bank of Tokyo-Mitsubishi, Ltd
Barclays Bank PLC
CIBC Wood Gundy PLCplc
The Dai-Ichi Kangyo Bank, Limited
Den Danske Bank Aktieselskab
Deutsche Bank AG London
Dresdner Bank AG London Branch
Rabobank International, London Branch
(Cooperatieve Centrale Raiffeisen Boerenleenbank BA)
The Royal Bank of Scotland plc
Societe Generale
The Sumitomo Trust & Banking Co., Ltd
The Toronto-Dominion Bank
Westdeutsche Landesbank Girozentrale
Commonwealth Bank of Australia
Credit Lyonnais
The Fuji Bank, Limited
National Westminster Bank plc
The Sakura Bank, Limited
The Bank of New York
Midland Bank PLC
The Nikko Bank (UK) plc
The Sumitomo Bank, Limited
The Tokai Bank, Limited
The Toyo Trust and Banking Company, Limited

PART II

NEW BANKS

De Nationale Investeringsbank N.V., London Branch ING Bank N.V., London Branch
Scotiabank Europe PLC

PART III

RETIRING BANKS

Bank of America National Trust and Savings Association The Bank of Nova Scotia
Bayerische Hypotheken-und Wechsel-Bank AG The Industrial Bank of Japan, Limited
Kredietbank N.V.
Union Bank of California, N.A.

SCHEDULE 2

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

PART I

1. A copy of the memorandum and articles of association, certificate of incorporation and certificate of incorporation on change of name (if any) of each Obligor incorporated in England and the certificate of formation, limited liability agreement and certificate of good standing in respect of each Obligor formed under the laws of the State of Delaware.
2. A copy of a resolution of the board of directors of each Obligor incorporated in England, and a copy of a resolution or consent of the member of each other Obligor:-
 - (a) approving the terms of, and the transactions contemplated by, and resolving that it execute this Restatement Agreement;
 - (b) authorising a specified person or persons to execute this Restatement Agreement on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with this Restatement Agreement.
3. A copy of a resolution, passed by all the holders of the issued or allotted shares in each Obligor incorporated in England (other than London Electricity and EUK), approving the terms of, and the transactions contemplated by, the Restated Credit Agreement.
4. A certificate of an authorised signatory of each Obligor, certifying the names and true signatures of the officers or member of each Obligor authorised by the resolution or consent referred to in paragraph 2 above.
5. Evidence (in the form of certificates from relevant counsel or officers of the company concerned, supported by, if applicable, entries on public record of that company and payment instructions) that the corporate structure contained in Schedule 7 to the Restatement Agreement is correct, and that all the capital arrangements referred to in that Schedule have been, or will on the Effective Date be, fully implemented (whether by way of share capital, capital contributions, subordinated debt or otherwise).
6. Evidence that the conditions precedent to the initial advance under the EIL Facility Agreement have been satisfied or waived.
7. A copy of the BPS\$810,000,000 promissory note(s) from Entergy London Holdings Limited to EUK and BPS\$810,000,000 plus the Sterling equivalent of at least U.S.\$107,000,000 promissory note(s) from Entergy London Limited to Entergy UK Finance Limited.
8. A Debenture executed by each Guarantor (other than the Company).
9. A supplemental debenture executed by the Company, amending and restating the Debenture dated 17th December, 1996, substantially in the agreed form.
10. Share certificates (and, if those share certificates are not in the name of the Agent or its nominees, duly executed stock transfer forms) for all the shares in Entergy UK Limited, Entergy London Holdings Limited, Entergy London Limited, Entergy UK Finance Limited and the Company.
11. Completed form 395 in respect of each Debenture referred to in paragraph 8 above.
12. The Intercreditor Agreement, duly executed by the Obligors expressed to be party to it, substantially in the agreed form.
13. A legal opinion of Richards, Layton & Finger, counsel of the Obligors formed under the laws of the State of Delaware, addressed to the Finance Parties, substantially in the agreed form.
14. A legal opinion of Allen & Overy, English legal advisers to the Arrangers, addressed to the Finance Parties, substantially in the agreed form.
15. Novation agreements executed by the Company and, respectively, ABN AMRO Bank N.V., Bank of America National Trust and Savings Association and Union Bank of Switzerland transferring the rights and obligations of the Company under the existing Swap Documents with ABN AMRO Bank N.V., Bank of America National Trust and Savings Association and Union Bank of Switzerland to EUK, substantially in the agreed form.
16. Evidence that CT Corporation has accepted its appointment as process agent in New York for the purposes of Clause 33 (Jurisdiction) of

the Restated Credit Agreement.

17. A copy of the indenture dated as of 1st November, 1997 between the Company and The Bank of New York, as trustee, relating to the Subordinated Debentures and the Subordinated Capital Security Guarantee.

18. A certificate of an authorised signatory of EUK certifying that each copy document specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Restatement Agreement.

PART II

1. Payment of all amounts payable in respect of Facility B.

2. Payment of all amounts owing under the Finance Documents to the Retiring Banks.

3. Payment of all accrued fees, costs and expenses of the Agent (including reasonable legal fees and expenses of the Agent) under this Restatement Agreement, to the extent then due and payable.

SCHEDULE 3

FORM OF RESTATED CREDIT AGREEMENT

RESTATED CREDIT AGREEMENT

DATED 17th December, 1996

(as subsequently amended including by way of a Restatement Agreement dated 17th November, 1997)

BPS1,010,000,000

CREDIT FACILITY

FOR

ENERGY UK LIMITED

and

LONDON ELECTRICITY plc

GUARANTEED BY

ENERGY LONDON INVESTMENTS PLC

ENERGY UK FINANCE LIMITED

ENERGY LONDON HOLDINGS LIMITED

ENERGY LONDON LIMITED

ENERGY INTERNATIONAL INVESTMENTS NO. 1 LTD LLC

ENERGY INTERNATIONAL INVESTMENTS NO. 2 LTD LLC

ARRANGED BY

ABN AMRO BANK N.V.

and

UNION BANK OF SWITZERLAND

Allen & Overy

London

INDEX

Clause
Page

1.	INTERPRETATION	13
2.	THE FACILITIES	31
3.	PURPOSE AND AVAILABILITY	32
4.	CONDITIONS PRECEDENT	32
5.	UTILISATIONS	32
6.	REPAYMENT	33
7.	PREPAYMENT AND CANCELLATION	34
8.	INTEREST PERIODS	35
9.	INTEREST	36
10.	PAYMENTS	38
11.	TAXES	39
12.	MARKET DISRUPTION	41
13.	INCREASED COSTS	42
14.	ILLEGALITY	43
15.	GUARANTEE	44
16.	REPRESENTATIONS AND WARRANTIES	46
17.	UNDERTAKINGS	50
18.	DEFAULT	66
19.	THE AGENT AND THE ARRANGERS	72
20.	FEEES	76
21.	EXPENSES	77
22.	STAMP DUTIES	78
23.	INDEMNITIES	78
24.	EVIDENCE AND CALCULATIONS	79
25.	AMENDMENTS AND WAIVERS	79
26.	CHANGES TO THE PARTIES	80
27.	DISCLOSURE OF INFORMATION	83
28.	SET-OFF	83
29.	PRO RATA SHARING	84
30.	SEVERABILITY	85
31.	COUNTERPARTS	85
32.	NOTICES	85
33.	JURISDICTION	86
34.	GOVERNING LAW	87

SCHEDULES

1.	PART I - ADDITIONAL GUARANTORS
88	
	PART II - BANKS AND COMMITMENTS
88	
2.	CALCULATION OF THE MLA COST
90	
3.	FORM OF REQUEST
92	
4.	FORM OF NOVATION CERTIFICATE
93	
5.	FORM OF DEBENTURE
94	
6.	FORM OF SUBORDINATION AGREEMENT
113	
7.	CORPORATE STRUCTURE
124	

THIS AGREEMENT is dated 17th December, 1996 (as subsequently amended, including by way of a Restatement Agreement dated 17th November, 1997) between:-

- (1) ENTERGY UK LIMITED (Registered No. 3386063) ("EUK");
- (2) ENTERGY LONDON INVESTMENTS PLC (Registered No. 3261188)
(the "Company");
- (3) LONDON ELECTRICITY PLC (Registered No. 2366852)
("London Electricity");
- (4) THE COMPANIES listed in Part I of Schedule 1 as additional guarantors (in this capacity the "Additional Guarantors");
- (5) ABN AMRO BANK N.V. and UNION BANK OF SWITZERLAND as arrangers (in this capacity the "Arrangers");
- (6) THE FINANCIAL INSTITUTIONS listed in Part II of Schedule 1 as banks (the "Banks");
- (7) BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION in its capacity as party to a Swap Document ("B of A"); and
- (8) ABN AMRO BANK N.V. as agent (in this capacity the "Agent").

IT IS AGREED as follows:-

1. INTERPRETATION

1.1 Definitions

In this Agreement:-

"Accounting Date"

means the last day of each financial quarter of the Company.

"Accounting Period"

means any period of approximately three months or one year ending on an Accounting Date for which accounts are required to be prepared for the purposes of this Agreement.

"Acquisition"

means the acquisition by the Company of the shares of London Electricity.

"Act"

means the Electricity Act 1989 and, unless the context otherwise requires, all subordinate legislation made pursuant to it.

"Adjusted Capital and Reserves"

has the meaning given to it in Clause 17.26 (Financial covenants).

"Affiliate"

means a Subsidiary or a Holding Company of a person and any other Subsidiary of that Holding Company.

"Applicable Accounting Principles"

means:-

(a) in relation to accounts or financial statements or Financial Indebtedness of London Electricity, UK GAAP; and

(b) in relation to accounts or financial statements or Financial Indebtedness of each other Obligor, US GAAP.

"Auditors"

means Coopers & Lybrand or any other "Big Six" firm of accountants or any other firm (approved by the Agent) of independent public accountants of international standing recognised and authorised by the Institute of Chartered Accountants of England and Wales which is appointed by the Company to audit the consolidated annual accounts of the Company.

"Bonds"

means:

(a) the BPS100,000,000 8 per cent. bonds due 2003; and

(b) the BPS100,000,000 85/8 per cent. bonds due 2005,

issued by London Electricity.

"Borrower"

means, for Facility A, EUK or, for Facility C and subject to Clause 2.4 (Release of London Electricity), London Electricity.

"Borrowing"

means Financial Indebtedness (without double counting) adjusted as follows:

(a) any interest, dividends, commission, fees or other like financing charges, and any item falling within paragraph (g) of the definition of Financial Indebtedness, shall be excluded, save in each case to the extent capitalised or more than 15 days overdue for payment;

(b) in respect of any bonds, notes, debentures, loan stocks and/or other debt securities issued at a discount or redeemable at a premium and constituting a Borrowing, the issue price thereof, together with any applicable discount or premium recognised or required by the Applicable Accounting Principles to be recognised at the time of calculation (other than amounts required by the Applicable Accounting Principles to be accounted for as interest) in the accounts of the relevant person (were any then to be prepared), shall be included;

(c) in respect of paragraphs (d) and (e) of the definition of Financial Indebtedness, only the principal amount thereof as determined by the Applicable Accounting Principles or (in the case of paragraph (e)) the capitalised value (as so determined) of any items falling thereunder shall be included;

(d) any item falling within paragraph (f) of the definition of Financial Indebtedness which is in respect of any sum excluded by paragraph (a) or (c) above shall be excluded; and

(e) any item falling within paragraph (f)(ii) of the definition of Financial Indebtedness shall be included only to the extent that the same has been or (in accordance with the Applicable Accounting Principles) ought to be given a value in the latest or next Accounts, or in any notes to those Accounts.

"Business Day"

means a day (other than a Saturday or a Sunday) on which banks are open for business in London.

"Capitalisation Ratio"

has the meaning given to it in Clause 17.26 (Financial covenants).

"Commitment"

means, in respect of a Bank, its Facility A Commitment or Facility C Commitment, as the case may be, and "Commitments" means the aggregate of its Facility A Commitment and Facility C Commitment.

"Consolidated EBITDA"

has the meaning given to it in Clause 17.26 (Financial covenants).

"Consolidated Net Interest Payable"

has the meaning given to it in Clause 17.26 (Financial covenants).

"Consolidated Net Total Borrowings"

has the meaning given to it in Clause 17.26 (Financial covenants).

"Consolidated Total Interest Payable"

has the meaning given to it in Clause 17.26 (Financial covenants).

"Dangerous Substance"

means any radioactive emissions, noise, any natural or artificial substance (whether in the form of a solid, liquid, gas or vapour) the generation, transportation, storage, treatment, use or disposal of which (whether alone or in combination with any other substance) including (without limitation) any controlled, special, hazardous, toxic, radioactive or dangerous substance or waste, gives rise to a risk of causing harm to man or any other living organism or damaging the Environment or public health or welfare.

"Debenture"

means a debenture (as it may be amended) executed by a Guarantor in favour of the Agent, substantially in the form of Schedule 5.

"Default"

means an Event of Default or an event which, with the giving of notice, expiry of any applicable grace period, determination of materiality by the Majority Banks or failure to create a first legal mortgage, in each case as specified in Clause 18 (Default) (or any combination of the foregoing), would constitute an Event of Default.

"Director General"

means the person appointed from time to time by the Secretary of State to hold office as the Director General of Electricity Supply for the purpose of the Act.

"Double Taxation Treaty"

means any convention between the government of the United Kingdom and any other government for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains.

"Drawdown Date"

means the date of the advance of a Loan.

"Effective Date"

has the meaning given to it in the Restatement Agreement.

"EIL Facility Agreement"

has the meaning given to it in the Restatement Agreement.

"ELC"

means Entergy London Capital L.P., a special purpose Delaware limited partnership in which the Company is the sole general partner.

"Environment"

means any of the following media, the air (including, without limitation, the air within buildings and the air within other natural or man-made structures above or below ground), water (including, without limitation, ground and surface water) and land (including, without limitation, surface and sub-surface soil).

"Environmental Claim"

means any claim by any person:

(a) in respect of any loss or liability suffered or incurred by that person as a result of or in connection with any violation of Environmental Law; or

(b) that arises as a result of or in connection with Environmental Contamination and that could give rise to any remedy or penalty (whether interim or final) that may be enforced or assessed by private or public legal action or administrative order or proceedings, including, without limitation, any such claim arising from injury to persons, property or natural resources.

"Environmental Contamination"

means each of the following and their consequences:

(a) any release, emission, leakage or spillage of any Dangerous Substance at or from any site owned, occupied or used by any Obligor or any other member of the Group into any part of the Environment; or

(b) any accident, fire, explosion or sudden event at any site owned, occupied or used by any Obligor or any other member of the Group which is directly or indirectly caused by or attributable to any Dangerous Substance; or

(c) any other pollution of the Environment.

"Environmental Law"

means all applicable laws (including, without limitation, common law), regulations, directing codes of practice, circulars, guidance notices and the like having legal effect (whether in the United Kingdom or elsewhere) concerning pollution or the protection of human health, the Environment, the conditions of the work place or the generation, transportation, storage, treatment or disposal of Dangerous Substances.

"Environmental Licence"

means any authorisation required by any Environmental Law.

"Event of Default"

means an event specified as such in Clause 18.1 (Events of Default).

"Extraordinary Items"

has the meaning given to it in Clause 17.26 (Financial Covenants).

"Facility"

means Facility A or Facility C.

"Facility A"

means the facility referred to as such in Clause 2.1(a) (Facilities).

"Facility A Commitment"

means:

(a) in relation to a Bank which is a Bank on the Effective Date, the amount in Sterling set opposite its name in Part II of Schedule 1 under the heading "Facility A Commitment"; and

(b) in relation to a Bank which becomes a Bank after the Effective Date, the amount of a Facility A Commitment acquired by it under Clause 26 (Changes to the Parties),

to the extent not transferred, cancelled or reduced under this Agreement.

"Facility A Final Repayment Date"

means 31st October, 2002.

"Facility A Loan"

means a loan made by the Banks under Facility A or the principal amount outstanding of that loan.

"Facility C"

means the facility referred to as such in Clause 2.1(b) (Facilities).

"Facility C Commitment"

means:

(a) in relation to a Bank which is a Bank on the Effective Date, the amount in Sterling set out opposite its name in Part II of Schedule 1 under the heading "Facility C Commitment"; and

(b) in relation to a Bank which becomes a Bank after the Effective Date, the amount of a Facility C Commitment acquired by it under Clause 26 (Changes to the Parties),

to the extent not transferred, cancelled or reduced under this Agreement.

"Facility C Final Repayment Date"

means 17th December, 2001.

"Facility C Loan"

means a loan made by the Banks under Facility C or the principal amount outstanding of that loan.

"Facility Office"

means the office notified by a Bank to the Agent:-

(a) on or before the date it becomes a Bank; or

(b) by not less than 5 Business Days' notice,

as the office through which it will perform all or any of its obligations under this Agreement.

"Fee Letter"

means the letter dated the date of the Restatement Agreement between the Arrangers and the Company, or the letter dated the date of the Restatement Agreement between the Company and the Agent, setting out the amount of various fees referred to in Clause 20 (Fees).

"Final Repayment Date"

means the Facility A Final Repayment Date or the Facility C Final Repayment Date.

"Finance Document"

means:-

- (a) this Agreement;
- (b) a Fee Letter;
- (c) a Debenture;
- (d) a Novation Certificate;
- (e) a Subordination Agreement;
- (f) a Swap Document;
- (g) the Intercreditor Agreement; or
- (h) any other document designated as such by the Agent and an Obligor.

"Finance Party"

means an Arranger, a Bank, B of A or the Agent.

"Financial Indebtedness"

means any indebtedness for, or for interest or other charges relating to, or otherwise in respect of or pursuant to:-

(a) moneys borrowed or raised, including, without limitation:

(i) monies raised by the sale of receivables or other financial assets on terms (and to the extent) that recourse may be had to the vendor in the event of non-payment of those receivables or financial assets when due;

(ii) monies raised under acceptance credit facilities; and

(iii) monies raised through the issue of bonds, notes, debentures, bills, loan stocks and other debt securities (including any debt security convertible, but not at the relevant time converted, into share capital);

(b) the acquisition cost of assets or services to the extent payable on deferred payment terms after the time of acquisition or possession by the party liable (whether or not evidenced by any bond, note, debenture, bill, loan stock or other debt security), excluding:

(i) retentions which are normal in the trade concerned and not entered into primarily as a means of raising finance;

(ii) any payment relating to construction works or the acquisition of fixed assets which will become payable only upon fulfilment of conditions relating to or comprising completion or commissioning of certain stages in such works or in the supply programme or the granting of any

planning permission for such works or fixed assets and which has not yet become payable by reason of the non-fulfilment of any such condition; and

(iii) any such cost payable on deferred payment terms which are normal in the business concerned and not entered into primarily as a means of raising finance, and which do not involve any deferral of payment of any sum for more than six months;

(c) moneys received in consideration for the supply of goods and/or services to the extent received more than six months before the due date for their supply (but excluding any liability in respect of bona fide advance payments and deposits received from customers in the ordinary course of trade);

(d) instalments under conditional sale agreements entered into primarily as a method of raising finance;

(e) payments under leases (whether in respect of land, machinery, equipment or otherwise) and payments under hire purchase agreements and similar agreements and instruments, in each case where those leases, agreements or instruments are treated as finance leases in accordance with the Applicable Accounting Principles;

(f) (i) any guarantee, indemnity, letter of credit or other legally binding instrument to assure payment of, or against loss in respect of non-payment of, any of the indebtedness specified in this definition and any counter- indemnity in respect of any thereof; and/or

(ii) any legally binding agreement or other instrument entered into in connection with any of the indebtedness specified in this definition requiring, or giving any person the right (contingently or otherwise) to require, that any other person invest in, make advances to, purchase assets of or maintain the solvency or financial condition of any other person; and/or

(iii) any recourse under any form of assurance, undertaking or support of a type referred to in paragraph (b)(iii) of the definition of "Project Finance Indebtedness";

(g) any interest rate and/or currency swap, and any other interest or currency protection, hedging or financial futures transaction or arrangement; or

(h) transactions which involve or have the commercial effect of the borrowing of commodities as part of an arrangement for or in substitution for the raising of finance, the value of indebtedness concerned for this purpose being the sum which must be paid and/or the value in money terms of the commodities which must be delivered by the "borrower" to, or to the order of, the "lender",

but any Subordinated Debt, Project Finance Indebtedness (other than indebtedness referred to in paragraph

(f)(iii) above) or indebtedness under any indemnity in respect of any letter of credit issued in connection with the Pooling and Settlement Agreement shall not constitute Financial Indebtedness.

"Group"

means at any time the Company and its Subsidiaries at that time.

"Guarantor"

means the Company or an Additional Guarantor.

"Holding Company"

has the meaning given to it in Section 736 of the Companies Act 1985.

"Information Memorandum"

means the Information Memorandum dated October, 1997 prepared by the Borrowers in connection with the Restatement Agreement.

"Intercompany Notes"

means the notes referred to in paragraph 7 of Part 1 of Schedule 2 of the Restatement Agreement.

"Intercreditor Agreement"

means the agreement dated 17th November, 1997 between EUK, the Guarantors and the Agent (in its capacity as Agent under this Agreement and security trustee under the Debentures) and ABN AMRO Bank N.V. (in its capacity as administrative agent under the EIL Facility

Agreement) regulating enforcement of the Debentures and other related matters.

"Interest Period"

means each period selected in accordance with Clause 8 (Interest Periods).

"LIBOR"

means the arithmetic mean (rounded upward to the nearest four decimal places) of the rates, as supplied to the Agent at its request, quoted by the Reference Banks to leading banks in the London interbank market at or about 11.00 a.m. on the first day of an Interest Period for the offering of deposits in Sterling for a period comparable to the Interest Period.

"Licence"

means a public electricity supply licence held by a member of the Group and issued pursuant to Section 6(1) of the Act, as modified or supplemented from time to time.

"Licenceholder"

means at any time the member of the Group which then holds a Licence.

"Licence Undertaking"

means any undertaking or assurance given in connection with the Acquisition by any one or more of the Company, London Electricity or any Affiliate of any of them to the Director General or the Secretary of State concerning the management and/or ownership of and/or other matters concerning London Electricity.

"Loan"

means a Facility A Loan or a Facility C Loan.

"London Electricity Group"

means at any time London Electricity and its Subsidiaries at that time.

"Majority Banks"

means, at any time, Banks:-

(a) whose participations in all Loans then outstanding aggregate more than 66²/₃ per cent. of all Loans then outstanding; or

(b) if there are no Loans then outstanding, whose Commitments then aggregate more than 66²/₃ per cent. of the Total Commitments; or

(c) if there are no Loans then outstanding and the Total Commitments have been reduced to zero, whose Commitments aggregated more than 66²/₃ per cent. of the Total Commitments immediately before the reduction.

"Margin"

means:

(a) in respect of a Facility A Loan, 1.00 per cent per annum or, as the case may be, subject to Clause 9.1(b) (Interest rate) and with effect from each applicable Margin Adjustment Date, at any time when the Capitalisation Ratio is:

(i) greater than 70 per cent., 1.00 per cent. per annum;

(ii) equal to or less than 70 per cent., but greater than 65 per cent., 0.75 per cent. per annum;

(iii) equal to or less than 65 per cent., but greater than 60 per cent., 0.60 per cent. per annum;

(iv) equal to or less than 60 per cent., but greater than 55 per cent., 0.45 per cent. per annum; and

(v) equal to or less than 55 per cent., 0.30 per cent. per annum;

or

(b) in respect of a Facility C Loan, 0.25 per cent. per annum.

"Margin Adjustment Date"

means, in respect of a Facility A Loan, the first day of the first Interest Period for that Facility A Loan commencing after each determination of the Capitalisation Ratio following delivery by the Company of a certificate under Clause 17.2(b)(i) or (ii) (Financial information).

"Material Subsidiary"

means:

(a) London Electricity;

(b) any member of the Group (other than the Company and any Project Finance Subsidiary):

(i) which is the Licenceholder; or

(ii) whose pre-tax operating profits represent at least ten per cent. of the consolidated pre-tax operating profits of the Group; or

(iii) the book value of whose gross assets represents at least ten per cent. of the consolidated gross assets of the Group,

and for this purpose:

(A) in the case of a company which itself has Subsidiaries, the calculation shall be made by using the consolidated pre-tax operating profits or gross assets, as the case may be, of it and its Subsidiaries;

(B) all calculations of consolidated pre-tax operating profits or gross assets shall be made by reference to:

(1) the latest accounts of the relevant company (or, as the case may be, a consolidation of the accounts of it and its Subsidiaries) used for the purpose of the then latest unaudited quarterly or audited annual consolidated accounts of the Group delivered to the Agent under Clause 17.2 (Financial information); and

(2) those unaudited quarterly or, as the case may be, audited annual consolidated accounts of the Group;

and shall be made in accordance with the Applicable Accounting Principles; or

(c) any member of the Group (other than the Company and any Project Finance Subsidiary) which is not otherwise a Material Subsidiary under this definition but to which any Material Subsidiary transfers in any annual Accounting Period all or substantially all of its assets; the Material Subsidiary from which the assets were transferred shall cease to be a Material Subsidiary unless and until it is shown to be a Material Subsidiary under any other paragraph of this definition.

In the event of any dispute as to whether a Subsidiary is or is not at any time a Material Subsidiary the question shall be referred to the Auditors for determination according to the provisions of this definition (acting as experts at the cost of the Company) and their decision shall be conclusive and binding on the Parties in the absence of manifest error.

"MLA Cost"

means the cost imputed to the Banks of compliance with the Mandatory Liquid Assets requirements of the Bank of England during each Interest Period, determined in accordance with Schedule 2.

"Novation Certificate"

has the meaning given to it in Clause 26.3 (Procedure for novations).

"Obligor"

means a Borrower or a Guarantor.

"Party"

means a party to this Agreement.

"Permitted Transaction"

means:

(a) a reconstruction, amalgamation, reorganisation, merger or consolidation of an Obligor or a Material Subsidiary on terms approved by the Majority Banks;

(b) a disposal of assets permitted by the terms of this Agreement; or

(c) a solvent liquidation, dissolution or winding-up of a Material Subsidiary (other than London Electricity or the Licenceholder) which does not have a Material Adverse Effect.

"Pooling and Settlement Agreement"

means the agreement dated 30th March, 1990 made by London Electricity (or any other Licenceholders) with the National Grid Company plc and others setting out the rules and procedures for the operation of an electricity trading pool and of a settlement system.

"Project Finance Indebtedness"

means any Borrowing which finances the acquisition, development, ownership and/or operation of an asset:

(a) which is incurred by a Project Finance Subsidiary; or

(b) in respect of which the person or persons to whom the Borrowing is or may be owed by the relevant debtor (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than to a Project Finance Subsidiary) for its repayment other than:

(i) recourse to the debtor for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from the asset; and/or

(ii) recourse to the debtor for the purpose only of enabling amounts to be claimed in respect of that Borrowing in an enforcement of any Security Interest given by the debtor over the asset or the income, cash flow or other proceeds deriving from the asset (or given by any shareholder or the like in the debtor over its shares or like interest in the capital of the debtor) to secure the Borrowing but only if:

(A) the extent of the recourse to the debtor is limited solely to the amount of any recoveries made on any such enforcement; and

(B) that person or persons are not entitled, by virtue of any right or claim arising out of or in connection with that Borrowing, to commence proceedings for the winding up or dissolution of the debtor or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the debtor or any of its assets (other than the assets the subject of that Security Interest); and/or

(iii) recourse to the debtor generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (other than a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available.

"Project Finance Subsidiary"

means any Subsidiary of the Company (other than the Licenceholder):

(a) which is a company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset whether directly or indirectly;

(b) none of whose Borrowings in respect of the financing of the ownership, acquisition, development and/or operation of an asset benefits from any recourse whatsoever to any member of the Group (other than the Subsidiary itself or another Project Finance Subsidiary) in respect of its

repayment, except as expressly referred to in paragraph (b)(iii) of the definition of Project Finance Indebtedness in this Clause 1.1 (Definitions); and

(c) which has been designated as such by the Company by notice to the Agent. However, the Company may give notice to the Agent at any time that any Project Finance Subsidiary is no longer a Project Finance Subsidiary, whereupon it shall cease to be a Project Finance Subsidiary.

"Qualifying Bank"

means:-

(a) a bank as defined in Section 840A of the Income and Corporation Taxes Act 1988 which, for the purposes of Section 349 of the Income and Corporation Taxes Act 1988, is beneficially entitled to, and within the charge to United Kingdom corporation tax as regards, any interest received by it under this Agreement, except that, if that Section is repealed, modified, extended or re-enacted, the Agent may at any time and from time to time (acting reasonably) amend this definition to reflect such repeal, modification, extension or enactment by giving notice of the amended definition to the Company; or

(b) a person carrying on a bona fide banking business who is resident (as such term is defined in the appropriate Double Taxation Treaty) in a country with which the United Kingdom has an appropriate Double Taxation Treaty giving that person and other residents of that country full exemption from United Kingdom taxation on interest and does not carry on business in the United Kingdom through a permanent establishment with which the indebtedness under this Agreement in respect of which the interest is paid is effectively connected.

"Reference Banks"

means, subject to Clause 26.4 (Reference Banks), the principal London offices of ABN AMRO Bank N.V., Barclays Bank PLC and Union Bank of Switzerland.

"Repayment Date"

means the Facility A Final Repayment Date or the last day of the Interest Period of a Facility C Loan.

"Request"

means a request made by a Borrower for a Loan, substantially in the form of Schedule 3.

"Restatement Agreement"

means the agreement dated 17th November, 1997 between the parties to this Agreement on the Effective Date and several other banks which were party to this Agreement immediately before the Effective Date pursuant to which this Agreement has been restated and amended.

"Rollover Loan(s)"

means one or more Facility C Loan(s), the aggregate principal amount of which is less than or equal to one or more outstanding Facility C Loan(s), and whose Drawdown Date coincides with the Repayment Date(s) of those outstanding Facility C Loan(s).

"Secretary of State"

means the Secretary of State as referred to in the Act.

"Security Account"

has the meaning given to it in each Debenture.

"Security Interest"

means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

"Sterling"

means the lawful currency for the time being of the United Kingdom.

"Subordinated Capital Securities"

means the limited partnership interests of ELC designated as "85/8% Cumulative Quarterly Income Preferred Securities, Series A", issued concurrently with the issuance of the Subordinated Debentures and not exceeding U.S.\$300,000,000 in aggregate liquidation preference where:

- (a) the proceeds of the issuance of the Subordinated Capital Securities and the Company's capital contributions to ELC are utilised by ELC to purchase Subordinated Debentures; and
- (b) the payments from time to time of interest on the Subordinated Debentures are to be utilised by ELC to make distributions to the holders of the Subordinated Capital Securities.

"Subordinated Capital Security Guarantee"

means the guarantee of the Company to be executed and delivered to the trustee with respect to the Subordinated Capital Securities concurrently with the issuance thereof, providing for a guarantee by the Company, on a subordinated basis, of ELC's obligations under the Subordinated Capital Securities, but only to the extent that ELC has funds sufficient to make such payments.

"Subordinated Debentures"

means the 85/8% Junior Subordinated Deferrable Interest Debentures, Series A to be issued to ELC and created pursuant to an Indenture, dated as of 1st November, 1997, between the Company and The Bank of New York, as Trustee, and an "Officer's Certificate" as provided therein:

- (a) providing for the issuance of Subordinated Debentures in an aggregate principal amount equal to the sum of the Company's capital contribution, as general partner to ELC, plus the aggregate stated liquidation preference of the Subordinated Capital Securities to be issued concurrently with the issuance of the Subordinated Debentures;
- (b) providing that the Company shall have the right to defer the payment of interest on the Subordinated Debentures at any time or from time to time so long as no Event of Default (as defined therein) shall have occurred and be continuing; and
- (c) providing that the payment of principal, premium, if any, and interest on the Subordinated Debentures shall be subordinate in right of payment and enforcement to the prior payment of certain senior indebtedness of the Company, to the extent provided in such Indenture, provided that such senior indebtedness shall include, without limitation, all amounts outstanding under this Agreement, and provided further, that such Indenture shall provide that no payments on account of principal, premium, if any, or interest on the Subordinated Debentures may be made if there shall have occurred and be continuing either a default in any payment with respect to such senior indebtedness, or an event of default with respect to such senior indebtedness resulting in the acceleration of the maturity thereof remaining uncured.

"Subordinated Debt"

means a separate unsecured loan to the Company from a shareholder, or an Affiliate of a shareholder, of the Company and/or any other person which:

- (a) has a maturity date falling after the Facility A Final Repayment Date;
- (b) is not capable of acceleration (other than in the event of insolvency or an insolvency proceeding) whilst any amount may be or become payable by any Obligor under the Finance Documents or any of the Commitments remain in effect; and
- (c) is subordinated (as regards priority of payment, ranking, rights of enforcement and all other rights) as to principal, interest and all other amounts payable on or in respect thereof and any and all claims (including for damages) related thereto to all amounts which may be or become payable by the Obligors under the Finance Documents,

all in accordance with a Subordination Agreement.

"Subordination Agreement"

means a subordination agreement entered, or to be entered, into by the Agent, the Company and any other person in respect of Subordinated Debt, substantially in the form of Schedule 6.

"Subsidiary"

means:-

(a) a subsidiary within the meaning of Section 736 of the Companies Act 1985, as amended by Section 144 of the Companies Act 1989; and

(b) for the purposes of Clauses 17.26 (Financial covenants) and any financial information relating to the Group, a subsidiary undertaking within the meaning of Section 21 of the Companies Act 1989.

"Swap Document"

means an interest rate hedging agreement (substantially in the form agreed by the Company and the Agent prior to the date of this Agreement) entered into by the Company with certain Banks party to this Agreement as at the date of this Agreement and any confirmation entered into pursuant to any such agreement.

"Total Commitments"

means the aggregate of the Total Facility A Commitments and the Total Facility C Commitments, being BPS1,010,000,000 at the Effective Date.

"Total Facility A Commitments"

means the aggregate for the time being of the Facility A Commitments, being BPS810,000,000 at the Effective Date.

"Total Facility C Commitments"

means the aggregate for the time being of the Facility C Commitments, being BPS200,000,000 at the Effective Date.

"UK GAAP"

means generally accepted accounting principles in the United Kingdom as at the date of this Agreement, consistently applied.

"US GAAP"

means generally accepted accounting principles in the United States as at the date of this Agreement, consistently applied.

1.2 Construction

(a) In this Agreement, unless the contrary intention appears, a reference to:

(i) "assets" includes properties, revenues and rights of every description;

an "authorisation" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration and notarisation;

something having a "Material Adverse Effect" is to its having, or being reasonably likely to have, a material adverse effect on the ability of an Obligor to perform and comply with:

(A) its payment obligations under any Finance Document;

(B) its obligations under Clause 17.26 (Financial covenants); or

(C) any other of its material obligations under the Finance Documents;

a "month" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(1) if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that calendar month; or

(2) if an Interest Period commences on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which it is to end; and

a "regulation" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having the force of law being of a type with which the person concerned is accustomed to comply) of any governmental body, agency, department or regulatory, self-regulatory or other authority or organisation;

(ii) a provision of a law is a reference to that provision as amended or re-enacted;

(iii) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement;

(iv) a person includes its successors and permitted assigns;

(v) a Finance Document or another document is a reference to that Finance Document or that other document as amended, novated, supplemented, replaced or renewed; and

(vi) a time of day is a reference to London time.

(b) Unless the contrary intention appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(c) The index to and the headings in this Agreement are for convenience only and are to be ignored in construing this Agreement.

2. THE FACILITIES

2.1 Facilities

Subject to the terms of this Agreement, the Banks irrevocably grant to the Borrowers the following facilities:-

(a) Facility A - a committed term loan facility under which the Banks shall, when requested by EUK, make to EUK on the Effective Date a Loan in an amount equal to the Total Facility A Commitments; and

(b) Facility C - a committed revolving credit facility under which the Banks shall, when requested by London Electricity, make to London Electricity Loans up to an aggregate amount not exceeding, at any time, the Total Facility C Commitments at that time.

No Bank is obliged to lend at any time more than its Commitment(s).

2.2 Nature of a Finance Party's rights and obligations

(a) The obligations of a Finance Party under the Finance Documents are several. Failure of a Finance Party to carry out those obligations does not relieve any other Party of its obligations under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of a Finance Party under the Finance Documents are divided rights. A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce those rights.

2.3 Change of currency

(a) If more than one currency or currency unit are at the same time recognised by the laws of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the lawful currency or currency unit of that country designated by the Agent; and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange legally recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent acting in accordance with any applicable law on rounding or, if there is no such law, acting reasonably in accordance with market practice.

(b) If a change in any currency of a country occurs, this Agreement will be amended to the extent the Agent (acting reasonably) specifies to be necessary to reflect the change in currency and to put the Banks (and, if possible and practicable, the Borrowers) in the same position, so far as possible, that they would have been in if no change in currency had occurred.

2.4 Release of London Electricity

If the Facility C Commitments have been fully cancelled and no amount payable by London Electricity is outstanding under this Agreement, then, without prejudice to any accrued rights or obligations, London Electricity will cease to have any rights or obligations under this Agreement and will cease to be a Borrower.

3. PURPOSE AND AVAILABILITY

- (a) Each Borrower shall apply each Loan made to it towards its working capital or general corporate purposes.
- (b) Subject to the terms of this Agreement, EUK shall borrow the Facility A Loan(s) on the Effective Date.
- (c) Facility C Loans may be borrowed, subject to the terms of this Agreement, at any time prior to the Facility C Final Repayment Date.
- (d) Without affecting the obligations of any Obligor in any way, no Finance Party is bound to monitor or verify the application of any Loan.

4. CONDITIONS PRECEDENT

The obligations of each Bank to participate in a Loan are subject to the conditions precedent that:-

- (a) on both the date of the Request and the Drawdown Date:-
 - (i) the representations and warranties in Clause 16 (Representations and warranties) to be repeated on those dates are correct in all material respects and will be correct in all material respects immediately after the Loan is made; and
 - (ii) no Event of Default or (in the case of a Loan which is not a Rollover Loan) no Default is outstanding or will result from the Loan;
- (b) it would not cause the Facility A Loan(s) or the Facility C Loans to exceed the Total Facility A Commitments or the Total Facility C Commitments, as the case may be; and
- (c) it would not result in there being more than 15 Loans outstanding at any time.

5. UTILISATIONS

5.1 Receipt of Requests

A Borrower may utilise a Facility if the Agent receives, not later than 9.00 a.m. on the Business Day before its Drawdown Date, a duly completed Request.

5.2 Completion of Requests

A Request will not be regarded as having been duly completed unless:-

- (a) it specifies whether the Loan is the Facility A Loan(s) or a Facility C Loan;
- (b) the Drawdown Date is, in the case of the Facility A Loan(s), the Effective Date and, in the case of a Facility C Loan, a Business Day falling before the Facility C Final Repayment Date;
- (c) the principal amount of the Loan is, in the case of the Facility A Loan(s), an amount equal to the Total Facility A Commitments and, in the case of a Facility C Loan, a minimum of BPS10,000,000 and an integral multiple of BPS5,000,000 or the balance of the undrawn Facility C Commitments or such other amount as the Agent may agree;
- (d) the Interest Period specified complies with Clause 8 (Interest Periods); and
- (e) the payment instructions comply with Clause 10 (Payments).

Each Request is irrevocable.

5.3 Amount of each Bank's participation in the Loan

The amount of a Bank's participation in a Loan will be the proportion of the Loan which its Facility A Commitment or Facility C Commitment bears to the Total Facility A Commitments or the Total Facility C Commitments, as the case may be, on the proposed Drawdown Date.

5.4 Notification of the Banks

The Agent shall promptly notify each Bank of the details of the requested Loan and the amount of its participation in the Loan.

5.5 Payment of Proceeds

Subject to the terms of this Agreement, each relevant Bank shall make its participation in a Loan available to the Agent for the relevant Borrower on the relevant Drawdown Date.

6. REPAYMENT

(a) EUK shall repay the Facility A Loan(s) in full on the Facility A Final Repayment Date to the Agent for the Banks.

(b) Subject to paragraph (c) below, London Electricity shall repay each Facility C Loan in full on its Repayment Date to the Agent for the Banks.

(c) Subject to the terms of this Agreement, amounts repaid by London Electricity under paragraph (b) above may subsequently be re-borrowed by London Electricity.

7. PREPAYMENT AND CANCELLATION

7.1 Automatic cancellation of the Total Commitments

The Facility C Commitment of each Bank shall be automatically cancelled at close of business on the Facility C Final Repayment Date.

7.2 Voluntary cancellation

London Electricity may, by giving not less than 2 Business Days' prior notice to the Agent, cancel the unutilised portion of the Total Facility C Commitments in whole or in part (but, if in part, in a minimum amount of BPS10,000,000 and an integral multiple of BPS5,000,000).

Any cancellation in part shall be applied against the Facility C Commitment of each Bank pro rata.

7.3 Voluntary prepayment

A Borrower may at any time, by giving not less than 2

Business Days' prior notice to the Agent, prepay a Loan made to it in whole or in part (but, if in part, in minimum amounts of BPS10,000,000), subject to Clause 23 (Indemnities).

7.4 Additional right of prepayment and cancellation

If any Obligor is required to pay any amount to a Bank under Clause 11 (Taxes) or Clause 13 (Increased costs), the Obligor may, whilst the circumstances giving rise to the requirement continue, serve a notice of prepayment and cancellation on that Bank through the Agent. In this event:-

(a) on the date falling 5 Business Days after the date of service of the notice each Obligor shall prepay that Bank's participation in any Loans made to it together with all other amounts payable by it to that Bank under this Agreement; and

(b) the Bank's Commitments shall be cancelled on the date of service of the notice.

7.5 Mitigation

If circumstances arise which would, or would on the giving of notice, result in:

(a) any additional amounts becoming payable under Clause 11.1 (Gross-up); or

(b) any amount becoming payable under Clause 13.1 (Increased costs); or

(c) any prepayment or cancellation under Clause 14 (Illegality),

then, without limiting the obligations of the Obligors under this Agreement and without prejudice to the terms of Clauses 11.1 (Gross-up), 13.1 (Increased costs) and 14 (Illegality), each Bank shall, in consultation with the Company, take such reasonable steps as may be open to it to mitigate or remove the relevant circumstance, including (without limitation) the transfer with the Company's consent as specified in Clause 26.2 (Transfers by Banks) of its rights and obligations under this Agreement to another bank or financial institution, unless to do so might (in the opinion of the Bank) have a material adverse effect on its business, operations or financial condition or be contrary to its banking policies or be otherwise prejudicial to it.

7.6 Miscellaneous provisions

(a) Any notice of prepayment and/or cancellation under this Agreement is irrevocable. The Agent shall notify the Banks promptly of receipt of any such notice.

(b) All prepayments under this Agreement shall be made together with accrued interest on the amount prepaid.

(c) No prepayment or cancellation is permitted except in accordance with the express terms of this Agreement.

(d) amounts re- (i) Subject to the terms of this Agreement, prepaid under Facility C pursuant to Clause 7.3 (Voluntary prepayment) may subsequently be borrowed.

(ii) No other amount prepaid may subsequently be re- borrowed.

(iii) No amount of the Total Commitments cancelled under this Agreement may subsequently be reinstated.

8. INTEREST PERIODS

8.1 Interest Periods

(a) Each Facility A Loan will have successive Interest Periods. The first Interest Period will commence on the Effective Date and subsequent Interest Periods will commence on the expiry of the preceding Interest Period.

(b) Each Facility C Loan will have one Interest Period only.

(c) Interest Periods may, subject to the other provisions of this Clause 8, be, for an approved duration or an optional duration, and, for this purpose:

(i) "approved duration" means a period of 1, 2, 3 or 6 months; and

(ii) "optional duration" means any other period (other than an approved duration) of up to 12 months.

8.2 Selection of Interest Periods

(a) EUK may select an Interest Period for a Facility A Loan in its Request or in a notice to be received by the Agent not later than 9.00 a.m. on the Business Day before the commencement of that Interest Period (in the case of subsequent Interest Periods).

(b) If it would not result in more than 15 Loans being outstanding, EUK may select different Interest Periods for a Facility A Loan in accordance with this Clause but each part of a Loan to which an Interest Period applies must be a minimum of BPS10,000,000 and an integral multiple of BPS5,000,000 or such other amount as the Agent may agree. Each part of a Facility A Loan which has a different Interest Period shall be treated as a separate Loan.

(c) London Electricity may select an Interest Period for a Facility C Loan in its Request.

(d) If the relevant Borrower fails to specify the duration of an Interest Period, it shall be of 3 months' duration.

8.3 Selection of an optional duration

(a) If a Borrower selects an Interest Period of an optional duration, it may also select in the relevant Request or notice an Interest Period of an approved duration to apply if the selection of an Interest Period of an optional duration becomes ineffective in accordance with paragraph (b) below.

(b) If:-

(i) a Borrower requests an Interest Period of an optional duration; and

(ii) the Agent receives notice from a Bank not later than 3.00 p.m. on the Business Day before the beginning of that Interest Period that it does not agree to the request,

the Interest Period for the proposed Loan shall be the alternative period of an approved duration specified in the relevant Request or notice or, in the absence of any alternative selection, 3 months.

(c) If the Agent receives a notice from a Bank under paragraph (b) above, it shall notify the relevant Borrower and the Banks promptly of the new Interest Period for the proposed Loan.

8.4 Overrunning of Final Repayment Date

Notwithstanding any other provision of this Clause 8, if an Interest Period for a Loan would otherwise overrun the relevant Final Repayment Date it shall be shortened so that it ends on that Final Repayment Date.

8.5 Notification

The Agent shall notify the relevant Borrower and the Banks of the duration of each Interest Period promptly after ascertaining its duration.

9. INTEREST

9.1 Interest rate

(a) The rate of interest on each Loan for each of its Interest Periods is the rate per annum determined by the Agent to be the aggregate of the applicable:-

(i) Margin;

(ii) LIBOR; and

(iii) MLA Cost.

(b) If, in respect of any Accounting Period, the Company does not comply with its obligations under Clause 17.2 (a) or (b) (Financial information), the applicable Margin in respect of each Facility A Loan from the date of the Company's non-compliance until the date on which that non-compliance is remedied, shall be adjusted so that the Margin applicable to that Facility A Loan shall be the next Increment up from the applicable Margin for that Facility A Loan in the previous quarterly Accounting Period.

(c) For the purposes of paragraph (b) above, an "Increment" is the difference between each level of the Margin in sub-paragraphs (i) to (v) of paragraph (a) of the definition of "Margin" in Clause 1.1 (Definitions).

9.2 Due dates

Except as otherwise provided in this Agreement, accrued interest on each Loan is payable by the relevant Borrower on the last day of each Interest Period and also, in the case of a Loan with an Interest Period longer than six months, on the date falling six months after the commencement of the Interest Period.

9.3 Default interest

(a) (i) If an Obligor fails to pay any amount payable by it under the Finance Documents, it shall forthwith on demand by the Agent pay interest on the overdue amount from the due date up to the date of actual payment, as well after as before judgement, at a rate (the "default rate") determined by the Agent to be 1 per cent per annum above, subject to sub-paragraph (ii) below, the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Sterling Loan for such successive Interest Periods of such duration as the

Agent may reasonably determine having regard to the likely duration of the default (each a "Designated Interest Period").

(ii) If the overdue amount is a principal amount of a Loan and it becomes due and payable prior to the last day of an Interest Period for that Loan, then:-

(1) the first Designated Interest Period for that overdue sum will be the unexpired portion of that Interest Period; and

(2) the rate of interest on the overdue amount for that first Designated Interest Period will be 1 per cent per annum above the rate on the overdue amount under Clause 9.1 (Interest rate) immediately before the due date.

After the expiry of the first Designated Interest Period for that overdue amount, the rate on the overdue amount will be calculated in accordance with sub-paragraph (i) above.

(b) The default rate will be determined on each Business Day or the first day of the relevant Designated Interest Period, as appropriate.

(c) If the Agent determines that Sterling deposits are not at the relevant time being made available by the Reference Banks to leading banks in the London interbank market, the default rate will be determined by reference to the cost of funds to the Banks from whatever sources the Banks may reasonably select, having due regard to the likely duration of the default.

(d) Default interest will be compounded at the end of each Designated Interest Period.

9.4 Notification of rates of interest

The Agent shall promptly notify each relevant Party of the determination of a rate of interest under this Agreement.

10. PAYMENTS

10.1 Place

All payments by an Obligor or a Bank under the Finance Documents shall be made to the Agent to its account at such office or bank in the U.K. as it may notify to that Obligor or Bank for this purpose.

10.2 Currency and funds

Payments under the Finance Documents to the Agent shall be made in Sterling for value on the due date at such times as the Agent may specify to the Party concerned as being customary at the time for the settlement of transactions in Sterling.

10.3 Distribution

(a) Each payment received by the Agent under this Agreement for another Party shall, subject to the paragraphs below, be made available by the Agent to that Party by payment to its account with such bank in the U.K. as it may notify to the Agent for this purpose by not less than 5 Business Days' prior notice.

(b) Where the Repayment Date for an outstanding Facility C Loan coincides with the Drawdown Date for a new Facility C Loan the Agent shall apply the relevant new Loan in or towards repayment of the relevant outstanding Loan so that:-

(i) where the amount of the outstanding Loan exceeds the amount of the new Loan, London Electricity shall only be required to repay the excess; and

(ii) where the amount of the outstanding Loan is exactly the same as the amount of the new Loan, London Electricity shall not be required to make any payment.

(c) The Agent may apply any amount received by it for a Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Borrower under this Agreement or in or towards the purchase of any amount of any currency to be so applied.

(d) Where a sum is to be paid under this Agreement to the Agent for the account of another Party, the Agent is not obliged to pay that sum to that Party until it has established that it has actually received that sum. The Agent may, however, assume that the sum has been paid to it in accordance with this Agreement and, in reliance on that assumption, make available to that Party a corresponding amount. If the sum has not been made available but the Agent has paid a corresponding amount to another Party, that Party shall forthwith on demand refund the corresponding amount to the Agent together with interest on that amount from the date of payment to the date of receipt, calculated at a rate determined by the Agent to reflect its cost of funds.

10.4 Set-off and counterclaim

All payments made by an Obligor under the Finance Documents shall be made without set-off or counterclaim.

10.5 Non-Business Days

(a) If a payment under the Finance Documents is due on a day which is not a Business Day, the due date for that payment shall instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal under this Agreement interest is payable on the principal at the rate payable on the original due date.

10.6 Partial payments

(a) If the Agent receives a payment insufficient to discharge all the amounts then due and payable by London Electricity or the other Obligors under the Finance Documents, the Agent shall apply that payment towards the obligations of London Electricity or those other Obligors, as the case may be, under the Finance Documents in the following order:-

(i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent under this Agreement;

(ii) secondly, in or towards payment pro rata of any accrued fees due but unpaid under Clause 20.2 (Commitment fee);

(iii) thirdly, in or towards payment pro rata of any accrued interest due but unpaid under this Agreement;

(iv) fourthly, in or towards payment pro rata of any principal due but unpaid under this Agreement and any amount payable under the Swap Documents; and

(v) fifthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

(b) The Agent shall, if so directed by all the Banks, vary the order set out in sub-paragraphs (a)(ii) to (v) above.

(c) Paragraphs (a) and (b) above shall override any appropriation made by an Obligor.

11. TAXES

11.1 Gross-up

All payments by an Obligor under the Finance Documents shall be made without any deduction and free and clear of and without deduction for or on account of any taxes, except to the extent that the Obligor is required by law to make payment subject to any taxes. If any tax or amounts in respect of tax must be deducted, or any other deductions must be made, from any amounts payable or paid by an Obligor, or paid or payable by the Agent to a Bank, under the Finance Documents, the Obligor shall pay such additional amounts as may be necessary to ensure that the relevant Bank receives a net amount equal to the full amount which it would have received had payment not been made subject to tax or other deduction.

11.2 Tax receipts

All taxes required by law to be deducted or withheld by an Obligor from any amounts paid or payable under the Finance Documents shall be paid by the relevant Obligor when due and the Obligor shall, within 15 days of the payment being made to the appropriate taxation authority, deliver to the Agent for the relevant Bank evidence satisfactory to that Bank (including all relevant tax receipts) that the payment has been duly remitted to the appropriate authority.

11.3 Refund of Tax Credits

If:-

(a) an Obligor makes a payment under Clause 11.1 (Gross-up) (a "Tax Payment") in respect of a payment to a Bank under the Finance Documents; and

(b) that Bank determines in good faith that it has obtained a refund of tax or obtained and used a credit against tax on its overall net income (a "Tax Credit") which that Bank is able to identify in good faith as attributable to that Tax Payment,

then, if it determines, acting in good faith, that it can do so without any adverse consequences for the Bank, that Bank shall forthwith reimburse that Obligor, such amount as that Bank in its absolute discretion determines to be such proportion of that Tax Credit as will leave that Bank (after that reimbursement) in no better or worse position in respect of its worldwide tax liabilities than it would have been in if no Tax Payment had been required. A Bank shall have an absolute discretion as to whether to claim any Tax Credit (and, if it does claim, the extent, order and manner in which it does so) and whether any amount is due from it under this Clause 11.3) (and, if so, what amount and when). No Bank shall be obliged to disclose any information regarding its tax affairs and computations.

11.4 Qualifying Bank

(a) Each Bank party to this Agreement on the Effective Date represents that it is a Qualifying Bank on the Effective Date. Any bank or financial institution which becomes a Bank after the Effective Date represents to each Obligor on the date it becomes a Party that, as at that date, it is a Qualifying Bank.

(b) If, otherwise than as a result of the introduction of, change in, or any change in the interpretation, administration or application of, any law or regulation, any Double Taxation Treaty or any practice or concession of the United Kingdom Inland Revenue occurring after the date a Bank becomes a Party, the Bank is not or ceases to be a Qualifying Bank, no Obligor will be liable to pay to that Bank under Clause 11.1 (Gross-up) any amount in respect of taxes levied or imposed by the United Kingdom or any taxing authority of or in the United Kingdom in excess of the amount it would have been obliged to pay if that Bank had been or had not ceased to be a Qualifying Bank.

(c) Any Bank which falls within paragraph (b) of the definition of Qualifying Bank shall deliver to the Company, on the date it becomes a Bank, a duly completed form from the tax authorities in the country in which it is resident such that each Borrower may receive from the Inland Revenue a direction to that Borrower under the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 that the Borrower should not, on account of the relevant Double Taxation Treaty, pay any interest due to the Bank under the Finance Documents under deduction of United Kingdom tax. The Bank concerned shall, upon the request of the relevant Borrower, promptly and duly (if it is able to do so) execute and deliver any and all such further instruments and documents which are required for the purpose of obtaining such a direction.

(d) Each Bank shall notify the Company through the Agent as soon as it is aware that it ceases to be a Qualifying Bank.

12. MARKET DISRUPTION

(a) If a Reference Bank does not supply an offered rate by 11.30 a.m. on the first day of any Interest Period, the applicable LIBOR shall, subject to paragraph (b) below, be determined on the basis of the quotations of the remaining Reference Banks.

(b) If, in relation to any proposed Loan:-

(i) no, or only one, Reference Bank supplies a rate for the purposes of determining the applicable LIBOR or the Agent otherwise determines that adequate and fair means do not exist for ascertaining the applicable LIBOR; or

(ii) the Agent receives notification from Banks whose participations in a Loan exceed 50 per cent. of that Loan that, in their opinion:-

(A) matching deposits may not be available to them in the London interbank market in the ordinary course of business to fund their participations in that Loan for the relevant Interest Period; or

(B) the cost to them of matching deposits in the London interbank market would be in excess of the relevant LIBOR,

the Agent shall promptly notify the Company and the relevant Banks of the fact and that this Clause 12 is in operation.

(c) After any notification under paragraph (b) above:-

(i) in the case of the Facility A Loan, it shall be made or continue but it shall have an Interest Period of one month and the interest payable on that Loan shall be determined in accordance with sub- paragraphs (iii)-(vii) below;

(ii) in the case of a Facility C Loan, unless London Electricity notifies the Agent to the contrary before close of business on the day it received the notification under paragraph (b) above, the Loan shall still be made but it shall have an Interest Period of one month and the interest payable on that Loan shall be determined in accordance with sub- paragraphs (iii) to (vii) below;

(iii) promptly after receipt of the notification, the relevant Borrower and the Agent shall enter into negotiations in good faith for a period of not more than one month with a view to agreeing a substitute basis for determining the rate of interest and/or funding applicable to the Loan affected by the notification;

(iv) any substitute basis agreed under sub-paragraph

(iii) above shall be, with the prior consent of all the Banks, binding on all the Parties;

(v) if no substitute basis is agreed under sub-paragraph (iii) above, each Bank (through the Agent) shall certify on or before the last day of the Interest Period to which the notification relates an alternative basis for maintaining its participation in that Loan;

(vi) any alternative basis referred to in sub-paragraph

(v) above may include an alternative method of fixing the interest rate, alternative Interest Periods or alternative currencies but it must reflect the cost to the Banks of funding their participations in that Loan from whatever sources each relevant Bank may reasonably select (each Bank's cost of funding being certified by that Bank with a copy to the Agent) plus the Margin and (if applicable) any MLA Cost; and

(vii) each alternative basis so certified shall be binding on the Borrowers and the certifying Bank and treated as part of this Agreement.

13. INCREASED COSTS

13.1 Increased costs

(a) Subject to Clause 13.2 (Exceptions), the relevant Borrower shall forthwith on demand by a Finance Party pay that Finance Party the amount of any increased cost incurred by it as a result of:

(i) the introduction of, or any change in, or any change in the interpretation or application of, any law or regulation after the date of this Agreement; or

(ii) compliance with any regulation made after the date of this Agreement,

including any law or regulation relating to taxation, change in currency of a country or reserve asset, special deposit, cash ratio, liquidity or capital adequacy requirements or any other form of banking or monetary control.

(b) In this Agreement "increased cost" means:-

(i) an additional cost incurred by a Finance Party or its Holding Company as a result of the Finance Party having entered into, or performing, maintaining or funding its obligations under, this Agreement; or

(ii) that portion of an additional cost incurred by a Finance Party or its Holding Company in the Finance Party making, funding or maintaining all or any advances comprised in a class of advances formed by or including the participations in the Loans made or to be made under this Agreement as is attributable to the Finance Party making, funding or maintaining those participations; or

(iii) a reduction in any amount payable to a Finance Party or its Holding Company or the effective return to a Finance Party under this Agreement or on its capital or that of its Holding Company; or

(iv) the amount of any payment made by a Finance Party or its Holding Company, or the amount of interest or other return foregone by a Finance Party or its Holding Company, calculated by reference to any amount received or receivable by a Finance Party from any other Party under this Agreement.

(c) A Finance Party intending to make a claim under this Clause shall promptly notify the relevant Borrower in reasonable detail of the circumstances giving rise to the claim and the basis of computation of that claim. However, no Finance Party is obliged to provide any confidential information.

13.2 Exceptions

Clause 13.1 (Increased costs) does not apply to any increased cost:-

(a) compensated for by the payment of the MLA Cost;

(b) compensated for by the operation of Clause 11 (Taxes) or which would have been compensated for but for the operation of Clause 11.4(b) (Qualifying Bank);

(c) attributable to any tax on the overall net income of a Bank or its Holding Company (or the overall net income of a division or branch of the Bank or its Holding Company) imposed in the jurisdiction in which its principal office or Facility Office is situate;

(d) attributable to the relevant Bank (or its Holding Company) having entered into a commitment to lend to a third party which is, at the time of

that commitment, in breach of the relevant law or regulation; or

(e) incurred in consequence of the implementation, as contemplated at the date of this Agreement, of the matters set out in:

(i) the report of the Basle Committee on Bank Regulation and Supervisory Practices dated July 1988 and entitled "International Convergence of Capital Measurement and Capital Standards" (including in particular but without limitation any directive of the Bank of England implementing that report in the United Kingdom);

(ii) the Directive of the Council of the European Communities on a Solvency Ratio for Credit Institutions (89/647/EEC of 18 December 1989); and/or

(iii) the Directive of the Council of the European Communities on Own Funds of Credit Institutions (89/299/EEC of 17 April 1989),

unless it results from any change after the date of this Agreement in, or in the interpretation or application of, those matters as contemplated on the date of this Agreement.

14. ILLEGALITY

If it is or becomes unlawful or contrary to any regulation in any jurisdiction for a Bank to give effect to any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan, then:-

(a) the Bank shall promptly notify the Company through the Agent accordingly; and

(b) (i) each Borrower shall, on the latest day permitted by the relevant law or regulation, prepay that Bank's participation in all Loans made to it together with all other amounts payable by it to that Bank under this Agreement; and

(ii) the Bank's Commitments shall be cancelled.

15. GUARANTEE

15.1 Guarantee

Each Guarantor jointly and severally and irrevocably and unconditionally:-

(a) as principal obligor guarantees to each Finance Party prompt performance by EUK of all its obligations under the Finance Documents;

(b) undertakes with each Finance Party that whenever EUK does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall within two Business Days of demand by the Agent pay that amount as if that Guarantor instead of EUK were expressed to be the principal obligor; and

(c) indemnifies each Finance Party within two Business Days of demand against any loss or liability suffered by it if any obligation so guaranteed by that Guarantor is or becomes unenforceable, invalid or illegal.

15.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of all sums payable by EUK under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

15.3 Reinstatement

(a) Where any discharge (whether in respect of the obligations of any Obligor, or any security for those obligations or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation or otherwise without limitation, the liability of a Guarantor under this Clause 15 (Guarantee) shall continue as if the discharge or arrangement had not occurred.

(b) Each Finance Party may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

15.4 Waiver of defences

The obligations of a Guarantor under this Clause 15 (Guarantee) will not be affected by an act, omission, matter or thing which, but for this

provision, would reduce, release or prejudice any of its obligations under this Clause 15 (Guarantee) or prejudice or diminish those obligations in whole or in part, including (whether or not known to it or any Finance Party):-

(a) any time or waiver granted to, or composition with, any Obligor or other person;

(b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(c) any incapacity or lack of powers, authority or legal personality of or dissolution or change in the members or status of any Obligor or any other person;

(d) any variation (however fundamental) or replacement of a Finance Document or any other document or security so that references to that Finance Document in this Clause 15 (Guarantee) shall include each variation or replacement;

(e) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security, to the intent that the obligations of the Guarantor under this Clause 15 (Guarantee) shall remain in full force and its guarantee be construed accordingly, as if there were no unenforceability, illegality or invalidity; or

(f) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any Obligor under a Finance Document resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order so that each such obligation shall for the purposes of the obligations of the Guarantor under this Clause 15 (Guarantee) be construed as if there were no such circumstance.

15.5 Immediate recourse

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any Obligor before claiming from that Guarantor under this Clause 15 (Guarantee).

15.6 Appropriations

Until all amounts which may be or become payable by any Obligor under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:-

(a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

(b) hold in an interest bearing suspense account any moneys received from EUK or on account of the liability of a Guarantor under this Clause 15 (Guarantee).

15.7 Non-competition

Until all amounts which may be or become payable by any Obligor under or in connection with the Finance Documents have been irrevocably paid in full, no Guarantor shall after a claim has been made or by virtue of any payment or performance by it under this Clause 15 (Guarantee):-

(a) be subrogated to any rights, security or moneys held, received or receivable by any Finance Party (or any trustee or agent on its behalf) or be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of that Guarantor's liability under this Clause 15 (Guarantee);

(b) claim, rank, prove or vote as a creditor of any Obligor or its estate in competition with any Finance Party (or any trustee or agent on its behalf); or

(c) receive, claim or have the benefit of any payment, distribution or security from or on account of any Obligor, or exercise any right of set-off as against any Obligor.

Each Guarantor shall hold in trust for and forthwith pay or transfer to the Agent for the Finance Parties any payment or distribution or benefit of security received by it contrary to this Clause 15.7.

15.8 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other security now or subsequently held by any Finance Party.

16. REPRESENTATIONS AND WARRANTIES

16.1 Representations and warranties

Each Obligor makes the representations and warranties set out in this Clause 16 (Representations and warranties) to each Finance Party in respect of itself and its Subsidiaries.

16.2 Status

(a) (i) In the case of an Obligor incorporated in England, it is a limited liability company, duly incorporated and validly existing under the Companies Act 1985; and

(ii) in the case of an Obligor formed in the State of Delaware, it is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Delaware; and

(b) it has the power to own its assets and carry on its business as it is being conducted.

16.3 Powers and authority

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

16.4 Legal validity

Each Finance Document to which it is or will be a party constitutes, or when executed in accordance with its terms will constitute, its legal, valid, binding and enforceable obligation.

16.5 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not:-

(a) conflict with any law or regulation, judicial or official order or any Licence or Licence Undertaking; or

(b) conflict with its constitutional documents; or

(c) conflict with any document which is binding upon any Obligor or any other member of the Group or any asset of any Obligor or any other member of the Group to an extent or in a manner which has a Material Adverse Effect.

16.6 No default

(a) No Event of Default or (unless this representation is being repeated or deemed to be repeated on the date of a Request or a Drawdown Date in respect of a Rollover Loan or the first day of an Interest Period for a Facility A Loan commencing after the Effective Date) other Default is outstanding or will result from any Loan; and

(b) no other event is outstanding which constitutes a default under any document which is binding on any Obligor or any other member of the Group or any asset of any Obligor or any other member of the Group to an extent or in a manner which has a Material Adverse Effect.

16.7 Authorisations

Subject to due registration of any Debenture at Companies House under section 395 of the Companies Act 1985, all authorisations required by any UK or US law or the terms of any Licence or Licence Undertaking in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Finance Documents have been obtained or effected (as appropriate) and are in full force and effect.

16.8 Accounts

(a) In the case of the Company, the audited consolidated accounts of the Group most recently delivered to the Agent under this Agreement:-

(i) have been prepared in accordance with Applicable Accounting Principles; and

(ii) fairly represent the consolidated financial condition of the Group as at the date to which they were drawn up.

(b) In the case of EUK and London Electricity, its audited consolidated accounts most recently delivered to the Agent:-

(i) have been prepared in accordance with Applicable Accounting Principles; and

(ii) fairly represent its consolidated financial condition as at the date to which they were drawn up.

16.9 Litigation

No litigation, arbitration or administrative proceedings are, to its knowledge, current, pending or threatened:

(a) to restrain the entry into, exercise of any of its rights, and/or performance or enforcement of or compliance with any of its obligations, under the Finance Documents; or

(b) which have a Material Adverse Effect.

16.10 Information Memorandum

(a) All material factual information contained in the Information Memorandum was true (or, in the case of information provided by any person other than an Obligor or its advisers, was true to the best of its knowledge and belief) in all material respects at the date (if any) ascribed to it in the Information Memorandum or (if none) at the date of the relevant component of the Information Memorandum;

(b) any expressions of opinion or intention and any forecasts and projections contained in the Information Memorandum were arrived at in good faith and were based on reasonable assumptions which that Obligor believes to be true; and

(c) as at the Effective Date, the Information Memorandum, taken as a whole, was not misleading in any material respect and did not omit to disclose any matter failure to disclose which would result in any material information contained in the Information Memorandum being misleading in any material respect in the context of the Finance Documents.

16.11 Environmental Matters

(a) Each Obligor and each other member of the Group has obtained all material Environmental Licences required for the carrying on of its business as then conducted and is in compliance in all material respects with:

(i) the terms and conditions of those Environmental Licences; and

(ii) all other applicable Environmental Law,

which, in each case, if not obtained or complied with, has a Material Adverse Effect and there are, to its knowledge, no circumstances which may materially prevent or interfere with such compliance in the future which, if not complied with, have a Material Adverse Effect;

(b) so far as it is aware, no Dangerous Substance has been used, disposed of, generated, stored, transported, dumped, released, deposited, buried or emitted at, on from or under any site or premises (whether or not owned, leased, occupied or controlled by any Obligor or any other member of the Group and including any offsite waste management or disposal location utilised by any Obligor or any other member of the Group) in circumstances where this has a Material Adverse Effect; and

(c) so far as it is aware, there is no Environmental Claim

(whether in respect of any site previously or currently owned or occupied by any Obligor or any other member of the Group or otherwise) pending or threatened, and there are no past or present acts, omissions, events or circumstances that would be likely to form the basis of any Environmental Claim (whether in respect of any site previously or currently owned or occupied by any Obligor or any other member of the Group or otherwise), against it which, in each case, is reasonably likely to be determined against it and which, if so determined, has a Material Adverse Effect.

16.12 Assets

Each Obligor is the legal and/or beneficial owner of all its material assets free from any Security Interests (other than any Security Interests permitted under Clause 17.9(b) (Negative pledge)).

16.13 Ownership


Each Obligor confirms that the corporate structure chart set out in Schedule 7 is accurate as at the Effective Date and, as at the Effective Date, neither EUK nor any Additional Guarantor has any material commitments or Financial Indebtedness other than as contemplated by the Finance Documents.

16.14 Licence

In the case of London Electricity and as at the Effective Date:-

- (a) the Licence is in full force and effect;
- (b) there exist no material breaches of the terms of the Licence or Licence Undertakings; and
- (c) there are no circumstances in existence which would entitle the Director General or the Secretary of State to seek to revoke the Licence.

16.15 No insolvency

As at the Effective Date no insolvency, bankruptcy or similar  [have not been instituted](#) by (and in relation to) or against or threatened against any Obligor or Material Subsidiary.

17. UNDERTAKINGS

17.1 Duration

The undertakings in this Clause 17 (Undertakings) remain in force from the date of this Agreement for so long as any amount is or may be outstanding under this Agreement or any Commitment is in force and are made (where applicable) by itself in respect of it and its Subsidiaries.

17.2 Financial information

(a) The Company shall supply to the Agent in sufficient copies for all the Banks:-

(i) as soon as the same are available (and in any event within 120 days of the end of each of their financial years) the audited or (in the case of London Electricity) unaudited consolidated accounts of EUK, the Company and London Electricity for that financial year;

(ii) as soon as the same are available (and in any event within 60 days of the end of the first half-year of each of their financial years and within 45 days (in the case of the Company) or 60 days (in the case of EUK) of the end of each quarter of each of their financial years) the unaudited consolidated accounts for that half-year or that quarter, as the case may be, of EUK and the Company;

(iii) as soon as the same are available (and in any event within 60 days of the end of the first half- year of each of its financial years), the unaudited consolidated accounts for that half-year of London Electricity; and

(iv) as soon as the same are available (and in any event within 210 days of the end of each of its financial years) the audited unconsolidated accounts of London Electricity for that year.

(b) The Company shall supply to the Agent in sufficient copies for all the Banks:-

(i) together with its accounts specified in paragraph (a)(i) above, a certificate signed by its auditors setting out in reasonable detail computations establishing compliance or non- compliance with Clause 17.26 (Financial covenants) as at the date to which those accounts were drawn- up;

(ii) together with its accounts specified in paragraph (a)(ii) above, a certificate signed by two of its senior authorised officers on its behalf setting out in reasonable detail computations establishing compliance or non-compliance with Clause 17.26 (Financial covenants) as at the date to which those accounts were drawn-up; and

(iii) within 5 Business Days of them being delivered to the Director General under Condition 2 of Part II of the Licence, the accounting statements delivered to the Director General by London Electricity.

17.3 Information - miscellaneous

Each Obligor shall supply to the Agent:-

(a) all documents despatched by it to its creditors (or any class of them), other than any creditors in respect of Subordinated Debt or the Subordinated Debentures, at the same time as they are despatched;

(b) promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, threatened or pending, and which:

(i) if adversely determined, have a Material Adverse Effect; or

(ii) would involve liability or potential liability of BPS10,000,000 or more (or its equivalent in other currencies); or

(iii) involves the Director-General, the Secretary of State, the Licence or any Licence Undertaking;

(c) promptly upon becoming aware that any material modifications to the Licence are being proposed by the Director General or London Electricity and/or that any Licence Undertaking is being requested by the Director General or the Secretary of State, reasonable details of those modifications and/or that Licence Undertaking, to be updated from time to time to reflect any changes;

(d) unless the Agent has already received them, copies of any Licence Undertakings in force at the date of the Acquisition and thereafter, promptly after the giving of any Licence Undertaking; and

(e) promptly, such further information in the possession or control of any member of the Group regarding its financial condition and operations as any Finance Party may reasonably request and which the Obligor is able to provide without breaching any legal obligation or regulation,

in sufficient copies for all of the Banks, if the Agent so requests.

17.4 Notification of Default

(a) Each Obligor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) Each Obligor shall notify the Agent of any event of default or potential event of default under the EIL Facility Agreement (and the steps, if any being taken to remedy it) promptly upon becoming aware of its occurrence.

17.5 Compliance certificates/accounting matters

(a) The Company shall supply to the Agent:-

(i) together with its accounts specified in Clause 17.2(a) (Financial information); and

(ii) promptly at any other time, if the Agent so requests,

a certificate signed by two of its senior officers on its behalf certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it.

(b) If, at any time after the date of this Agreement, any material change is made to the Applicable Accounting Principles, the Company shall notify the Agent of the change and, in the absence of any agreement between the Company and the Agent (acting on the instructions of the Majority Banks) to the contrary, the Company shall ensure that the Auditors provide a description of the change and the adjustments which would be required to be made to the latest accounts or financial statements so that those accounts or financial statements reflect the Applicable Accounting Principles, and any reference to any financial statements or accounts delivered under this Agreement shall be construed as a reference to those accounts or financial statements as adjusted to reflect the Applicable Accounting Principles.

(c) The Company shall ensure that each set of accounts to be delivered by it under this Agreement are prepared and audited (in the case of its annual accounts) by the Auditors in accordance with the Applicable Accounting Principles, subject to any variations which are not material or, if material, have been agreed in writing by the Majority Banks.

17.6 Authorisations

Each Obligor shall promptly:-

(a) obtain, maintain and comply with the terms of; and

(b) supply certified copies to the Agent of,

any authorisation required by it under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, any Finance Document.

17.7 Environmental matters

Each Guarantor shall, and the Company shall procure that each member of the Group will:

(a) obtain all requisite Environmental Licences and comply in all material respects with:

(i) the terms and conditions of all Environmental Licences applicable to it; and

(ii) all other applicable Environmental Laws,

in each case where failure to do so has a Material Adverse Effect; and

(b) promptly upon receipt of the same, notify the Agent of any claim, notice or other communication served on it in respect of any alleged breach of or corrective or remedial obligation or liability under any Environmental Law which, if substantiated, has a Material Adverse Effect.

17.8 Pari passu ranking

Each Obligor shall procure that its payment obligations under the Finance Documents do and will rank at least pari passu with all its other present and future unsecured payment obligations, except for obligations which are mandatorily preferred by law applying to companies generally.

17.9 Negative pledge

(a) No Obligor shall, and the Company shall procure that no other member of the Group will, create or permit to subsist any Security Interest on any of its assets.

(b) Paragraph (a) does not apply to:

(i) any lien or right of set-off arising by operation of law (or by an agreement having similar effect) in the ordinary course of business; or

(ii) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business of any member of the London Electricity Group as security only for indebtedness owed to a bank or financial institution directly relating to the goods or documents on or over which that pledge exists; or

(iii) any Security Interest arising out of title retention or conditional sale provisions in a supplier's standard conditions of supply of goods acquired by any member of the London Electricity Group in the ordinary course of its business; or

(iv) any Security Interest created under the Pooling and Settlement Agreement; or

(v) any Security Interest existing on an asset at the time of the acquisition of the asset by any member of the London Electricity Group after the date of this Agreement, but only if:

(A) the Security Interest was not created in contemplation of the acquisition;

(B) the principal amount secured by the Security Interest is not increased after the acquisition; and

(C) the Security Interest is discharged within 180 days of the acquisition; or

(vi) any Security Interest existing on the assets of a company at the time it becomes a member of the London Electricity Group after the date of this Agreement, but only if:

(A) the Security Interest was not created in contemplation of the relevant company becoming a member of the London Electricity Group;

(B) the principal amount secured by the Security Interest is not increased after the relevant company becomes a member of the London Electricity Group; and

(C) the Security Interest is discharged within 180 days of the relevant company becoming a member of the London Electricity Group; or

(vii) any Security Interest which:-

(A) constitutes a contractual right of any bank or financial institution to apply any credit balance maintained by any member of the London Electricity Group with that bank or financial institution against any amount due and payable to such bank or financial institution by that or any other member of the London Electricity Group; and

(B) arises in connection with the relevant London Electricity Group member's ordinary banking arrangements (including a cash management scheme); or

(viii) any Security Interest created:

(A) by the Debentures; or over any Excluded Asset (as defined in a Debenture executed by an Obligor in incorporated in the U.S.A.); or

(B) with the approval of the Majority Banks; or

(ix) any Security Interest created or existing over the assets of a Project Finance Subsidiary, or over the shares (or like interest in the capital) of a Project Finance Subsidiary, securing Project Finance Indebtedness; or

(x) any other Security Interest created or existing over the assets of any member of the London Electricity Group not falling within any of paragraphs (i) to

(ix) above so long as the aggregate principal amount of outstanding indebtedness of the London Electricity Group secured by all the Security Interests permitted under this sub-paragraph (x) at any time, together with the aggregate principal amount of all outstanding indebtedness permitted under Clause 17.10(b) (Transactions similar to security) at that time, does not exceed BPS50,000,000 (or its equivalent in other currencies).

(c) Notwithstanding the above, the Company shall not create or permit to subsist any Security Interest on any of the share capital of London Electricity other than pursuant to a Debenture.

17.10 Transactions similar to security

(a) Subject to paragraph (b) below, no Obligor shall, and the Company shall procure that no other member of the Group will:-

(i) sell, transfer or otherwise dispose of any of its assets on terms whereby it is or may be leased to or re-acquired or acquired by a member of the Group or any of its related entities; or

(ii) sell, transfer or otherwise dispose of any of its receivables on terms that recourse may be had to the vendor in the event of non-payment of those receivables when due, except for the discounting of bills or notes in the ordinary course of trading,

in circumstances where the transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset.

(b) Any member of the London Electricity Group may enter into transactions otherwise prohibited by paragraph (a) above so long as the aggregate principal amount of outstanding indebtedness of the London Electricity Group in respect of all such transactions at any time, together with the aggregate principal amount of all outstanding secured indebtedness permitted under Clause 17.9(b)(x) (Negative pledge) at that time, does not exceed BPS50,000,000 (or its equivalent in other currencies).

17.11 Disposals

(a) The Company shall not sell, transfer or otherwise dispose of or cease to exercise control over any of the share capital of London Electricity except under or pursuant to the Debenture executed by it.

(b) No Obligor shall, and the Company shall procure that no other member of the Group will, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of all or any part of its assets (all such transactions being "disposals" for the purpose of this Clause).

(c) Paragraph (b) does not apply to the following disposals (if made on arm's length terms or permitted by Clause 17.20 (Arm's length terms)):-

(i) disposals made in the ordinary course of business of the disposing entity; or

(ii) disposals made by a member of the London Electricity Group of assets in exchange for other assets comparable or superior as to type, value and quality; or

(iii) disposals made by a member of the London Electricity Group of obsolete or surplus assets no longer required for the purpose of the relevant person's business; or

(iv) the payment of cash not otherwise prohibited by the terms of any Finance Document; or

(v) disposals by one member of the London Electricity Group to another member of the London Electricity Group (other than a Project Finance Subsidiary), but only if, in the case of a Subsidiary of London Electricity to whom the assets are transferred, London Electricity owns directly or indirectly at least a corresponding percentage of the ownership interest in the transferee Subsidiary as in the transferor Subsidiary or disposals from one Obligor to another Obligor; or

(vi) other disposals of assets which are integral to the distribution and supply of electricity activities of the London Electricity Group to the

extent that the value of those assets disposed of during any financial year of London Electricity is less than BPS20,000,000 (as determined by reference to the audited consolidated balance sheet of London Electricity as at the end of the relevant financial year or, in the case of any such asset which was not taken into account for the purposes of that balance sheet, its book value at the date of disposal); or

(vii) other disposals of assets not referred to in paragraph (vi) above to the extent that the value of those assets disposed of during any financial year of London Electricity is less than BPS50,000,000 (as determined by reference to the audited consolidated balance sheet of London Electricity as at the end of the relevant financial year or, in the case of any such asset which was not taken into account for the purposes of that balance sheet, its book value at the date of disposal); or

(viii) disposals made by a member of the London Electricity Group of receivables on arm's length terms up to a maximum value:

(1) of BPS20,000,000, at any time when the Capitalisation Ratio is in excess of 65 per cent.; or

(2) of BPS50,000,000 at any time when the Capitalisation Ratio is less than or equal to 65 per cent.; or

(3) in excess of the relevant limit of BPS20,000,000 or BPS50,000,000, as appropriate, but only if the net proceeds of any such excess disposals are applied in accordance with this Agreement in or towards prepayment of, first, Facility C Loans and then Facility A Loans. The Total Facility A Commitments and the Total Facility C

equal Commitments shall be reduced by an amount
to the relevant prepayment; or

(ix) any other disposal approved by the Majority Banks.

17.12 Change of business

The Company shall procure that no substantial change is made to the general nature or scope of the business of the Company or the Group from that carried on at the date of this Agreement or those which are usual for electricity companies in the United Kingdom as at the date of this Agreement, including, without limitation, electricity distribution, supply and generation, electrical contracting and business activities relating to the gas, telecommunication and water industries.

17.13 Holding Company

(a) The Company shall not carry on any business (other than

(i) the holding of shares in, the making of loans to and the provision of administrative services to, members of the Group and (ii) the holding of general partnership interests in ELC, the execution, delivery and performance of Subordinated Debentures and the execution, delivery and performance of the Subordinated Capital Security Guarantee) or acquire any assets other than cash, cash equivalents or shares in (or loans to) members of the Group or general partnership interests in ELC.

(b) No Additional Guarantor shall carry on any business (other than the holding of shares in, the making of loans to and the provision of administrative services to, members of the Group or Obligor) or acquire any assets other than cash, cash equivalents or shares in (or loans to) members of the Group or Obligor.

(c) No Guarantor shall create or acquire any new Subsidiaries (other than a member of the London Electricity Group).

17.14 Mergers and acquisitions

(a) No Obligor shall, and the Company shall procure that no other member of the Group will, enter into any amalgamation, demerger, merger or reconstruction, except for any amalgamation, merger or reconstruction between a member of the Group (other than a Borrower or the Licenceholder) and any other member of the Group (other than a Borrower or the Licenceholder).

(b) No Obligor shall, and the Company shall procure that no other member of the Group will, acquire any assets or business or make any investment if the assets, business or investment is substantial in relation to the Group, except for:

(i) acquisitions or investments made in the ordinary course of business;

(ii) capital expenditure and any other expenditure, in either case in connection with compliance with the Licence, any Licence Undertaking or any other applicable law or regulation;

(iii) investments contemplated by the implementation of the capital structure referred to in paragraph 5 of Part I of Schedule 2 to the Restatement Agreement or any other investment by an Obligor or other member of the Group in another Obligor or other member of the Group; and

(iv) other acquisitions or investments, the consideration for which does not exceed (on a cumulative basis) 20 per cent. of the Adjusted Capital and Reserves at such time (or its equivalent in other currencies), and no Default is then outstanding or will result from the acquisition or investment.

17.15 Distributions

(a) No Guarantor shall declare, recommend, make or pay any dividend, distribution or payment (including by way of redemption, repurchase, defeasance, retirement, return or repayment) to any of its shareholders (other than any payment due to its shareholders for goods and/or services received or provided in the ordinary course of business) or make any payment (including by way of redemption, repurchase, defeasance, retirement, return or repayment and including the payment of interest) in respect of any Subordinated Debt, if a Default is outstanding or will result from the relevant dividend, payment or distribution.

(b) Each Guarantor shall, and the Company shall procure that London Electricity will:

(i) pay dividends to its shareholders; or

(ii) provide funds by way of the making of a loan or the payment of interest on a loan or the repayment of a loan to its shareholders,

in each case in the amount available to it and necessary to enable EUK to perform its obligations under the Finance Documents. However, a Guarantor's obligation under this paragraph does not extend to making or procuring a payment or providing or procuring funds if it would be contrary to any law or regulation or (in the case of London Electricity) would breach the Licence or any Licence Undertaking. Without limiting the above, if London Electricity could make a payment or provide funds by complying with Section 155 of the Companies Act 1985 and London Electricity is able to do so, then the Company shall procure that London Electricity shall take the necessary steps under Section 155-158 of the Companies Act 1985 to enable the payment to be made or the relevant funds to be provided.

17.16 Lending and borrowing

(a) No Obligor (other than London Electricity) shall incur any Financial Indebtedness other than:-

(i) under the Finance Documents;

(ii) under the Subordinated Capital Security Guarantee and the Subordinated Debentures;

(iii) under the Intercompany Notes;

(iv) to another Obligor;

(v) Financial Indebtedness specified in paragraph (g) of its definition in Clause 1.1 (Definitions) and complying with Clause 17.17 (Hedging);

(vi) where the net proceeds of the Financial Indebtedness are used to prepay the Facility A Loans in whole; or

(vii) where the net proceeds of the Financial Indebtedness are used solely to prepay the Facility A Loans in part and:

(A) the Financial Indebtedness is unsecured except to the extent secured under the Debentures or is subordinated to the Financial Indebtedness under the Finance Documents;

(B) if the Financial Indebtedness is secured under the Debentures, the creditors of that Financial Indebtedness (or their agent or trustee) have entered into an intercreditor agreement providing that, for so long as any amount is outstanding under Facility A, the Banks shall maintain control of voting rights with respect to the security created under the Debentures;

(C) the Financial Indebtedness:-

(1) does not have a maturity date;

(2) is not voluntarily prepayable (otherwise than on a pro rata basis with Facility A); and

(3) does not amortize,

prior to the Facility A Final Repayment Date; and

(D) after the Financial Indebtedness is incurred and the Facility A Loan(s) partially prepaid, no Default will then be outstanding.

(b) The Company will procure that the aggregate Borrowings of London Electricity and its Subsidiaries taken together on a consolidated basis plus (to the extent not otherwise included in Borrowings of London Electricity and/or its Subsidiaries and without double counting) the amount of any actual or contingent liabilities of London Electricity and/or its Subsidiaries:

(i) for Borrowings at that time of any person in which London Electricity or any of its Subsidiaries has an ownership interest; or

(ii) to provide funds by loan, subscription for share capital or otherwise to any person (other than a member of the London Electricity Group) in which London Electricity or any of its Subsidiaries has an ownership interest,

will not exceed the aggregate of:

(A) the outstanding principal amount from time to time of the Facility C Loans;

(B) the principal amount of all Borrowings of those companies outstanding at the date London Electricity became a member of the Group;

(C) the outstanding principal amount from time to time of all Borrowings of those companies for which the only creditor is the Company or Entergy UK Finance Limited;

(D) any Borrowing of any member of the London Electricity Group where there is recourse falling within paragraph (b)(iii) of the definition of "Project Finance Indebtedness" in Clause 1.1 (Definitions) outstanding from time to time; and

(E) the amount which, when aggregated with the amounts referred to in sub-paragraphs (A), (B) and (D) above, equals BPS600,000,000.

(c) No Obligor will, and each Obligor will procure that no member of the Group will, be the creditor in respect of any Borrowings, other than:

(i) any Borrowing entered into with the prior consent of the Majority Banks;

(ii) any Borrowing under paragraph (b) of the definition of "Borrowings" where trade credit is extended by any member of the Group on normal commercial terms and in the ordinary course of its business on substantially the same terms (or terms more favourable to it) and in similar circumstances as for trade credit extended prior to the date of this Agreement by London Electricity;

(iii) loans made by one member of the Group to another member of the Group or Obligor or by one Obligor to another Obligor or member of the Group;

(iv) cash deposits made by a member of the Group at a bank or other financial institution or any commercial paper rated A1 or higher by Standard & Poor's Rating Group (or any of its successors) or P1 or higher by Moody's Investors Service, Inc. (or any of its successors) held by any member of Group;

(v) the Intercompany Notes; or

(vi) Borrowings not otherwise permitted under to paragraphs (i) to (v) above in an aggregate amount for the Group as a whole at any time outstanding not exceeding BPS40,000,000.

(d) Without prejudice to paragraph (a) above and unless the Majority Banks otherwise consent (such consent not to be unreasonably withheld),

the Company shall procure that London Electricity does not repay or redeem the Bonds otherwise than as may be required by the relevant bondholders in accordance with the terms of the Bonds.

17.17 Hedging

(a) Subject to paragraph (b) below, no Obligor shall, and the Company shall ensure that none of its Subsidiaries will, enter into any interest rate swap, cap, ceiling, collar or floor or any currency swap, futures, foreign exchange or commodity contract or option (whether over the counter or exchange traded) or any similar treasury transaction, other than spot foreign exchange contracts entered into in the ordinary course of business, and transactions for the hedging of actual or projected interest rate, currency and/or commodity and/or energy price exposures arising in the ordinary course of the business activities of that member of the Group.

(b) (i) It is the policy of the Company and EUK to ensure that the interest rate on at least 50 per

cent. of the aggregate of the outstanding Facility
A Loan(s) and the Facility C Loans is either fixed
or subject to a cap (the level of which must
be acceptable to the Arrangers (acting
reasonably)),
the based on current market rates at the time
for relevant hedging arrangement is put in place and
from an average period of not less than three years
a the date upon which London Electricity became
a member of the Group.

(ii) The Company and EUK confirms that it is party
to such Swap Documents as are necessary to
implement the above policy.


17.18 Insurance

Each Guarantor shall procure that there is:

(a) maintained with underwriters or insurance
companies of repute in respect of each member of the
London Electricity Group and each Obligor the policies
of insurance in relation to its business and
assets which a prudent person carrying on a
similar business might be expected to maintain
(including policies to cover public and third party
liability and insurance against business interruption) and
any such other insurance as may be required pursuant
to the terms of any Finance Document; and

(b) from time to time upon request by the
Agent, supplied to the Agent copies of all such
insurance policies or certificates of insurance or such
other evidence of the existence of such policies as may
be reasonably acceptable to the Agent.

17.19 Constitutional Documents

No Obligor will, and the Company will procure that
no other member of the Group will, without the prior
consent of the Majority Banks or as required by law, amend
or seek or agree to amend or replace the memorandum
or articles Powered By:  www.eagle.com on 2002 other constitutional
documents or by-laws of any Obligor or any member of the Group
in

(a) In this Clause 17.26:-

"Adjusted Capital and Reserves"

means the amount (including any share premium) for the time being paid up or credited as paid up on the issued share capital of the Company, adjusted as follows:

- (i) plus the outstanding amount of any Subordinated Debt and Subordinated Capital Securities;
- (ii) plus the amount standing to the credit (or, as the case may be, minus the amount standing to the debit) of the capital and revenue reserves of the Group;
- (iii) plus any amount standing to the credit or minus any amount standing to the debit of the consolidated profit and loss account of the Group;
- (iv) minus any distribution declared or made by the Company or any of its Subsidiaries (other than to another member of the Group) out of profits included within reserves to the extent that those reserves have not already been reduced on account of it;
- (v) minus amounts attributable to the interests (if any) of outside holders of issued share capital in any member of the Group other than the Company itself;
- (vi) plus any amount deducted from reserves or the profit and loss account in respect of goodwill arising upon and in respect of the Acquisition;
- (vii) plus any amount deducted from reserves or the profit and loss account as a provision for the future payment of any exceptional, special or windfall tax or levy applicable to, inter alia, privatised regional electricity companies;

and, for the purposes of the foregoing:

(A) no item shall be effectively deducted or added more than once, all items shall be calculated on a consolidated basis and (subject only as may be required in order to reflect the express inclusion or exclusion of items as specified in this definition) in accordance with the Applicable Accounting Principles; and

(B) where the calculation is being made as at the end of any Accounting Period it shall be determined from the balance sheet forming part of the relevant quarterly or annual accounts for that Accounting Period.

"Capitalisation Ratio"

means, at any time, the ratio of Consolidated Net Total Borrowings to the aggregate of Consolidated Net Total Borrowings and Adjusted Capital and Reserves, expressed as a percentage.

"Consolidated EBITDA"

for any period comprising an annual Accounting Period of the Company or consecutive quarterly Accounting Periods of the Company (taken together as one period) means the profit of the Group for such period:

- (i) before deducting all depreciation and other amortisation;
- (ii) before taking into account all Extraordinary Items (whether positive or negative) but, in the case of the first test of the covenant set out in Clause 17.26(c)(i) only, after taking into account all Exceptional Items (whether positive or negative);
- (iii) before deducting tax;
- (iv) before taking into account Consolidated Net Interest Payable for such period;
- (v) before deducting the costs incurred in connection with the Acquisition;
- (vi) after deducting any gain, or adding any loss, to book value arising in favour of the Group on the sale, lease or other disposal of any asset (other than on the sale of trading stock) during such period and deducting any gain, or adding any loss, arising on revaluation of any asset during such period, in each case to the extent that it would otherwise be taken into account,

and, for the purposes of the foregoing, no item shall be effectively deducted or credited more than once in this calculation, all items shall be determined on a consolidated basis and (subject only as may be required in order to reflect the express inclusion or exclusion of items as specified in this definition) in accordance with the Applicable Accounting Principles and as determined from the consolidated accounts of the Group for that annual Accounting Period or for the relevant Accounting Periods falling within that period.

"Consolidated Net Interest Payable"

means Consolidated Total Interest Payable less any interest or amounts in the nature of interest receivable during the relevant annual Accounting Period of the Company or consecutive quarterly Accounting Periods of the Company (taken together as one period), determined on the same basis and manner as for Consolidated Total Interest Payable.

"Consolidated Net Total Borrowings"

at any time means the aggregate at that time of the Borrowings of the members of the Group from sources external to the Group,

(i) plus (to the extent not otherwise included) the amount of any actual or contingent liability of any member of the Group:

(A) for Borrowings at that time of any person in which any member of the Group has an ownership interest; or

(B) to provide funds by loan, subscription for share capital or otherwise to any person in which any member of the Group has an ownership interest;

(ii) less the cash in hand and cash equivalents of the members of the Group at that time, and

(iii) excluding, for the avoidance of doubt, the amount of any liability of any member of the Group in respect of the Subordinated Debentures, the Subordinated Capital Security Guarantee and the Subordinated Capital Securities,

calculated on a consolidated basis and (subject only as may be required in order to reflect the express inclusion or exclusion of items as specified herein and/or in the definition of Borrowings in this Clause) in accordance with the Applicable Accounting Principles and, where the calculation is being made as at the end of any Accounting Period for which a consolidated balance sheet of the Group has been delivered to the Agent, as shown in that balance sheet.

"Consolidated Total Interest Payable"

for any period comprising an annual Accounting Period of the Company or consecutive quarterly Accounting Periods of the Company (taken together as one period) means the interest (and all amounts required by the Applicable Accounting Principles to be accounted for as interest) accrued on Borrowings of the Group during such period (excluding any interest payable on the Subordinated Debentures) as an obligation of any member or members of the Group (whether or not paid or capitalised during or deferred for payment after such period) adjusted to take account of any amount constituting interest receivable by any members of the Group under interest rate and/or currency hedging agreements or instruments under which all parties are in compliance with their payment and other material obligations, all determined on a consolidated basis and (subject only as may be required in order to reflect the express inclusion or exclusion of items as specified in this definition) in accordance with the Applicable Accounting Principles and as shown in the consolidated accounts of the Group for such annual Accounting Period or for the Accounting Periods falling within such period.

"Exceptional Items"

has the meaning given to it in Financial Reporting Standard 3 issued by the Accounting Standards Board (as in force at the date of this Agreement), but shall exclude any items falling within the definition of Extraordinary Items.

"Extraordinary Items"

in the case of the first test of the covenant set out in Clause 17.26(c)(i) only, has the meaning given to it in Financial Reporting Standard 3 issued by the Accounting Standards Board (as in force at the date of this Agreement) but in addition shall include those items listed in paragraph 20 thereof and, thereafter, has the meaning given to it under US GAAP.

(b) (i) All the terms used in paragraph (a) above are to be calculated in accordance with the Applicable Accounting Principles.

(ii) If there is a dispute as to any interpretation of or computation for paragraph (a) above, the interpretation or computation of the Auditors prevails.

(c) The Company shall procure that:-

(i) as of each date on which it is tested under paragraph (d) below, the ratio of Consolidated EBITDA to Consolidated Net Interest Payable is no less than:

(A) in the case of an Accounting Period ending on or before 30th September 1998, 1.8:1; and

(B) in the case of any subsequent Accounting Period, 2:1; and

(ii) the Capitalisation Ratio shall not, as of each date on which it is tested under paragraph (d) below, exceed:

(A) for the period from the Effective Date until 31st December, 1999, 75 per cent.; and

(B) thereafter, 70 per cent.

(d) (i) Each test of the covenant set out in paragraph (c)(i) above shall be made on a quarterly basis and in respect of the annual Accounting Period ending on the expiry of the relevant quarterly Accounting Period, except that the first test of the covenant shall be made:

(A) as of 31st December, 1997 in respect of the period beginning on 1st February, 1997 and ending on that date; and

(B) by reference to UK GAAP and not US GAAP.

(ii) Each test of the covenant set out in

paragraph (c)(ii) above shall be made as of the last day of each quarterly Accounting Period.

17.27 Payment of taxes

Each Guarantor shall, and the Company shall procure that each member of the Group will, pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any of its assets, before the same shall become in default, which, if not paid, has a Material Adverse Effect.

17.28 Maintenance of existence

Each Guarantor shall, and the Company shall procure that each member of the Group will, do all such things as necessary to maintain its corporate existence except pursuant to a Permitted Transaction.

17.29 Property rights

Each Guarantor shall, and the Company shall procure that each member of the Group will, maintain and keep, or cause to be maintained and kept, its properties in good repair, working order and condition, and from time to time make or cause to be made all needful and proper repairs, renewals, replacements and improvements so that the business carried on in connection therewith may be properly conducted at all times, where failure to do so has a Material Adverse Effect.

17.30 Books

Each Guarantor will, and the Company shall procure that each member of the Group will, keep proper books of record and account in which proper entries will be made of its transactions in accordance with generally accepted accounting principles in the U.K. or the U.S.

18. DEFAULT

18.1 Events of Default

Each of the events set out in Clauses 18.2 (Non-payment) to 18.21 (Material adverse change) (inclusive) is an Event of Default (whether or not caused by any reason whatsoever outside the control of any Obligor or any other person).

18.2 Non-payment

An Obligor does not pay on the due date any amount payable by it under the Finance Documents at the place at and in the currency in which it is expressed to be payable and (if caused by technical or administrative error) the non-payment continues unremedied for 3 Business Days from the receipt by it of notice of non-payment from the Agent.

18.3 Breach of other obligations

(a) An Obligor fails to comply with any provision of Clauses 17.8 (Pari passu ranking) to 17.15 (Distributions) inclusive, Clause 17.20 (Arm's length terms) and Clause 17.26(c)(i) (Financial covenants);

(b) the Company fails to comply with Clause 17.26(c)(ii) (Financial covenants) and, if that default is capable of remedy, it is not remedied within 3 Business Days of it becoming aware of the default; or

(c) an Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 18.2 (Non-payment) or paragraph (a) or (b) above) and, if that default is capable of remedy, it is not remedied within 28 days of the earlier of the relevant Obligor becoming aware of the default and receipt by it of a notice of default from the Agent.

18.4 Misrepresentation

A representation, warranty or statement made or repeated in or in connection with any Finance Document or in any document delivered by or on behalf of any Obligor under or in connection with any Finance Document is incorrect in any material respect when made or deemed to be made or repeated by reference to the facts and circumstances then subsisting and, if the circumstances causing the misrepresentation are capable of remedy within that period, that misrepresentation is not remedied within 28 days of the earlier of the relevant Obligor becoming aware of the misrepresentation and receipt by it of notice from the Agent requiring remedy.

18.5 Cross-default

(a) Any Financial Indebtedness of any Obligor or other member of the Group is not paid when due or within any applicable grace period; or

(b) an event of default howsoever described exists in relation to any Obligor or other member of the Group under any document relating to Financial Indebtedness of an Obligor or other member of the Group; or

(c) any Financial Indebtedness of any Obligor or other member of the Group becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; or

(d) any commitment for, or underwriting of, any Financial Indebtedness of any Obligor or other member of the Group is cancelled or suspended as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; or

(e) any Security Interest securing Financial Indebtedness over any asset of any Obligor or other member of the Group becomes enforceable; or

(f) any Financial Indebtedness under the EIL Facility Agreement becomes prematurely due and payable as a result of an event of default,

unless, in the case of any member(s) of the London Electricity Group, the aggregate amount of Financial Indebtedness is less than BPS20,000,000 (or its equivalent in other currencies) and, for this purpose, the amount of any Financial Indebtedness specified in paragraph (b) above will be determined after making the adjustments specified in paragraphs (b) and (c) of the definition of "Borrowing" contained in Clause 1.1 (Definitions) and the amount of any Financial Indebtedness specified in paragraph (g) of its definition in Clause 1.1 (Definitions) will be determined on a mark-to-market basis.

18.6 Insolvency

(a) an Obligor or any Material Subsidiary is, or is deemed for the purposes of any law to be (except in the circumstances of Section 123(1)(a) of the Insolvency Act 1986 where the Obligor or Material Subsidiary is contesting payment of the relevant debt in good faith and with due diligence), unable to pay its debts as they fall due or to be insolvent, or admits inability to pay its debts as they fall due; or

(b) an Obligor or any Material Subsidiary suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of all or any class of its indebtedness; or

(c) An Obligor or any Material Subsidiary by reason of financial difficulties (in circumstances of actual or imminent insolvency) begins negotiations with one or more of its creditors with a view to the readjustment or rescheduling of all or any class of its indebtedness.

18.7 Insolvency proceedings

(a) Any step (including petition, proposal or convening a meeting) is taken with a view to a composition, assignment or arrangement with any creditors of an Obligor or a Material Subsidiary; or

(b) a meeting of an Obligor or a Material Subsidiary is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed; or

(c) any person presents a petition for the winding-up or for the administration of an Obligor or a Material Subsidiary, and, in the case of a petition for winding-up presented by a creditor, it is not withdrawn, discharged or stayed within 21 days; or

(d) any order is made for the winding-up or administration of an Obligor or a Material Subsidiary; or

(e) any other step (including petition, proposal or convening a meeting) is taken with a view to the rehabilitation, administration, custodianship, liquidation, winding-up or dissolution of an Obligor or a Material Subsidiary or any other insolvency proceedings involving an Obligor or a Material Subsidiary, and, in the case of any such step taken by a creditor, it is not withdrawn, discharged or stayed within 21 days,

except for any which arises from a Permitted Transaction.

18.8 Appointment of receivers and managers

(a) Any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like is appointed in respect of an Obligor or a Material Subsidiary or any part of its assets, otherwise than in connection with a Permitted Transaction; or

(b) the directors of an Obligor or a Material Subsidiary requests the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like, otherwise than in connection with a Permitted Transaction; or

(c) any other step is taken to enforce any Security Interest over any part of the assets of an Obligor or a Material Subsidiary and is not withdrawn, discharged or stayed within 21 days.

18.9 Creditors' process

Any attachment, sequestration, distress or execution affects any assets of an Obligor or a Material Subsidiary (having, in the case of any member(s) of the London Electricity Group, an aggregate value of BPS20,000,000 (or its equivalent in other currencies)) and is not discharged within 14 days, unless:

(a) it is being contested in good faith with due

diligence; and

(b) in the case of London Electricity, in the reasonable opinion of the Majority Banks, it does not have a Material Adverse Effect.

18.10 Analogous proceedings

There occurs, in relation to an Obligor or a Material Subsidiary, any event anywhere which, in the opinion of the Majority Banks, appears to correspond with any of those mentioned in Clauses 18.6 (Insolvency) to 18.9 (Creditors' process) (inclusive).

18.11 Cessation of business

An Obligor or a Material Subsidiary ceases, or threatens to cease, to carry on all or a substantial part of its business, other than in connection with a Permitted Transaction.

18.12 Unlawfulness

It is or becomes unlawful for any Obligor to perform any of its material obligations under the Finance Documents.

18.13 Ownership of London Electricity

London Electricity ceases to be beneficially wholly-owned by the Company.

18.14 Ownership of the Group

(a) The issued share capital of any Obligor ceases to be 100% directly or indirectly legally and beneficially owned by Entergy Corporation and/or any of its wholly-owned Subsidiaries free of any Security Interest (other than any created by a Debenture), except as a result of a sale of, or issuance of stock representing, up to 20 per cent. of the common stock of Entergy International Holdings Ltd or Entergy International Ltd LLC.

(b) There is any variation to the corporate and/or capital structure set out in Schedule 7 that has a material adverse effect on the position of the Banks under the Finance Documents.

18.15 Licence

(a) The Licence is revoked or surrendered or ceases to be held by London Electricity or a wholly-owned Subsidiary of London Electricity or the Company, other than in circumstances which permit London Electricity or one of its wholly-owned Subsidiaries to carry on the distribution business of London Electricity substantially as envisaged at the date of this Agreement either without the Licence as a result of any change in the Act or with a new public electricity supply licence issued to such person under the Act whose terms are not materially less favourable than those of the Licence; or

(b) the Licence or any substitute licence contemplated by

paragraph (a) above is materially modified in any manner which, in the reasonable opinion of the Majority Banks, has (whether immediately or in the course of time) a Material Adverse Effect.

18.16 Compliance with the Act

The Licenceholder fails to comply with:

(a) a final order (within the meaning of Section 25 of the Act); or

(b) a provisional order (within the meaning of that section) which has been confirmed under that section,

and, in either case, the order has not been revoked under that section or the validity of the order has not been questioned under Section 27 of the Act.

18.17 Pooling and Settlement Agreement

(a) Any notice requiring a Licenceholder to cease to be a party to the Pooling and Settlement Agreement is given to a Licenceholder under the Pooling and Settlement Agreement.

(b) London Electricity or any other Licenceholder which subsequently becomes a party to the Pooling and

Settlement Agreement ceases to be a party to the Pooling and Settlement Agreement, except as the result of the transfer of the Licence to another member of the Group which becomes a party to the Pooling and Settlement Agreement.

18.18 Expropriation

The authority or ability of any Obligor or London Electricity or the Licenceholder to conduct its business is wholly or substantially curtailed by any expropriation or renationalisation by or on behalf of any governmental authority.

18.19 Security

A Debenture or the guarantee of a Guarantor or any Subordination Agreement is ineffective or is alleged by an Obligor or (in the case of a Subordination Agreement) the relevant junior creditor to be ineffective for any reason.

18.20 Extra security

If:

- (a) on any date as of which a covenant in paragraph (c) tested Net Interest Payable is less than :
- (i) of Clause 17.26 (Financial covenants) is the ratio of Consolidated EBITDA to Consolidated Interest Payable is less than :
 - (i) in the case of a date falling on or before 30th September, 1998, 1.81:1;
 - (ii) in the case of 31st December, 1998, 2.01:1;

(iii) in the case of a date falling after 31st December, 1998 and on or before 31st

December, 2000, 2.1:1; or

(iv) in the case of any subsequent date, 2.15:1

or

(b) the public senior debt ratings of London Electricity shall be rated BB+ or below by Standard & Poor's Rating Group (or any of its successors) and below by Moody's Investors Service, Inc. (or any of its successors),

and, in each case, the Company fails to create within 7 days a first legal mortgage, in favour of the Agent under the terms of the Debenture executed by the Company, of all the shares in London Electricity.

18.21 Material adverse change

Any event or series of events occurs which, in the reasonable opinion of the Majority Banks, has or is reasonably likely to have a material adverse effect on the ability of an Obligor to comply with:

(a) its payment obligations under any Finance Document;
or


(b) its obligations under Clause 17.26 (Financial covenants).

18.22 Acceleration

At any time during the existence of an Event of Default the Agent may, and shall if so directed by the Majority Banks, by notice to the Company:-

(a) cancel the Total Commitments; and/or

(b) demand that all or part of the Loans, together with accrued interest, and all other amounts under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(c) demand that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent (acting on the inst^{Powered By}  ~~the Majority Banks~~ and/or

(d) request that the Company, if it has not already done

19. THE AGENT AND THE ARRANGERS

19.1 Appointment and duties of the Agent

(a) Each Finance Party (other than the Agent) irrevocably appoints the Agent to act as its agent under and in connection with the Finance Documents, and irrevocably authorises the Agent on its behalf to perform the duties and to exercise the rights, powers and discretions that are specifically delegated to it under or in connection with the Finance Documents, together with any other incidental rights, powers and discretions. The Agent shall have only those duties which are expressly specified in this Agreement. Those duties are solely of a mechanical and administrative nature.

(b) The Agent agrees to execute a Subordination Agreement, duly executed by the Company and the relevant junior creditor, promptly on request by the Company.

19.2 Role of the Arrangers

Except as otherwise provided in this Agreement, no Arranger has any obligations of any kind to any other Party under or in connection with any Finance Document.

19.3 Relationship

The relationship between the Agent and the other Finance Parties is that of agent and principal only. Nothing in this Agreement constitutes the Agent as trustee or fiduciary for any other Party or any other person and the Agent need not hold in trust any moneys paid to it for a Party or be liable to account for interest on those moneys.

19.4 Majority Banks' directions

The Agent will be fully protected if it acts in accordance with the instructions of the Majority Banks in connection with the exercise of any right, power or discretion or any matter not expressly provided for in the Finance Documents. Any such instructions given by the Majority Banks will be binding on all the Banks. In the absence of such instructions the Agent may act as it considers to be in the best interests of all the Banks.

19.5 Delegation

The Agent may act under the Finance Documents through its personnel and agents.

19.6 Responsibility for documentation

None of the Agent and the Arrangers is responsible to any other Party for:-

- (a) the execution, genuineness, validity, enforceability or sufficiency of any Finance Document or any other document;
- (b) the collectability of amounts payable under any Finance Document; or
- (c) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document (including the Information Memorandum).

19.7 Default

(a) The Agent is not obliged to monitor or enquire as to whether or not a Default has occurred. The Agent will not be deemed to have knowledge of the occurrence of a Default. However, if the Agent receives notice from a Party referring to this Agreement, describing the Default and stating that the event is a Default, it shall promptly notify the Banks.

(b) The Agent may require from the Banks the receipt of security satisfactory to it whether by way of payment in advance or otherwise, against any liability or loss which it will or may incur in taking any proceedings or action arising out of or in connection with any Finance Document before it commences those proceedings or takes that action.

19.8 Exoneration

(a) Without limiting paragraph (b) below, the Agent will not be liable to any other Party for any action taken or not taken by it under or in

connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

(b) No Party may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind (including negligence or wilful misconduct) by that officer, employee or agent in relation to any Finance Document.

19.9 Reliance

The Agent may:-

(a) rely on any notice or document believed by it to be genuine and correct and to have been signed by, or with the authority of, the proper person;

(b) rely on any statement made by a director or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify; and

(c) engage, pay for and rely on legal or other professional advisers selected by it (including those in the Agent's employment and those representing a Party other than the Agent).

19.10 Credit approval and appraisal

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Bank confirms that it:-

(a) has made its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Agent or an Arranger in connection with any Finance Document; and

(b) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

19.11 Information

(a) The Agent shall promptly forward to the person concerned the original or a copy of any document which is delivered to the Agent by a Party for that person.

(b) The Agent shall promptly supply a Bank with a copy of each document received by the Agent under Clause 4 (Conditions precedent) upon the request and at the expense of that Bank.

(c) Except where this Agreement specifically provides otherwise, the Agent is not obliged to review or check the accuracy or completeness of

any document it forwards to another Party.

(d) Except as provided above, the Agent has no duty:-

(i) either initially or on a continuing basis to provide any Bank with any credit or other information concerning the financial condition or affairs of any Obligor or any related entity of any Obligor whether coming into its possession or that of any of its related entities before, on or after the date of this Agreement; or

(ii) unless specifically requested to do so by a Bank in accordance with this Agreement, to request any certificates or other documents from any Obligor.

19.12 The Agent and the Arrangers individually

(a) If it is also a Bank, each of the Agent and the Arrangers has the same rights and powers under the Finance Documents as any other Bank and may exercise those rights and powers as though it were not the Agent or an Arranger.

(b) Each of the Agent and the Arrangers may:-

(i) carry on any business with an Obligor or its related entities;

(ii) act as agent or trustee for, or in relation to any financing involving, an Obligor or its related entities; and

(iii) retain any profits or remuneration in connection with its activities under this Agreement or in relation to any of the foregoing.

(c) In acting as the Agent, the Agent's agency division shall be treated as a separate entity from any other of its divisions or departments and, notwithstanding the foregoing provisions of this Clause 19, if the Agent should act for any member of the Group in any capacity in relation to any other matter, any information given by that member of the Group to the Agent in such other capacity may be treated as confidential by the Agent.

19.13 Indemnities

(a) Without limiting the liability of any Obligor under the Finance Documents, each Bank shall forthwith on demand indemnify the Agent for its proportion of any liability or loss incurred by the Agent in any way relating to or arising out of its acting as the Agent, except to the extent that the liability or loss arises directly from the Agent's gross negligence or wilful misconduct.

(b) A Bank's proportion of the liability or loss set out in paragraph (a) above is the proportion which its participation in the Loans (if any) bear to all the Loans on the date of the demand. If, however, there is no Loan outstanding on the date of demand, then the proportion will be the proportion which its Commitments bears to the Total Commitments at the date of demand or, if the Total Commitments have been cancelled, bore to the Total Commitments immediately before being cancelled.

19.14 Compliance

(a) The Agent may refrain from doing anything which might, in its opinion, constitute a breach of any law or regulation or be otherwise actionable at the suit of any person, and may do anything which, in its opinion, is necessary or desirable to comply with any law or regulation of any jurisdiction.

(b) Without limiting paragraph (a) above, the Agent need not disclose any information relating to any Obligor or any of its related entities if the disclosure might, in the opinion of the Agent, constitute a breach of any law or regulation or any duty of secrecy or confidentiality or be otherwise actionable at the suit of any person.

19.15 Resignation of Agent

(a) Notwithstanding its irrevocable appointment, the Agent may resign by giving notice to the Banks and the Company, in which case the Agent may forthwith appoint one of its Affiliates as successor Agent or, failing that, the Majority Banks may (after consultation with the Company) appoint a successor Agent.

(b) If the appointment of a successor Agent is to be made by the Majority Banks but they have not, within 30 days after notice of resignation, appointed a successor Agent which accepts the appointment, the retiring Agent may (after consultation with the Company) appoint a successor Agent.

(c) The resignation of the retiring Agent and the appointment of any successor Agent will both become effective only upon the successor Agent

notifying all the Parties that it accepts the appointment. On giving the notification, the successor Agent will succeed to the position of the retiring Agent and the term "Agent" will mean the successor Agent.

(d) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as the Agent under this Agreement.

(e) Upon its resignation becoming effective, this Clause 19 (The Agent and the Arrangers) shall continue to benefit the retiring Agent in respect of any action taken or not taken by it under or in connection with the Finance Documents while it was the Agent, and, subject to paragraph (d) above, it shall have no further obligation under any Finance Document.

(f) If so instructed by the Majority Banks (after

consultation with the Company), the Agent shall resign in accordance with paragraph (a) above. However, in this event the Agent may not appoint a successor Agent.

19.16 Banks

The Agent may treat each Bank as a Bank, entitled to payments under this Agreement and as acting through its Facility Office(s) until it has received notice from the Bank to the contrary not less than 5 Business Days prior to the relevant payment.

19.17 Agent as Trustee

(a) The Agent in its capacity as trustee or otherwise under a Debenture:-

(i) is not liable for any failure, omission or defect in perfecting or registering the security constituted or created by any Finance Document;

(ii) may accept without enquiry such title as the relevant Obligor may have to any asset secured by a Debenture; and

(iii) is not under any obligation to hold any Finance Document or any other document in connection with the Finance Documents or the assets secured by any Finance Document (including title deeds) in its own possession or to take any steps to protect or preserve the same. The Agent may permit any member of the Group to retain any Finance Document or other document in its possession.

(b) Save as otherwise provided in the Finance Documents, all moneys which under the trusts contained in the Finance Documents are received by the Agent in its capacity as trustee or otherwise may be invested in the name of or under the control of the Agent in any investment authorised by English law for the investment by trustees of trust money or in any other investments which may be selected by the Agent. Additionally, the same may be placed on deposit in the name of or under the control of the Agent at such bank or institution (including the Agent) and upon such terms as the Agent may think fit.

20. FEES

20.1 Restatement fee

EUK shall pay (or procure the payment) to the Agent for the Arrangers a restatement fee in the amount and on the date agreed in the Fee Letter between EUK and the Arrangers.

20.2 Commitment fee

(a) London Electricity shall pay to the Agent for each Bank a commitment fee during the period from the date of this Agreement up to (but excluding) the Facility C Final Repayment Date computed at the rate of 0.125 per cent. per annum on the undrawn, uncanceled amount of that Bank's Facility C Commitment.

(b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Agent for the relevant Bank(s) on the cancelled amount of its Facility C Commitment at the time the cancellation takes effect.

20.3 Agent's fee

EUK shall pay (or procure the payment) to the Agent for its own account an agency fee in the amount and on the date agreed in the Fee Letter between EUK and the Agent.

20.4 VAT

Any fee referred to in this Clause 20 (Fees) is exclusive of any value added tax or any other tax which might be chargeable in connection with that fee. If any value added tax or other tax is so chargeable, it shall be paid by the relevant Borrower at the same time as it pays the relevant fee.

21. EXPENSES

21.1 Initial and special costs

EUK shall forthwith on demand pay (or procure the payment) to the Agent and the Arrangers the amount of all reasonable costs and expenses (including legal fees) reasonably incurred by them in connection with:-

- (a) the negotiation, preparation, printing and execution of this Agreement and any other documents referred to in this Agreement and the syndication of the Facilities, subject as provided in the letter dated 25th September, 1997 from the Arrangers to Entergy Corporation;
- (b) the negotiation, preparation, printing and execution of any other Finance Document (other than a Novation Certificate) executed after the date of this Agreement; and
- (c) any amendment, waiver, consent or suspension of rights (or any proposal for any of the foregoing) requested by or on behalf of an Obligor or, in the case of Clause 2.3 (Change of currency), the Agent and relating to a Finance Document or a document referred to in any Finance Document.

21.2 Enforcement costs

EUK shall forthwith on demand pay (or procure the payment) to each Finance Party the amount of all reasonable costs and expenses (including, without limitation, legal fees) incurred by it in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

22. STAMP DUTIES

EUK shall pay (or procure the payment) and forthwith on demand indemnify each Finance Party (or procure that each Finance Party is indemnified) against any liability it incurs in respect of any stamp, registration and similar tax which is or becomes payable in connection with the entry into, performance or enforcement of any Finance Document.

23. INDEMNITIES

23.1 Currency indemnity

(a) If a Finance Party receives an amount in respect of an Obligor's liability under the Finance Documents or if that liability is converted into a claim, proof, judgement or order in a currency other than the currency (the "contractual currency") in which the amount is expressed to be payable under the relevant Finance Document:-

- (i) that Obligor shall indemnify that Finance Party as an independent obligation against any loss or liability arising out of or as a result of the conversion;
- (ii) if the amount received by that Finance Party, when converted into the contractual currency at a market rate in the usual course of its business, is less than the amount owed in the contractual currency, the Obligor concerned shall forthwith on demand pay to that Finance Party an amount in the contractual currency equal to the deficit; and
- (iii) the Obligor shall pay to the Finance Party concerned on demand any exchange costs and taxes payable in connection with any such conversion.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

23.2 Other indemnities

EUK shall forthwith on demand indemnify each Finance Party (or procure that each Finance Party is indemnified) against any loss or liability which that Finance Party incurs as a consequence of:-

(a) the occurrence of any Default;

(b) a change in currency of a country or the operation of Clause 2.3 (Change of currency), the operation of Clause 18.22 (Acceleration) or Clause 29 (Pro rata sharing);

(c) any payment of principal or an overdue amount being received from any source otherwise than on the last day of an Interest Period relative to the relevant payment and, for the purposes of this paragraph (c), the last day of an Interest Period for an overdue amount is the last day of the relevant Designated Interest Period (as defined in Clause 9.3 (Default interest));

(d) (other than by reason of negligence or default by any Finance Party) a Loan not being made after the Borrower has delivered a Request for that Loan; or

(e) any failure by a member of the Group to comply with the Environmental Laws applicable to it or any Environmental Licence held by it.

EUK's liability in each case includes any loss of margin or other loss or expense on account of funds borrowed, contracted for or utilised to fund any amount payable under any Finance Document, any amount repaid or prepaid or any Loan.

24. EVIDENCE AND CALCULATIONS

24.1 Accounts

Accounts maintained by a Finance Party in connection with this Agreement are prima facie evidence of the matters to which they relate.

24.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under the Finance Documents is prima facie evidence of the matters to which it relates. Any determination by a Finance Party of an amount under a Finance Document shall contain a calculation of the amount in reasonable detail.

24.3 Calculations

Interest (including any applicable MLA Cost) and the fee payable under Clause 20.2 (Commitment fee) accrue from day to day and are calculated on the basis of the actual number of days elapsed and a year of 365 days or (where market practice so dictates) 360 days.

25. AMENDMENTS AND WAIVERS

25.1 Procedure

(a) Subject to Clause 25.2 (Exceptions), any term of the Finance Documents may be amended or waived with the agreement of the Company, the Majority Banks and the Agent. The Agent may effect, on behalf of the Banks, an amendment to which they or the Majority Banks have agreed.

(b) The Agent shall promptly notify the other Parties of any amendment or waiver effected under paragraph (a) above, and any such amendment or waiver shall be binding on all the Parties.

25.2 Exceptions

An amendment or waiver which relates to:-

(a) the definition of "Majority Banks" in Clause 1.1 (Definitions);

(b) an extension of the date for, or a decrease in an amount or a change in the currency of, any payment (including the Margin or any other

amount of interest or any fee) under the Finance Documents;

(c) an increase in a Bank's Commitment;

(d) the release of any Guarantor or any security the subject of a Debenture;

(e) a term of a Finance Document which expressly requires the consent of each Bank; or

(f) Clause 29 (Pro rata sharing) or this Clause 25 (Amendments and waivers),

may not be effected without the consent of each Bank.

25.3 Waivers and remedies cumulative

The rights of each Finance Party under the Finance Documents:-

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under the general law; and

(c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any such right is not a waiver of that right.

26. CHANGES TO THE PARTIES

26.1 Transfers by Obligors

No Obligor may assign, transfer, novate or dispose of any of, or any interest in, its rights and/or obligations under this Agreement.

26.2 Transfers by Banks

(a) Subject to paragraph (b) below, a Bank (the "Existing Bank") may at any time assign, transfer or novate any of its Commitments and/or rights and/or obligations in whole or in part under this Agreement to a Qualifying Bank (the "New Bank"). A partial assignment, transfer or novation is only permitted in minimum amounts of BPS10,000,000 and if the Bank concerned assigns, transfers or novates a pro rata portion of all its rights and obligations under Facilities A and C.

(b) The prior consent of the Company is required for any such assignment, transfer or novation referred to in paragraph

(a) above, unless:-

(i) the New Bank is another Bank or an Affiliate of a Bank; or

(ii) a Default is outstanding.

However, the prior consent of the Company must not be unreasonably withheld or delayed and will be deemed to have been given if, within 14 days of receipt by the Company of an application for consent, it has not been expressly refused.

(b) A transfer of obligations will be effective only if either:-

(i) the obligations are novated in accordance with Clause 26.3 (Procedure for novations); or

(ii) the New Bank confirms to the Agent and the Company that it undertakes to be bound by the terms of this Agreement as a Bank in form and substance satisfactory to the Agent. On the transfer becoming effective in this manner the Existing Bank shall be relieved of its obligations under this Agreement to the extent that they are transferred to the New Bank.

(c) Nothing in this Agreement restricts the ability of a Bank to sub-contract an obligation if that Bank remains liable under this Agreement for that obligation.

(d) On each occasion an Existing Bank assigns, transfers or novates any of its rights and/or obligations under this Agreement, the New Bank shall, on the date the assignment, transfer and/or novation takes effect, pay to the Agent for its own account a fee of BPS750.

(e) An Existing Bank is not responsible to a New Bank for:-

(i) the execution, genuineness, validity, enforceability or sufficiency of any Finance Document or any other document;

(ii) the collectability of amounts payable under any Finance Document; or

(iii) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document.

(f) Each New Bank confirms to the Existing Bank and the other Finance Parties that it:-

(i) has made its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Bank in connection with any Finance Document; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under this Agreement or any Commitment is in force.

(g) Nothing in any Finance Document obliges an Existing Bank to:-

(i) accept a re-transfer from a New Bank of any of the rights and/or obligations assigned, transferred or novated under this Clause; or

(ii) support any losses incurred by the New Bank by reason of the non-performance by any Obligor of its obligations under this Agreement or otherwise.

(h) Any reference in this Agreement to a Bank includes a New Bank, but excludes a Bank if no amount is or may be owed to or by that Bank under this Agreement and its Commitment has been cancelled or reduced to nil.

26.3 Procedure for novations

(a) A novation is effected if:-

(i) the Existing Bank and the New Bank deliver to the Agent a duly completed certificate, substantially in the form of Schedule 4 (a "Novation Certificate"); and

(ii) the Agent executes it.

(b) Each Party (other than the Existing Bank and the New Bank) irrevocably authorises the Agent to execute any duly completed Novation Certificate on its behalf.

(c) To the extent that they are expressed to be the subject of the novation in the Novation Certificate:-

(i) the Existing Bank and the other Parties (the "existing Parties") will be released from their obligations to each other (the "discharged obligations");

(ii) the New Bank and the existing Parties will assume obligations towards each other which differ from the discharged obligations only insofar as they are owed to or assumed by the New Bank instead of the Existing Bank;

(iii) the rights of the Existing Bank against the existing Parties and vice versa (the "discharged rights") will be cancelled; and

(iv) the New Bank and the existing Parties will acquire rights against each other which differ from the discharged rights only insofar as they are exercisable by or against the New Bank instead of the Existing Bank,

all on the date of execution of the Novation Certificate by the Agent or, if later, the date specified in the Novation Certificate.

26.4 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Bank, the Bank of which it is an Affiliate) ceases to be one of the Banks, the Agent shall (in consultation with the Company) appoint another Bank or an Affiliate of a Bank to replace that Reference Bank.

26.5 Increased costs etc.

If:-

(a) a Bank assigns, transfers or novates any of its Commitments and/or rights and/or obligations under the Finance Documents or changes its Facility Office; and

(b) as a result of circumstances existing at the date the assignment, transfer, novation or change occurs, an Obligor would be obliged to make a payment to the New Bank or Bank acting through its new Facility Office under Clause 11 (Taxes) or Clause 13 (Increased costs),

then, notwithstanding the provisions of Clause 11 (Taxes) or Clause 13 (Increased costs), the relevant New Bank or Bank acting through its new Facility Office is only entitled to receive payment under those Clauses from an Obligor to the same extent as the relevant Existing Bank or Bank acting through its previous Facility Office would have been if the assignment, transfer, novation or change had not occurred

26.6 Register

The Agent shall keep a register of all the Parties and shall supply any other Party (at that Party's expense) with a copy of the register on request.

27. DISCLOSURE OF INFORMATION

(a) A Finance Party may disclose to one of its Affiliates or any person (a "participant") with whom it is proposing to enter, or has entered into, any kind of transfer, participation or other agreement in relation to this Agreement:-

(i) a copy of any Finance Document; and

(ii) any information which that Finance Party has acquired under or in connection with any Finance Document,

so long as disclosure of confidential information under sub-paragraph (ii) above may only be disclosed to a participant if the participant has agreed in writing with the relevant Finance Party to keep the information confidential on the same terms (with consequential changes) as are set out in paragraph (b) below.

(b) Each Finance Party shall keep confidential and not, without the prior consent of the Company, use any information (other than information which is publicly available other than as a result of a breach of this paragraph (b)) supplied by or on behalf of any Obligor under the Finance Documents otherwise than in connection with the Finance Documents. However, each Finance Party is entitled to disclose information:

(i) in connection with any legal or arbitration proceedings arising out of or in connection with a Finance Document; or

(ii) if required to do so by an order of a court of competent jurisdiction whether under any procedure for discovering documents or otherwise; or

(iii) pursuant to any law or regulation in accordance with which that Bank is required or accustomed to act; or

(iv) to a governmental, banking, taxation or other regulatory authority of any competent jurisdiction; or

(v) to its accountants or legal advisers or any other professional advisers.

28. SET-OFF

A Finance Party may set off any matured obligation owed by an Obligor under this Agreement (to the extent beneficially owned by that Finance Party) against any obligation (whether or not matured) owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Finance Party may set off in an amount estimated by it in good faith to be the amount of that obligation. Nothing in this Clause 28 will be effective to create a charge.

29. PRO RATA SHARING

29.1 Redistribution

If any amount owing by an Obligor under this Agreement to a Finance Party (the "recovering Finance Party") is discharged by payment, set-off or any other manner other than through the Agent in accordance with Clause 10 (Payments) (a "recovery"), then:-

(a) the recovering Finance Party shall, within 3 Business Days, notify details of the recovery to the Agent;

(b) the Agent shall determine whether the recovery is in excess of the amount which the recovering Finance Party would have received had the recovery been received by the Agent and distributed in accordance with Clause 10 (Payments);

(c) subject to Clause 29.3 (Exceptions), the recovering Finance Party shall, within 3 Business Days of demand by the Agent, pay to the Agent an amount (the "redistribution") equal to the excess;

(d) the Agent shall treat the redistribution as if it were a payment by the Obligor concerned under Clause 10 (Payments) and shall pay the redistribution to the Finance Parties (other than the recovering Finance Party) in accordance with Clause 10.6 (Partial payments); and

(e) after payment of the full redistribution, the recovering Finance Party will be subrogated to the portion of the claims paid under paragraph (d) above, and that Obligor will owe the recovering Finance Party a debt which is equal to the redistribution, immediately payable and of the type originally discharged.

29.2 Reversal of redistribution

If under Clause 29.1 (Redistribution):-

(a) a recovering Finance Party must subsequently return a recovery, or an amount measured by reference to a recovery, to an Obligor; and

(b) the recovering Finance Party has paid a redistribution in relation to that recovery,

each Finance Party shall, within 3 Business Days of demand by the recovering Finance Party through the Agent, reimburse the recovering Finance Party all or the appropriate portion of the redistribution paid to that Finance Party. Thereupon, the subrogation in Clause 29.1(e) (Redistribution) will operate in reverse to the extent of the reimbursement.

29.3 Exceptions

(a) A recovering Finance Party need not pay a redistribution to the extent that it would not, after the payment, have a valid claim against the Obligor concerned in the amount of the redistribution pursuant to Clause 29.1(e) (Redistribution).

(b) A recovering Finance Party is not obliged to share with any other Finance Party any amount which the recovering Finance Party has received or recovered as a result of taking legal proceedings, if that other Finance Party had an opportunity to participate in those legal proceedings, but did not do so and did not take separate legal proceedings.

30. SEVERABILITY

If a provision of any Finance Document is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:-

(a) the legality, validity or enforceability in that jurisdiction of any other provision of the Finance Documents; or

(b) the legality, validity or enforceability in other jurisdictions of that or any other provision of the Finance Documents.

31. COUNTERPARTS

A Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

32. NOTICES

32.1 Giving of notices

All notices or other communications under or in connection with the Finance Documents shall be given in writing or by telex or facsimile. Any such notice will be deemed to be given as follows:-

(a) if in writing, when delivered;

(b) if by telex, when despatched, but only if, at the time of transmission, the correct answerback appears at the start and at the end of the sender's copy of the notice; and

(c) if by facsimile, when received.

However, a notice given in accordance with the above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

32.2 Addresses for notices

(a) The address, telex number and facsimile number of each Party (other than the Agent) for all notices under or in connection with the Finance Documents are:-

- (i) that notified by that Party for this purpose to the Agent on or before it becomes a Party; or
- (ii) any other notified by that Party for this purpose to the Agent by not less than five Business Days' notice.

(b) The address, telex number and facsimile number of the Agent is:-

101 Moorgate London EC2M 6SB

Telex No: 887139 ABN ALG

Facsimile No: 0171 588 2975

Attention: Credit Administration

or such other as the Agent may notify to the other Parties by not less than 5 Business Days' notice.

(c) The Agent shall, promptly upon request from any Party, give to that Party the address, telex number or facsimile number of any other Party applicable at the time for the purposes of this Clause.

32.3 Facsimile notices

Each Obligor shall indemnify the Agent against any loss or liability which the Agent incurs as a result of the Agent accepting and/or acting upon any instructions under the Finance Documents received by the Agent from that Obligor by facsimile and which may not have been incurred if, at the time of receipt, the Agent had been given the instructions other than by facsimile.

33. JURISDICTION

33.1 Submission

(a) For the benefit of each Finance Party, each Obligor agrees that the courts of England have jurisdiction to settle any disputes in connection with any Finance Document and accordingly submits to the jurisdiction of the English courts.

(b) Without prejudice to paragraph (a) above, each Obligor agrees that the State Courts or the Federal Courts sitting in the State of New York have jurisdiction to settle any disputes in connection with the Finance Documents, and accordingly submits to the jurisdiction of those Courts.

33.2 Service of process

Without prejudice to any other mode of service, each Obligor:-

(a) if it is not incorporated in England, irrevocably appoints the Company as its agent for service of process relating to any proceedings before the English courts in connection with any Finance Document;

(b) irrevocably appoints CT Corporation of 1633 Broadway, New York, NY10033 as its agent for service of process relating to any proceedings before the New York courts in connection with any Finance Document;

(c) agrees to maintain an agent for service of process in New York for so long as any amount is outstanding under this Agreement or any Commitment is in force;

(d) agrees that failure by a process agent to notify it (where applicable) of the process will not invalidate the proceedings concerned;

(e) consents, where there is not an agent for service of process in the jurisdiction where proceedings have been commenced, to the service of process relating to any such proceedings by prepaid posting of a copy of the process to its address for the time being applying under Clause 32.2 (Addresses for notices); and

(f) agrees that if the appointment of the person mentioned in paragraph (b) above ceases to be effective, it shall immediately appoint a further person in New York to accept service of process on its behalf in New York and, failing such appointment within 15 days, the Agent is entitled to appoint such person by notice to the relevant Obligor.

33.3 Forum convenience and enforcement abroad

Each Obligor:-

(a) waives objection to the English courts and the New York courts on grounds of inconvenient forum or otherwise as regards proceedings in connection with a Finance Document; and

(b) agrees that a non-appealable judgment or order of an English court or a New York court in connection with a Finance Document is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

33.4 Non-exclusivity

Nothing in this Clause 33 (Jurisdiction) limits the right of a Finance Party to bring proceedings against an Obligor in connection with any Finance Document:-

(a) in any other court of competent jurisdiction; or

(b) concurrently in more than one jurisdiction.

34. GOVERNING LAW

This Agreement is governed by English law.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

PART I ADDITIONAL GUARANTORS

**ENERGY INTERNATIONAL INVESTMENTS NO. 1 LTD LLC
ENERGY INTERNATIONAL INVESTMENTS NO. 2 LTD LLC
ENERGY LONDON HOLDINGS LIMITED
ENERGY UK FINANCE LIMITED
ENERGY LONDON LIMITED**

PART II BANKS AND COMMITMENTS

Banks	Facility A Commitments	Facility C Commitments
ABN AMRO Bank N.V. BPS7,920,792.08	BPS32,079,207.92	
Union Bank of Switzerland BPS7,920,792.08	BPS32,079,207.92	
Bayerische Landesbank Girozentrale BPS8,985,148.51	BPS36,389,851.49	
London Branch		
The Sanwa Bank, Limited BPS8,985,148.51	BPS36,389,851.49	
The Bank of Tokyo-Mitsubishi, Ltd BPS7,475,247.52	BPS30,274,752.48	
Barclays Bank PLC BPS7,475,247.52	BPS30,274,752.48	
CIBC Wood Gundy PLCplc BPS7,475,247.52	BPS30,274,752.48	
The Dai-Ichi Kangyo Bank, Limited BPS7,475,247.52	BPS30,274,752.48	
De Nationale Investeringsbank N.V., BPS7,475,247.52	BPS30,274,752.48	
London Branch		
Den Danske Bank Aktieselskab BPS7,475,247.52	BPS30,274,752.48	
Deutsche Bank AG London BPS7,475,247.52	BPS30,274,752.48	
Dresdner Bank AG London Branch BPS7,475,247.52	BPS30,274,752.48	
Rabobank International, London Branch BPS7,475,247.52	BPS30,274,752.48	
(Cooperatieve Centrale Raiffeisen Boerenleenbank BA)		
The Royal Bank of Scotland plc BPS7,475,247.52	BPS30,274,752.48	
Scotiabank Europe PLC BPS7,475,247.52	BPS30,274,752.48	
Societe Generale BPS7,475,247.52	BPS30,274,752.48	
The Sumitomo Trust & Banking Co., Ltd BPS7,475,247.52	BPS30,274,752.48	
The Toronto-Dominion Bank BPS7,475,247.52	BPS30,274,752.48	
Westdeutsche Landesbank Girozentrale BPS7,475,247.52	BPS30,274,752.48	
Commonwealth Bank of Australia BPS5,544,554.46	BPS22,455,445.54	
Credit Lyonnais BPS5,544,554.46	BPS22,455,445.54	
The Fuji Bank, Limited BPS5,544,554.46	BPS22,455,445.54	
National Westminster Bank plc BPS5,544,554.46	BPS22,455,445.54	
The Sakura Bank, Limited BPS5,544,554.46	BPS22,455,445.54	
The Bank of New York BPS3,762,376.24	BPS15,237,623.76	
ING Bank N.V., London Branch BPS3,762,376.24	BPS15,237,623.76	
Midland Bank PLC BPS3,762,376.24	BPS15,237,623.76	
The Nikko Bank (UK) plc BPS3,762,376.24	BPS15,237,623.76	
The Sumitomo Bank, Limited BPS3,762,376.24	BPS15,237,623.76	

Banks Facility A Facility C Commitments Commitments

The Tokai Bank, Limited	BPS15,237,623.76
BPS3,762,376.24	
The Toyo Trust and Banking Company,	BPS15,237,623.76
BPS3,762,376.24	
Limited	

BPS810,000,000 BPS200,000,000

SCHEDULE 2

CALCULATION OF THE MLA COST

(a) The MLA Cost for a Loan for its Interest Period(s) is calculated in accordance with the following formula:-

$$BY + L(Y-X) + S(Y-Z)\% \text{ per annum} = \text{MLA Cost}$$

$$100 - (B+S)$$

where on the day of application of the formula:-

B is the percentage of the Agent's eligible liabilities which the Bank of England requires the Agent to hold on a non-interest-bearing deposit account in accordance with its cash ratio requirements;

Y is the rate at which Sterling deposits are offered by the Agent to leading banks in the London interbank market at or about 11.00 a.m. on that day for the relevant period;

L is the percentage of eligible liabilities which the Bank of England requires the Agent to maintain as secured money with members of the London Discount Market Association and/or as secured call money with certain money brokers and gilt-edged primary market makers;

X is the rate at which secured Sterling deposits in the relevant amount may be placed by the Agent with members of the London Discount Market Association and/or as secured call money with certain money brokers and gilt-edged primary market makers at or about 11.00 a.m. on that day for the relevant period;

S is the percentage of the Agent's eligible liabilities which the Bank of England requires the Agent to place as a special deposit; and

Z is the interest rate per annum allowed by the Bank of England on special deposits.

(b) For the purposes of this Schedule 2:-

(i) "eligible liabilities" and "special deposits" have the meanings given to them at the time of application of the formula by the Bank of England;

(ii) "relevant period" in relation to a Loan, means:-

(A) if the relevant Interest Period is 3 months or less, that Interest Period; or

(B) if the relevant Interest Period is more than 3 months, 3 months.

(c) In the application of the formula, B, Y, L, X, S and Z are included in the formula as figures and not as percentages, e.g. if B = 0.5% and Y = 15%, BY is calculated as 0.5 x 15.

(d) (i) The formula is applied on the first day of the relevant Interest Period.

(ii) Each rate calculated in accordance with the formula is, if necessary, rounded upward to the nearest four decimal places.

(e) If the Agent determines that a change in circumstances has rendered, or will render, the formula inappropriate, the Agent (after consultation with the Company and the Banks) shall notify the Company of the manner in which the MLA Cost will subsequently be calculated. The manner of calculation so notified by the Agent shall, in the absence of manifest error, be binding on all the Parties.

SCHEDULE 3
FORM OF REQUEST

To: ABN AMRO BANK N.V. as Agent

From: [ENTERGY UK LIMITED/LONDON ELECTRICITY plc]*

Date: []

ENTERGY UK LIMITED - BPS1,010,000,000 Revolving Credit Agreement dated 17th December, 1996 (as amended including by way of a restatement agreement dated 17th November, 1997)

1. We wish to borrow a Facility A/a Facility C* Loan as follows:-

(a) Drawdown Date: []

(b) Amount: []

(c) Interest Period: []

/alternative Interest Period
[]**

(d) Payment instructions: [].

2. We confirm that each condition specified in Clause 4 (Conditions precedent) is satisfied on the date of this Request.

By:

[ENTERGY UK LIMITED/LONDON ELECTRICITY plc]*
Authorised Signatory

SCHEDULE 4

FORM OF NOVATION CERTIFICATE

To: ABN AMRO BANK N.V. as Agent

From: [THE EXISTING BANK] and [THE NEW BANK] Date:
[]

ENTERGY UK LIMITED - BPS1,010,000,000 Revolving Credit Agreement dated 17th December, 1996 (as amended including by way of a restatement agreement dated 17th November, 1997)

We refer to Clause 26.3 (Procedure for novations).

1. We [] (the "Existing Bank") and [] (the "New Bank") agree to the Existing Bank and the New Bank novating all the Existing Bank's Commitment(s) and/or rights and obligations referred to in the Schedule in accordance with Clause 26.3 (Procedure for novations).

2. The specified date for the purposes of Clause 26.3(c) is [date of novation].

3. The Facility Office and address for notices of the New Bank for the purposes of Clause 32.2 (Addresses for notices) are set out in the Schedule.

4. This Novation Certificate is governed by English law.

THE SCHEDULE

Commitments/Rights and obligations to be novated

[Details of the Commitments/rights and obligations of the Existing Bank to be novated].

[New Bank]

[Facility Office

Address for notices]

[Existing Bank]
BANK
N.V.

[New Bank]

ABN AMRO

By:

By:

By:

Date: Date: Date:

SCHEDULE 5

FORM OF DEBENTURE

DEBENTURE

DATED 17th November, 1997

BETWEEN

[RELEVANT OBLIGOR]

- and -

ABN AMRO BANK N.V.

London

TABLE OF CONTENTS

Clause
Page

1.	INTERPRETATION	96
2.	FIXED SECURITY	99
3.	FLOATING CHARGE	99
4.	REPRESENTATIONS AND WARRANTIES	100
5.	UNDERTAKINGS	100
7.	WHEN SECURITY BECOMES ENFORCEABLE	102
8.	ENFORCEMENT OF SECURITY	103
9.	RECEIVER	104
10.	POWERS OF RECEIVER	105
12.	APPLICATION OF PROCEEDS	107
13.	EXPENSES AND INDEMNITY	107
14.	DELEGATION	107
15.	FURTHER ASSURANCES	107
16.	POWER OF ATTORNEY	108
17.	MISCELLANEOUS	108
18.	RELEASE	109
19.	GOVERNING LAW	109

Schedules

1.	FORM OF NOTICE TO THE ACCOUNT BANK	110
2.	FORM OF ACKNOWLEDGEMENT OF THE ACCOUNT BANK	111

SIGNATORIES	112
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THIS DEED is dated 17th November, 1997 between:

- (1) []
(the "Chargor"); and
- (2) ABN AMRO BANK N.V. (the "Agent") as agent and trustee for the Secured Parties (as defined below).

BACKGROUND:

(A) The Chargor enters into this Deed in connection with the Credit Agreement (as defined below).

(B) It is intended that this document takes effect as a deed notwithstanding the fact that a party may only execute this document under hand.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Deed:

"Account Bank"

means a person with whom a Security Account is maintained under Clause 6 (Security Accounts).

"Credit Agreement"

means the BPS1,010,000,000 credit agreement dated 17th December, 1996 between (among others) the parties to this Deed (as amended, including by way of a restatement agreement dated 17th November, 1997).

"EIL"

means Entergy International Ltd LLC.

"EIL Facility Agreement"

means the U.S.\$120,000,000 credit agreement dated 17th November, 1997 between EIL, the Banks (as defined therein) and ABN AMRO Bank N.V. as administrative agent.

["Excluded Assets"

means the Tax Letter Agreement, any payments made under the Tax Letter Agreement or the Tax Sharing Agreement referred to in it and any U.S. Dollar account into which those payments may be made.]*

"Financing Agreement"

means:

- (a) a Finance Document;
- (b) the EIL Facility Agreement; or
- (c) a Refinancing Agreement,

and includes all amendments and supplements.

"Group Shares"

means any shares in any Obligor from time to time held by the Chargor or a nominee on its behalf.

"Receiver"

means a receiver and manager or (if the Agent so specifies in the relevant appointment) a receiver, in either case, appointed under this Deed.

"Refinancing Agreement"

means a document providing for Financial Indebtedness satisfying the requirements of Clause 17.16(a)(vi) or (vii) (Lending and borrowing) of the Credit Agreement (as in force at the date of this Deed).

"Related Rights"

means:

- (a) any dividend or interest paid or payable in relation to any Shares;
- (b) any stocks, shares, securities, rights, moneys or property accruing or offered at any time in relation to any Shares by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise; and
- (c) all dividends, interest or other income in respect of any such asset as is referred to in paragraph (b) above.

"Secured Liabilities"

means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Chargor, EUK, EIL, Entergy International Investments No. 1 Ltd LLC, Entergy International Investments No. 2 Ltd LLC or any Holding Company of any of the foregoing to any Secured Party under the Financing Agreements.

"Secured Party"

means:

- (a) a Finance Party (as defined in the Credit Agreement);
- (b) the Administrative Agent, an Arranger or a Lender (each as defined in the EIL Facility Agreement); or
- (c) any creditor (or any agent, trustee or arranger) in respect of Financial Indebtedness incurred under a Refinancing Agreement.

"Security Account"

means an account of the Chargor established under Clause 6 (Security Accounts).

"Security Assets"

means all assets of the Chargor the subject of any security created by this Deed.

"Security Period"

means the period beginning on the date of this Deed and ending on the date on which the Agent is satisfied that all the Secured Liabilities have been unconditionally and irrevocably paid and discharged in full.

"Shares"

means the Group Shares and any other stocks, shares, debentures, bonds or other securities and investments held by the Chargor.

["Tax Letter Agreement"

means the tax letter agreement dated on or about 17th November, 1997 between among EIL, Entergy Corporation, the Chargor, Entergy International Investments No.1/2* Ltd LLC and ABN AMRO Bank N.V. as agent for the lenders under the EIL Facility Agreement.]**

1.2 Construction

- (a) Capitalised terms defined in the Credit Agreement have, unless expressly defined in this Deed, the same meaning in this Deed.
- (b) The provisions of Clause 1.2 of the Credit Agreement apply to this Deed as though they were set out in full in this Deed except that references to the Credit Agreement are to be construed as references to this Deed.
- (c) If the Agent (acting reasonably) considers that an amount paid by any Obligor or EIL to a Secured Party under a Financing Agreement is capable of being avoided or otherwise set aside on the liquidation or administration of that Obligor or EIL or otherwise, then that amount shall not be considered to have been irrevocably paid for the purposes of this Deed.
- (d) A reference in this Deed to any assets includes, unless the context otherwise requires, present and future assets.

2. FIXED SECURITY

[Except for any Excluded Assets]* the Chargor, as beneficial owner and as security for the payment of all the Secured Liabilities, charges in favour of the Agent:-

- (a) by way of a first legal mortgage all Group Shares held by it and/or any nominee on its behalf and all Related Rights accruing to the Group Shares; and
- (b) by way of first fixed charge:-
 - (i) (to the extent not effectively mortgaged under paragraph (a) above) its interest in all the Shares and their Related Rights;
 - (ii) to the fullest extent permitted by law, all moneys standing to the credit of any account (including the Security Accounts) with any person and the debts represented by them;
 - (iii) all of the Chargor's book and other debts, the proceeds of the same and all other moneys due and owing to the Chargor and the benefit of all rights, securities and guarantees of any nature enjoyed or held by it in relation to any of the foregoing; and
 - (iv) to the extent that they are able to be the subject of any Security Interest, the benefit of all licences, consents and authorisations (statutory or otherwise) held in connection with its business or the use of any Security Asset specified in any other sub-paragraph in this Clause and the right to recover and receive all compensation which may be payable to it in respect of them.

The mortgages and charges created by this Clause 2 are made with full title guarantee.

3. FLOATING CHARGE

3.1 Creation of floating charge

The Chargor, as beneficial owner and as security for the payment of all of the Secured Liabilities, charges in favour of the Agent by way of a first floating charge [(other than any Excluded Assets)]* all its assets not otherwise effectively mortgaged or charged by way of fixed mortgage or charge by Clause 2 (Fixed Security).

3.2 Conversion

The Agent may by notice to the Chargor convert the floating charge created by this Deed into a fixed charge as regards all or any of the Chargor's assets specified in the notice if:

- (a) an Event of Default is outstanding; or

(b) the Agent considers those assets to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and warranties

The Chargor makes the representations and warranties set out in this Clause 4 to each Finance Party.

4.2 Security

This Deed creates those Security Interests it purports to create (subject, as to matters of law only, to the qualifications in the legal opinions referred to in Part I of Schedule 2 to the Restatement Agreement) and is not liable to be avoided or otherwise set aside on the liquidation or administration of the Chargor or otherwise.

4.3 Shares

The Group Shares are fully paid and the Chargor is the sole beneficial owner of the Shares, free from any Security Interest (other than this Deed) or option.

4.4 Times for making representations and warranties

The representations and warranties set out in this Clause 4 are made on the date of this Deed and are deemed to be repeated by the Chargor on each date during the Security Period with reference to the facts and circumstances then existing.

5. UNDERTAKINGS

5.1 Duration

The undertakings in this Clause 5 remain in force throughout the Security Period.

5.2 Restrictions on dealing

The Chargor shall not (except as permitted under the Credit Agreement):-

- (a) create or permit to subsist any Security Interest on any Security Asset other than any Security Interest created by this Deed; or
- (b) sell, transfer, grant, or lease or otherwise dispose of any Security Asset, except for:
 - (i) the disposal in the ordinary course of trade of any Security Asset subject to the floating charge created under Clause 3.1 (Creation of floating charge); or
 - (ii) the investment of any moneys in any commercial paper rated A1 or higher by Standard & Poors Rating Group (or any of its successors) or P1 or higher by Moody's Investors Service, Inc. (or any of its successors) or the disposal of any such investment.

5.3 Book debts and receipts

[Except in respect of any Excluded Asset, the*
]The Chargor shall:-

- (a) get in and realise the Chargor's:
 - (i) securities to the extent held by way
of temporary investment; and

(ii) book and other debts and other moneys,

in the ordinary course of its business and hold the proceeds of the getting in and realisation (until payment into a Security Account if required in accordance with paragraph (b) below) upon trust for the Agent; and

(b) save to the extent that the Agent otherwise agrees, pay the proceeds of the getting in and realisation into a Security Account.

5.4 Notice to bank operating an account

[Except for any US Dollar account into which proceeds comprising an Excluded Asset may be paid, the]*The Chargor will give notice to any bank (other than the Agent) operating an account of the Chargor on the date of this Deed or (if later) the date the account is opened, substantially in the form of Schedule 1, and shall use its reasonable endeavours to procure that the relevant bank acknowledges the notice substantially in the form of Schedule 2.

5.5 Deposit of Shares

The Chargor shall:-

(a) deposit with the Agent, or as the Agent may direct, all certificates, bearer instruments, and other documents of title or evidence of ownership in relation to the Shares and their Related Rights but only, in the case of Shares other than the Group Shares, if the Agent so requests whilst the security created by this Deed is enforceable; and

(b) execute and deliver to the Agent all share transfers and other documents which may be requested by the Agent in order to enable the Agent or its nominees to be registered as the owner or otherwise obtain a legal title to the Shares and their Related Rights but only, in the case of the Shares other than the Group Shares, if the Agent so requests whilst the security created by this Deed is enforceable.

6. SECURITY ACCOUNTS

6.1 Accounts

All Security Accounts must be maintained at a branch of the Account Bank approved by the Agent. The initial Account Bank is the Agent.

6.2 Change of Account Bank

(a) The Account Bank may be changed to another bank or financial institution if the Agent so agrees or requires.

(b) A change only becomes effective upon the proposed new Account Bank agreeing with the Agent and the Chargor, in a manner satisfactory to the Agent and the Chargor, to fulfil the role of the Account Bank under this Deed.

(c) In the event of a change of Account Bank, the amount (if any) standing to the credit of the Security Accounts maintained with the old Account Bank shall be transferred to the corresponding Security Accounts maintained with the new Account Bank forthwith upon the appointment taking effect. The Chargor shall take any action which the Agent may reasonably require to facilitate a change of Account Bank and any transfer of credit balances (including the execution of bank mandate forms).

6.3 Interest

Amounts standing to the credit of each Security Account shall bear interest at a rate considered by the Account Bank to be a fair market rate.

6.4 Withdrawals

(a) Except with the prior consent of the Agent, the Chargor shall not withdraw any moneys standing to the credit of a Security Account except for a purpose not prohibited by the Credit Agreement or a Refinancing Agreement at a time when the security constituted by this Deed is not enforceable or has not been enforced.

(b) The Agent (or a Receiver) may (subject to the payment of any claims having priority to this security) withdraw amounts standing to the credit of a Security Account to meet an amount due and payable under the Financing Agreements when it is due and payable.

7. WHEN SECURITY BECOMES ENFORCEABLE

The security constituted by this Deed shall become immediately enforceable if an Event of Default is outstanding and the power of sale shall be immediately exercisable whilst this Deed is enforceable. Whilst the security constituted by this Deed is enforceable, the Agent may in its

absolute discretion enforce all or any part of the security in any manner it sees fit or as the Majority Banks direct. If an Event of Default is remedied or waived, the security constituted by this Deed shall remain enforceable if, prior to the Event of Default being remedied, the Agent has taken any step to enforce the security.

8. ENFORCEMENT OF SECURITY

8.1 General

For the purposes of all powers implied by statute, the Secured Liabilities are deemed to have become due and payable on the date of this Deed and section 103 and section 93 of the Law of Property Act 1925 shall not apply to the security constituted by this Deed.

8.2 Shares

Whilst the security constituted by this Deed is enforceable, the Agent may exercise (in the name of the Chargor and without any further consent or authority on the part of the Chargor) any voting rights and any powers or rights which may be exercised by the person or persons in whose name any Share and its Related Rights are registered or who is the holder of any of them or otherwise (including all the powers given to trustees by

Section 10(3) and (4) of the Trustee Act, 1925 as amended by Section 9 of the Trustee Investment Act, 1961 in respect of securities or property subject to a trust). Until that time, the voting rights, powers and other rights in respect of the Shares shall (if exercisable by the Agent) be exercised in any manner which the Chargor may direct in writing.

8.3 Contingencies

If the Agent enforces the security constituted by this Deed at a time when no amounts are due under the Financing Agreements but at a time when amounts may or will become so due, the Agent (or the Receiver) may pay the proceeds of any recoveries effected by it into a Security Account.

8.4 No liability as mortgagee in possession

Neither the Agent nor any Receiver will be liable, by reason of entering into possession of a Security Asset, to account as mortgagee in possession or for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.

8.5 Agent of the Chargor

Each Receiver is deemed to be the agent of the Chargor for all purposes and accordingly is deemed to be in the same position as a Receiver duly appointed by a mortgagee under the Law of Property Act 1925. The Chargor alone shall be responsible for his contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by him and no Secured Party shall incur any liability (either to the Chargor or to any other person) by reason of the Agent making his appointment as a Receiver or for any other reason.

8.6 Protection of third parties

No person (including a purchaser) dealing with the Agent or a Receiver or its or his agents will be concerned to enquire:-

- (a) whether the Secured Liabilities have become payable; or
- (b) whether any power which the Agent or the Receiver is purporting to exercise has become exercisable; or
- (c) whether any money remains due under the Financing Agreements; or
- (d) how any money paid to the Agent or to the Receiver is to be applied.

8.7 Redemption of prior mortgages

At any time whilst the security constituted by this Deed is enforceable, the Agent may:-

- (a) redeem any prior Security Interest against any Security Asset; and/or
- (b) procure the transfer of that Security Interest to itself; and/or
- (c) settle and pass the accounts of the prior mortgagee, chargee or encumbrancer; any accounts so settled and passed shall be conclusive and binding on the Chargor.

All principal moneys, interest, costs, charges and expenses of and incidental to any such redemption and/or transfer shall be paid by the Chargor to the Agent on demand.

9. RECEIVER

9.1 Appointment of Receiver

At any time whilst the security constituted by this Deed is enforceable or, if the Chargor so requests the Agent in writing, at any time, the Agent may without further notice appoint under seal or in writing under its hand any one or more persons to be a Receiver of all or any part of the Security Assets in like manner in every respect as if the Agent had become entitled under the Law of Property Act 1925 to exercise the power of sale conferred under the Law of Property Act 1925.

9.2 Removal

The Agent may by writing under its hand (subject to any requirement for an order of the court in the case of an administrative receiver) remove any Receiver appointed by it and may, whenever it deems it expedient, appoint a new Receiver in the place of any Receiver whose appointment may for any reason have terminated.

9.3 Remuneration

The Agent may fix the remuneration of any Receiver appointed by it.

9.4 Relationship with Agent

To the fullest extent permitted by law, any right, power or discretion conferred by this Deed (either expressly or impliedly) upon a Receiver of the Security Assets may after the security created by this Deed becomes enforceable be exercised by the Agent in relation to any Security Asset without first appointing a Receiver or notwithstanding the appointment of a Receiver.

10. POWERS OF RECEIVER

10.1 General

(a) Each Receiver has, and is entitled to exercise, all of the rights, powers and discretions set out below in this Clause 10 in addition to those conferred by the Law of Property Act 1925 on any receiver appointed under the Law of Property Act 1925.

(b) If there is more than one Receiver holding office at the same time, each Receiver may (unless the document appointing him states otherwise) exercise all of the powers conferred on a Receiver under this Deed individually and to the exclusion of any other Receivers.

(c) A Receiver who is an administrative receiver of the Chargor has all the rights, powers and discretions of an administrative receiver under the Insolvency Act 1986.

10.2 Possession

A Receiver may take immediate possession of, get in and collect any Security Assets.

10.3 Carry on business

A Receiver may carry on the business of the Chargor as he thinks fit.

10.4 Protection of assets

A Receiver may do all acts as he may think fit which the Chargor might do in the ordinary conduct of its business as well for the protection as for the improvement of the Security Assets.

10.5 Employees

A Receiver may appoint and discharge managers, officers, agents, accountants, servants, workmen and others for the purposes of this Deed upon such terms as to remuneration or otherwise as he may think proper and discharge any such persons appointed by the Chargor.

10.6 Borrow money

A Receiver may raise and borrow money either unsecured or on the security of any Security Asset either in priority to the security constituted by this Deed or otherwise and generally on any terms and for whatever purpose which he thinks fit. No person lending that money is concerned to enquire as to the propriety or purpose of the exercise of that power or to check the application of any money so raised or borrowed.

10.7 Sale of assets

A Receiver may sell, exchange, convert into money and realise any Security Asset by public auction or private contract and generally in any manner and on any terms which he thinks proper. The consideration for any such transaction may consist of cash, debentures or other obligations, shares, stock or other valuable

consideration and any such consideration may be payable in a lump sum or by instalments spread over such period as he thinks fit.

10.8 Compromise

A Receiver may settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person who is or claims to be a creditor of the Chargor or relating in any way to any Security Asset.

10.9 Legal Actions

A Receiver may bring, prosecute, enforce, defend and abandon all actions, suits and proceedings in relation to any Security Asset which may seem to him to be expedient.

10.10 Receipts

A Receiver may give valid receipts for all moneys and execute all assurances and things which may be proper or desirable for realising any Security Asset.

10.11 Subsidiaries

A Receiver may form a Subsidiary of the Chargor and transfer to that Subsidiary any Security Asset.

10.12 Delegation

A Receiver may delegate his powers in accordance with Clause 14 (Delegation).

10.13 Other powers

A Receiver may:-

(a) do all other acts and things which he may consider desirable or necessary for realising any Security Asset or incidental or conducive to any of the rights, powers or discretions conferred on a Receiver under or by virtue of this Deed; and

(b) exercise in relation to any Security Asset all the powers, authorities and things which he would be capable of exercising if he were the absolute beneficial owner of the same,

and may use the name of the Chargor for any of the above purposes.

11. SET OFF

The Agent may, at any time whilst the security constituted by this Deed is enforceable, without notice to or making demand on the Chargor and whether or not all or any of the Secured Liabilities have matured:

- (a) set off any of the Secured Liabilities against any liability (whether or not matured) owed by the Agent to the Chargor in respect of any moneys in the Security Accounts regardless of the place of payment, booking branch or currency of either obligation; and/or
- (b) debit any account of the Chargor (whether sole or joint) with the Agent at any of its offices anywhere (including an account opened specially for that purpose) with all or any part of the Secured Liabilities; and/or
- (c) apply any moneys in a Security Account in or towards the payment or discharge of the Secured Liabilities.

12. APPLICATION OF PROCEEDS

Any moneys received by the Agent or any Receiver whilst the security constituted by this Deed is enforceable shall be applied in the following order of priority (but without prejudice to the right of any Secured Party to recover any shortfall from the Chargor):

- (a) in satisfaction of or provision for all costs and expenses incurred by the Agent or any Receiver and of all remuneration due to the Receiver under this Deed;
- (b) in or towards payment of the Secured Liabilities under the Finance Documents and the Refinancing Agreements *pari passu* (unless the relevant refinancing is undertaken on a basis subordinate to the Secured Liabilities under the Finance Documents);
- (c) in or towards payment of the Secured Liabilities under the Refinancing Agreements *pari passu* (if the relevant refinancing is undertaken on a basis subordinate to the Secured Liabilities under the Finance Documents);
- (d) in or towards payment of the Secured Liabilities under the EIL Facility Agreement; and
- (e) in payment of the surplus (if any) to the Chargor or other person entitled to it.

13. EXPENSES AND INDEMNITY

The Chargor shall forthwith on demand pay all costs and expenses (including legal fees) incurred in connection with this Deed by any Secured Party, Receiver, attorney, manager, agent or other person appointed by the Agent under this Deed, and keep each of them indemnified against any failure or delay in paying the same.

14. DELEGATION

The Agent and any Receiver may delegate by power of attorney or in any other manner to any person any right, power or discretion exercisable by them under this Deed. Any such delegation may be made upon the terms (including power to sub-delegate) and subject to any regulations which the Agent or that Receiver (as the case may be) may think fit. Neither the Agent nor any Receiver will be in any way liable or responsible to the Chargor for any loss or liability arising from any act, default, omission or misconduct on the part of any such delegate or sub- delegate.

15. FURTHER ASSURANCES

The Chargor shall, at its own expense, take whatever action the Agent or a Receiver may reasonably require for:-

- (a) perfecting or protecting the security intended to be created by this Deed over any Security Asset;
- (b) facilitating the realisation of any Security Asset, or the exercise of any right, power or discretion exercisable, by the Agent or any Receiver or any of its or their delegates or sub-delegates in respect of any Security Asset,

including the execution of any transfer, conveyance, assignment or assurance of any property whether to the Agent or to its nominees, and the giving of any notice, order or direction and the making of any registration, which, in any such case, the Agent may think expedient.

16. POWER OF ATTORNEY

The Chargor, by way of security, irrevocably and severally appoints the Agent, each Receiver and any of their delegates or sub-delegates to be

its attorney to take any action which the Chargor is obliged to take under this Deed, including under Clause 15 (Further assurances). The Chargor ratifies and confirms whatever any attorney does or purports to do pursuant to its appointment under this Clause.

17. MISCELLANEOUS

17.1 Covenant to pay

The Chargor shall pay or discharge the Secured Liabilities in the manner provided for in the Finance Documents and the Refinancing Agreements.

17.2 Continuing security

The security constituted by this Deed is continuing and will extend to the ultimate balance of all the Secured Liabilities, regardless of any intermediate payment or discharge in whole or in part.

17.3 Additional security

The security constituted by this Deed is in addition to and is not in any way prejudiced by any other security now or subsequently held by any Secured Party for any Secured Liability.

17.4 Tacking

Each Bank shall perform its obligations under the Credit Agreement (including any obligation to make available further advances).

17.5 New Accounts

If a Secured Party receives, or is deemed to be affected by, notice, whether actual or constructive, of any subsequent charge or other interest affecting any Security Asset and/or the proceeds of sale of any Security Asset, the Secured Party may open a new account with the Chargor. If the Secured Party does not open a new account, it shall nevertheless be treated as if it had done so at the time when it received or was deemed to have received notice. As from that time all payments made to the Secured Party will be credited or be treated as having been credited to the new account and will not operate to reduce any amount for which this Deed is security.

17.6 Time deposits

Without prejudice to any right of set-off any Secured Party may have under any other Finance Document or otherwise, if any time deposit matures on any account the Chargor has with any Secured Party at a time within the Security Period when:

- (a) this security has become enforceable; and
- (b) no amount of the Secured Liabilities is due and payable,

that time deposit shall automatically be renewed for any further maturity which that Secured Party considers appropriate.

18. RELEASE

Upon the expiry of the Security Period (but not otherwise), the Secured Parties shall, at the request and cost of the Chargor, take whatever action is necessary to release the Security Assets from the security constituted by this Deed.

19. GOVERNING LAW

This Deed is governed by English law.

This Deed has been entered into as a deed on the date stated at the beginning of this Deed.

SCHEDULE 1

Form of notice to the Account Bank

To: []

[
], []

Dear Sirs,

We give you notice that, by a Debenture dated 17th November, 1997, [] charged (by way of a first fixed and floating charge) to ABN AMRO Bank N.V. (as agent and trustee) (the "Agent") all moneys (including interest) from time to time standing to the credit of certain bank accounts (the "Accounts") and the debt or debts represented thereby.

We irrevocably instruct and authorise you to disclose to the Agent without any reference to or further authority from us and without any inquiry by you as to the justification for the disclosure, any information relating to any of the Accounts maintained with you from time to time as the Agent may, at any time and from time to time, request you to disclose to it. Until the Agent notifies you in writing that it has taken any step to enforce the security constituted by the Debenture, we are entitled to operate the Accounts in accordance with our usual practice.

This letter is governed by English law.

Would you please confirm your agreement to the above by sending the enclosed acknowledgement to the Agent with a copy to ourselves.

Yours faithfully,

.....
(Authorised signatory)
[]

SCHEDULE 2

Form of acknowledgement of the Account Bank

To: ABN AMRO Bank N.V.

For the attention of: []
[relevant address applying under
Clause 32 (Notices) of the Credit Agreement]

[], []

Dear Sirs,

We confirm receipt from [] (the "Company") of a notice dated [] of a charge upon the terms of a Debenture dated 17th November, 1997 of all moneys (including interest) from time to time standing to the credit of certain bank accounts of the Company (the "Accounts") and the debt or debts represented thereby.

We confirm that we have not received notice of the interest of any third party in any of the Accounts maintained with us.

We confirm that, until you give us notice in writing that the assets charged to you under the Debenture have been released, we do not have, and will not make or exercise, any claims or demands, any rights of counterclaim, rights of set-off or any other equities against the Company in respect of the Accounts maintained with us.

This letter is governed by English law.

Yours faithfully,

.....

[]

SIGNATORIES TO THE DEBENTURE

The Chargor

EXECUTED as a deed)
by [THE CHARGOR])
acting by [name of Director]
)
and [name of Director/Secretary]
)

..... director

..... director/secretary

The Agent

ABN AMRO BANK N.V.

By:

SCHEDULE 6

FORM OF SUBORDINATION AGREEMENT

DATED [], []

BETWEEN

ENTERGY LONDON INVESTMENTS PLC

-and-

THE JUNIOR CREDITOR

(as defined in this Deed)

-and-

ABN AMRO BANK N.V.

as Security Agent

SUBORDINATION AGREEMENT

relating to a BPS1,010,000,000

credit agreement dated 17th December, 1996 between ENERGENCY LONDON INVESTMENTS PLC and others (as amended including by way of a restatement agreement dated 17th November, 1997)

London

TABLE OF CONTENTS

Clause	Page
1. INTERPRETATION	115
2. THE COMPANY'S UNDERTAKINGS	117
3. JUNIOR CREDITOR'S UNDERTAKINGS	117
4. TURNOVER OF NON-PERMITTED RECOVERIES	118
5. SUBORDINATION ON INSOLVENCY	118
6. CONSENTS	119
7. REPRESENTATIONS AND WARRANTIES	119
8. SUBROGATION BY THE JUNIOR CREDITOR	119
9. PROTECTION OF SUBORDINATION	120
10. PRESERVATION OF JUNIOR DEBT	121
11. CHANGES TO THE PARTIES	121
12. MISCELLANEOUS	121
13. INDEMNITY	122
14. WAIVERS; REMEDIES CUMULATIVE	122
15. SEVERABILITY	122
16. GOVERNING LAW	122


SIGNATORIES
123

THIS SUBORDINATION AGREEMENT is dated []
between:

- (1) []
(the "Junior Creditor");
- (2) ENTERGY LONDON INVESTMENTS PLC
(Registered No. 3261188)(the "Company"); and
- (3) ABN AMRO BANK N.V. (the "Agent") as agent and trustee for
the Finance Parties.

BACKGROUND:

(A) By the Credit Agreement the Banks have agreed to make available a credit facility of up to BPS1,010,000,000 to the Borrowers.

(B) The Junior Creditor has agreed to subordinate all amounts payable under the Junior Finance Documents on the terms of this Deed.
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(C) It is intended that this document takes effect as a deed

1. INTERPRETATION

1.1 Definitions

In this Deed:

"Credit Agreement"

means the agreement dated 17th December, 1996 (as amended, including by way of a restatement agreement dated 17th November, 1997) between (among others) the Borrowers and the Agent for a credit facility of up to BPS1,010,000,000.

"Junior Debt"

means all present and future liabilities (actual or contingent) payable or owing to the Junior Creditor by the Company under or in connection with the Junior Finance Documents relating thereto together with:

- (a) any permitted novation, deferral or extension of any of those liabilities;
- (b) any further advances which may be made by the Junior Creditor to the Company under any agreement expressed to be supplemental to any Junior Finance Document plus all interest, fees and costs in connection therewith;
- (c) any claim for damages or restitution in the event of rescission of any of those liabilities or otherwise in connection with the Junior Finance Documents;
- (d) any claim against the Company flowing from any recovery by the Company of a payment or discharge in respect of those liabilities on grounds of preference or otherwise; and
- (e) any amounts (such as post-insolvency interest) which would be included in any of the above for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

"Junior Finance Documents"

means [specify debt document] and all variations, replacements, novations of and supplements thereto.

"Majority Banks"

has the meaning given to it in the Credit Agreement.

"Senior Debt"

means all present and future liabilities (actual or contingent) payable or owing by any Obligor to the Finance Parties under or in connection with the Finance Documents together with:

- (a) any refinancing, novation, refunding, deferral or extension of any of those liabilities;
- (b) any further advances which may be made by the Finance Parties to any Obligor under any agreement expressed to be supplemental to any Finance Document plus all interest, fees and costs in connection therewith;
- (c) any claim for damages or restitution in the event of rescission of any of those liabilities or otherwise in connection with the Finance Documents;
- (d) any claim against any Obligor flowing from any recovery by such Obligor of a payment or discharge in respect of those liabilities on grounds of preference or otherwise; and
- (e) any amounts (such as post-insolvency interest) which would be included in any of the above for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

"Senior Liabilities"

means all present and future obligations and liabilities (whether actual or contingent and whether owned jointly or severally or in any capacity whatsoever) of each Obligor to any Finance Party under each Finance Document to which such Obligor is a party.

1.2 Construction

- (a) Capitalised terms defined in the Credit Agreement have, unless expressly defined in this Deed, the same meaning in this Deed.
- (b) The provisions of Clause 1.2 of the Credit Agreement apply to this Deed as though they were set out in full in this Deed except that references to the Credit Agreement are to be construed as references to this Deed.
- (c) References to any document, instrument or agreement shall be construed as to include such document, instrument or agreement as varied, amended, supplemented or novated from time to time.

2. THE COMPANY'S UNDERTAKINGS

So long as any Senior Debt is outstanding and until the Senior Liabilities have been irrevocably paid in full, the Company will not except as permitted under the Finance Documents (including, without limitation, Clause 17.15 (Distributions)) or except as the Agent (acting on the instructions of the Majority Banks) has previously consented:

- (a) subject to Clause 5 (Subordination on insolvency), pay or repay or purchase or acquire any of the Junior Debt; or
- (b) discharge any of the Junior Debt by set-off; or
- (c) create or permit to subsist security over any of its assets for any of the Junior Debt; or
- (d) amend, vary, waive or release any term of the Junior Finance Documents (other than any procedural or administrative change or any other change which can reasonably be expected not to prejudice any Senior Debt or any Finance Party); or
- (e) take or omit to take any action whereby the subordination achieved by this Deed will be impaired.

3. JUNIOR CREDITOR'S UNDERTAKINGS

So long as any Senior Debt is outstanding and until the Senior Liabilities have been irrevocably paid in full, except, as permitted under the Finance Documents or except as the Agent (acting on the instructions of the Majority Banks) has previously consented, the Junior Creditor will:

- (a) subject to Clause 5 (Subordination on insolvency), not demand or receive payment of any of the Junior Debt from the Company or any other source or apply any money or assets in discharge of any Junior Debt;
- (b) not discharge any of the Junior Debt by set-off;
- (c) not permit to subsist or receive any security for any of the Junior Debt;
- (d) not permit to subsist or receive any guarantee or other assurance against loss in respect of any of the Junior Debt;
- (e) not amend, vary, waive or release any term of the Junior Finance Documents (other than any procedural or administrative change or any other change which can reasonably be expected not to prejudice any Senior Debt or any Finance Party);
- (f) promptly notify the Agent of any default or event of default in respect of the Junior Debt;
- (g) unless Clause 5 (Subordination on insolvency) applies, not:
- (i) declare any of the Junior Debt prematurely due and payable;
- (ii) enforce the Junior Debt by execution or otherwise; or
- (iii) initiate or take any steps with a view to any insolvency, reorganisation or dissolution proceedings in respect of the Company; and
- (h) not take or omit to take any action whereby the subordination achieved by this Deed may be impaired.

4. TURNOVER OF NON-PERMITTED RECOVERIES

4.1 Non-permitted payment

If, other than as permitted under the Finance Documents:

- (a) the Junior Creditor receives a payment or distribution in respect of any of the Junior Debt from the Company or any other source; or
- (b) the Junior Creditor receives the proceeds of any enforcement of any security or any guarantee for any Junior Debt; or
- (c) the Company makes any payment or distribution to the Junior Creditor on account of the purchase or other acquisition of any of the Junior Debt,

the Junior Creditor will hold the same in trust for the Finance Parties and pay and distribute it to the Agent for application towards the Senior Debt until the Senior Debt is irrevocably paid in full.

4.2 Non-permitted set-offs

If, other than as permitted under the Finance Documents, for any reason, any of the Junior Debt is discharged by set-off, the Junior Creditor will promptly pay an amount equal to the discharge to the Agent for application towards the Senior Debt until the Senior Debt is irrevocably paid in full.

4.3 Failure of trust

If, for any reason, a trust in favour of, or a holding of property for, the Finance Parties under this Deed is invalid or unenforceable, the Junior Creditor will pay and deliver to the Agent an amount equal to the payment, receipt or recovery which the Junior Creditor would otherwise have been bound to hold on trust for or as property of the Finance Parties.

5. SUBORDINATION ON INSOLVENCY

If any of the events set out in Clauses 18.6 (Insolvency) to 18.10 (Analogous proceedings) (inclusive) of the Credit Agreement exists THEN

- (a) the Junior Debt will be subordinate in right of payment to the Senior Debt;
- (b) the Agent may, and is irrevocably authorised on behalf of the Junior Creditor to, (i) claim, enforce and prove for the Junior Debt, (ii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Agent reasonably sees fit to recover the Junior Debt and (iii) receive all distributions on the Junior Debt for application towards the Senior Debt;
- (c) if and to the extent that the Agent is not entitled to do any of the foregoing, the Junior Creditor will do so in good time as reasonably directed by the Agent;
- (d) the Junior Creditor will hold all distributions in cash or in kind received or receivable by it in respect of the Junior Debt from the Company or from any other source in trust for the Finance Parties and will (at the Junior Creditor's expense) pay and transfer the same to the Agent for application towards the Senior Debt until the Senior Debt is irrevocably paid in full; and
- (e) the trustee in bankruptcy, liquidator, assignee or other person distributing the assets of the Company or their proceeds is directed to pay distributions on the Junior Debt direct to the Agent for application towards the Senior Debt until the Senior Debt is irrevocably paid in full. The Junior Creditor will give all such notices and do all such things as the Agent may reasonably direct to give effect to this provision.

6. CONSENTS

The Junior Creditor will not have any remedy against the Company or any other Obligor, the Agent or the Finance Parties by reason of any transaction entered into between the Agent and/or the Finance Parties and an Obligor which violates any Junior Finance Document and the Junior Creditor may not object to any such transaction by reason of any provisions of the Junior Finance Documents.

7. REPRESENTATIONS AND WARRANTIES

The Junior Creditor represents and warrants to the Agent and each Finance Party that this Deed:

- (a) is within its powers and has been duly authorised by it;
- (b) constitutes its legal, valid and binding obligations; and

(c) does not conflict in any material respect with any law or regulation or its constitutional documents or any document binding on it and that it has obtained all necessary consents for its performance of this Deed.

8. SUBROGATION BY THE JUNIOR CREDITOR

If any of the Senior Debt is wholly or partially paid out of any proceeds received in respect of or on account of the Junior Debt, the Junior Creditor will to that extent be subrogated to the Senior Debt so paid but not before all the Senior Debt is paid in full.

9. PROTECTION OF SUBORDINATION

9.1 Continuing subordination

The subordination provisions in this Deed constitute a continuing subordination and benefit the ultimate balance of the Senior Debt regardless of any intermediate payment or discharge of the Senior Debt in whole or in part.

9.2 Waiver of defences

The subordination in this Deed and the obligations of the Junior Creditor under this Deed will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release or prejudice the subordination or any of those obligations in whole or in part, including without limitation:

- (a) any waiver granted to, or composition with, any Obligor or other person;
- (b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person in respect of the Senior Debt or otherwise or any failure to realise the full value of any security; or
- (c) any unenforceability, illegality or invalidity of any obligation of any Obligor or security in respect of the Senior Debt or any other document or security.

9.3 Immediate recourse

The Junior Creditor waives any right it may have of first requiring any Finance Party (or the Agent or any trustee or other agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming the benefit of this Deed. The Agent may refrain from applying or enforcing any money, rights or security unless and until instructed by the Majority Banks. The Majority Banks may give or refrain from giving instructions to the Agent to enforce or refrain from enforcing any security as long as they see fit.

9.4 Appropriations

Until the Senior Liabilities have been irrevocably paid in full, the Agent may:

- (a) apply any moneys or property received under this Deed or from any Obligor or from any other person against the Senior Debt in accordance with the terms of the Credit Agreement;
- (b) hold in an interest-bearing suspense account any moneys or distributions received from the Junior Creditors under Clause 4 (Turnover of non-permitted recoveries) or Clause 5 (Subordination on insolvency) or on account of the liability of the Junior Creditor under this Deed.

9.5 Non-competition

Until the Senior Liabilities have been irrevocably paid in full, the Junior Creditor will not by virtue of any payment or performance by them under this Deed or by virtue of the operation of Clauses 4 (Turnover of non-permitted recoveries) or 5 (Subordination on insolvency):-

- (a) be subrogated to any rights, security or moneys held, received or receivable by any Finance Party (or the Agent or any trustee or other agent on its behalf) or be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of the Junior Creditor's liability under this Deed; or
- (b) claim, rank, prove or vote as a creditor of any Obligor or other person or their respective estates in competition with any Finance Party (or the Agent or any trustee or other agent on its behalf); or
- (c) receive, claim or have the benefit of any payment, distribution or security from or on account of any Obligor or other person.

10. PRESERVATION OF JUNIOR DEBT

Notwithstanding any term of this Deed postponing, subordinating or preventing the payment of any of the Junior Debt, the Junior Debt concerned shall, solely as between the Company and the Junior Creditor, remain owing or due and payable in accordance with the terms of the Junior Finance Documents, and interest and default interest will accrue on missed payments accordingly.

11. CHANGES TO THE PARTIES

11.1 Successors and assigns

This Deed is binding on the successors and assigns of the parties hereto.

11.2 The Company and the Junior Creditor

Neither the Company nor the Junior Creditor may assign or transfer any of their rights or obligations under this Deed without the consent of the Majority Banks.

11.3 The Agent and the Finance Parties

The Agent and the Finance Parties may assign or otherwise dispose of all or any of their rights under this Deed in accordance with the Senior Finance Documents to which they are respectively a party.

12. MISCELLANEOUS

12.1 Perpetuity

The perpetuity period for the trusts in this Deed is 80 years.

12.2 Power of attorney

By way of security for the obligations of the Junior Creditor under this Deed, the Junior Creditor irrevocably appoints the Agent as its attorney to do anything which the Junior Creditor is required to do by this Deed but has failed to do, having been given 10 Business Day's notice to rectify such non-compliance. The Agent may delegate this power subject to the approval of the Majority Banks.

13. INDEMNITY

(a) The Company will indemnify the Agent and every attorney appointed by it in respect of all liabilities and expenses reasonably incurred by it or him in good faith in connection with the enforcement or preservation of any rights in accordance with this Deed.

(b) The Agent shall not be liable for any losses arising in connection with the exercise or purported exercise of any of its rights, powers and discretions in good faith under this Deed, unless that liability arises as a result of the Agent's negligence or wilful default and in particular (but without limitation) the Agent in possession shall not be liable to account as mortgagee in possession or for anything except actual receipts.

14. WAIVERS; REMEDIES CUMULATIVE

The rights of the Agent and the Finance Parties under this Deed:

(a) may be exercised as often as necessary;

(b) are cumulative and are not exclusive of their rights under the general law; and

(c) may be waived only in writing and specifically and may be on such terms as the Agent or the Finance Parties see fit.

15. SEVERABILITY

(a) If a provision of this Deed is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

(i) the validity or enforceability in that jurisdiction of any other provision of this Deed; or

(ii) the validity or enforceability in other jurisdictions of that or any other provision of this Deed.

(b) This Deed may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same instrument and any party may enter into this Deed by executing a counterpart.

16. GOVERNING LAW

This Deed is governed by and shall be construed in accordance with English law.

This Deed has been entered into on the date stated at the beginning of this Deed.

SIGNATORIES TO THE SUBORDINATION AGREEMENT

Junior Creditor

[]

By:

Company

ENERGY LONDON INVESTMENTS PLC

By:

Agent

ABN AMRO BANK N.V.

By:

SCHEDULE 7

CORPORATE STRUCTURE

[RIDER Y MISSING]

SIGNATORIES TO THE RESTATEMENT AGREEMENT

EUK

ENTERGY UK LIMITED

By: WILLIAM J. REGAN JR.

Company

ENTERGY LONDON INVESTMENTS PLC

By: WILLIAM J. REGAN JR.

London Electricity

LONDON ELECTRICITY PLC

By: ALAN TOWERS

Additional Guarantors

ENTERGY UK FINANCE LIMITED

By: WILLIAM J. REGAN JR.

ENTERGY LONDON HOLDINGS LIMITED

By: WILLIAM J. REGAN JR.

ENTERGY LONDON LIMITED

By: GERALD D. McINVALE

Additional Guarantors (continued)

ENTERGY INTERNATIONAL INVESTMENTS NO. 1 LTD LLC By: Entergy International Ltd LLC, as member By: Entergy International Holdings Ltd LLC, as member By: Entergy Corporation, as member

By:

Name: WILLIAM J. REGAN JR.

Title: V.P. AND TREASURER

Additional Guarantors (continued)

ENTERGY INTERNATIONAL INVESTMENTS NO. 2 LTD LLC

By: Entergy International Ltd LLC, as member By: Entergy International Holdings Ltd LLC, as member By: Entergy Corporation, as member

By:

Name: WILLIAM J. REGAN JR.

Title: V.P. AND TREASURER

Arrangers

ABN AMRO BANK N.V.

By: Justin Cliffe

UNION BANK OF SWITZERLAND

By: Barbara Taylor

Continuing Banks

ABN AMRO BANK N.V.

By: Justin Cliffe

**BAYERISCHE LANDESBANK GIROZENTRALE
LONDON BRANCH**

By: Barbara Taylor

THE SANWA BANK, LIMITED

By: Peter Ellemann (Power of Attorney)

THE BANK OF TOKYO-MITSUBISHI, LTD

By: Peter Ellemann (Power of Attorney)

BARCLAYS BANK PLC

By: Paul Sims

CIBC WOOD GUNDY PLC

By: Suzy Webb

THE DAI-ICHI KANGYO BANK, LIMITED

By: Colin Vittery

DEN DANSKE BANK AKTIESELSKAB

By: Peter Ellemann (Power of Attorney)

DEUTSCHE BANK AG LONDON

By: Andrew Carter David Bugge

Continuing Banks (continued)

DRESDNER BANK AG LONDON BRANCH

By: Peter Ellemann (Power of Attorney)

**RABOBANK INTERNATIONAL, LONDON BRANCH
(COOPERATIEVE CENTRALE RAIFFEISEN
BOERENLEENBANK BA)**

By: Peter Ellemann (Power of Attorney)

THE ROYAL BANK OF SCOTLAND PLC

By: Peter Ellemann (Power of Attorney)

SOCIETE GENERALE

By: Peter Ellemann (Power of Attorney)

THE SUMITOMO TRUST & BANKING CO., LTD

By: David McDonnell

THE TORONTO-DOMINION BANK

By: Peter Ellemann (Power of Attorney)

WESTDEUTSCHE LANDESBANK GIROZENTRALE

By: Peter Ellemann (Power of Attorney)

COMMONWEALTH BANK OF AUSTRALIA

By: Peter Ellemann (Power of Attorney)

CREDIT LYONNAIS

By: Peter Ellemann (Power of Attorney)

Continuing Banks (continued)

THE FUJI BANK, LIMITED

By: Peter Richey

NATIONAL WESTMINSTER BANK PLC

By: John P. Kasperek

THE SAKURA BANK, LIMITED

By: C. Murchison

THE BANK OF NEW YORK

By: Ian K. Stewart

MIDLAND BANK PLC

By: Martin S. Peplow

THE NIKKO BANK (UK) PLC

By: E.G. Waite-Roberts

THE SUMITOMO BANK, LIMITED

By: Barry Henry

THE TOKAI BANK, LIMITED

By: Carl Roberts

THE TOYO TRUST AND BANKING COMPANY, LIMITED

By: John C. Sidhom

New Banks

**DE NATIONALE INVESTERINGSBANK N.V.,
LONDON BRANCH**

By: Peter Ellemann (Power of Attorney)

ING BANK N.V., LONDON BRANCH

By: James W. Rowe

SCOTIABANK EUROPE PLC

By: J.M. Copley

Retiring Banks

**BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION**

By: John R. Lavery

THE BANK OF NOVA SCOTIA

By: W. Currie

**BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AG**

By: J.C. Barton Trevor Pritchard

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: Peter Ellemann (Power of Attorney)

KREDIETBANK N.V.

By: Peter Ellemann (Power of Attorney)

Retiring Banks (continued)

UNION BANK OF CALIFORNIA, N.A.

By: Peter Ellemann (Power of Attorney)

Bank of America

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By: John R. Lavery

Agent

ABN AMRO BANK N.V.

By: Robert Skews

* Delete as appropriate.

** Only if Interest Period is of an optional duration. * Include only in Debenture of US Chargors. * Delete as applicable

** Include only in Debentures of US Chargors. * Include only in Debentures of US Obligor.

Exhibit 10(a)68

January 12, 1998

Mr. Gerald D. McInvale
1828 State Street
New Orleans, LA 70118

Dear Gerald:

This letter (the "Agreement") sets forth the terms and conditions of your continued employment with Entergy Services, Inc. (the "Company") from and after November 24, 1997, and supersedes and replaces any and all prior agreements between you (the "Employee") and the Company except as limited herein. In consideration of your continued employment with the Company and the mutual covenants and agreements contained herein, you (the "Employee") and the Company agree as follows:

1. Employment as Special Project Coordinator

The Company agrees to retain Employee as a Special Project Coordinator commencing as of November 24, 1997, and Employee agrees to render such services as a Special Project Coordinator for the period described in Paragraph 2(a) hereof and upon the other terms and conditions herein provided.

2. Terms and Responsibilities

(a) Term of Service. The period of Employee's service under this Agreement shall be deemed to have commenced as of November 24, 1997, and shall continue through May 31, 2001, and terminate at the end of that day unless terminated prior thereto in accordance with the terms of this Agreement. The Company, at its option, may terminate this Agreement based on a material breach of the Agreement by Employee, including, but not limited to, the provisions of paragraph 2(b), paragraph 6 or paragraph 8 of this Agreement.

(b) Responsibilities of Employee. During the period of his service as a Special Project Coordinator hereunder, Employee shall devote such of his time and efforts as may be required by the Company from time to time in order to perform his duties hereunder. Company agrees to make all reasonable efforts to minimize the time required for such activities and will attempt to limit them to twenty days or less per calendar year. However, Employee may perform services for other companies or organizations ("Other Services") in accordance with the following conditions:

During the period of his service hereunder, the Employee may perform Other Services provided that he may not perform such Other Services for companies or organizations which (i) are engaged in the sale at retail or wholesale of natural gas or electricity or (ii) which are engaged in any other business in which the Company or any of its subsidiaries or affiliates was engaged as of November 24, 1997.

In the event Employee desires to perform Other Services governed by this subsection (b), he must first provide written notice to the Company of his desire to perform such Other Services and receive written approval from the Company to so perform such Other Services, which approval shall not be unreasonably withheld.

3. Remuneration

(a) Employee's monthly Base Salary as a Special Project Coordinator will be Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$33,333.33) from November 24, 1997, through May 31, 2001. These payments will be made to Employee in accordance with the pay schedule in effect for all other active employees in the Company.

(b) In the event Employee dies prior to June 1, 2001, Employee's spouse or estate will receive a lump-sum payment equal to the net present value of all payments remaining between the time of death and May 31, 2001. In addition, the Company will provide comparable benefits or pay the value of the benefits lost as a result of Employee's death, including the Retirement Plan, Supplemental Credited Service Agreement, System Executive Retirement Plan with ten added years of Benefit Service.

(c) In the event Employee dies prior to June 1, 2001, Employee's spouse can continue her medical and dental coverage under the then existing plans in accordance with their then existing provisions subject to any and all rights that Employee's spouse may have under COBRA provisions or in accordance with applicable law at that time.

(d) In the event that the Company is sold, or merged with or into another company (in a transaction in which the Company is not the surviving entity), or all or substantially all of the assets of the Company are sold, or more than 25% of the outstanding voting stock of the Company is acquired by another person or persons acting as a group ("Change in Control"), and Employee's employment is thereafter terminated either by

Employee for any reason or by the Company for any reason, then, upon such termination, the Company will pay Employee a lump-sum payment equal to the net present value of all payments remaining between the time of the Change in Control and May 31, 2001. In addition, the Company will provide comparable benefits or pay the value of the benefits lost as a result of the Change in Control, including the Retirement Plan, Supplemental Credited Service Agreement, System Executive Retirement Plan with ten added years of Benefit Service.

(e) Should Employee elect to participate in the Company's Savings Plan, he will do so in accordance with the Plan's terms and conditions.

(f) For performance year 1997 only, Employee will be eligible for any Executive Annual Incentive Plan benefit payable in accordance with the terms and conditions of said Plan. The Employee will not be eligible for any type of incentive payouts beyond the performance year ending December 31, 1997.

(g) Employee will be eligible to receive two-thirds (2/3) of any Long Term Incentive Program benefit payable in accordance with the 1996 terms and conditions of said Plan. However, the Employee will not be eligible for any type of incentive payouts in the future.

(h) Employee retains the option of exercising the 2,500 stock options awarded to him on December 31, 1991 (with an exercise price of \$29.625), the 2,500 stock options awarded to him on February 1, 1993 (with an exercise price of \$34.75), the 2,500 stock options awarded to him on January 27, 1994 (with an exercise price of \$37.00), the 2,500 stock options awarded to him on January 26, 1995 (with an exercise price of \$23.375), the 25,000 Merit Stock options awarded to him on March 31, 1995 (with an exercise price of \$20.875), the 5,000 stock options awarded to him on January 25, 1996 (with an exercise price of \$29.375), and the 5,000 stock options awarded to him on January 30, 1997 (with an exercise price of \$26.50), until such options expire, in accordance with the Equity Ownership Plan, as may be amended from time to time.

(i) Company agrees to maintain your account under the Equity Awards Program of the Equity Ownership Plan ("Program") until such time as you terminate your employment or otherwise become eligible for Program payments in accordance with the terms and conditions of said Program.

(j) Company agrees to count the years of service during the period of this Agreement for purposes of Vesting and Benefit Service under the Retirement Plan, Supplemental Credited Service Agreement, System Executive Retirement Plan (SERP) with ten added years of Benefit Service, Savings and Defined Contribution Restoration plans, and the parties acknowledge that Employee's rights under and participation in the plans described in this Agreement shall be in accordance with the terms of such plans, as they may be amended from time to time. In no event shall employee receive less than the amounts he has accrued and will accrue in these plans during his employment with the Company. For purposes of any of the foregoing plans, the Company acknowledges and consents to Employee's election to retire effective upon termination of this Agreement, if he is otherwise eligible, which acknowledgment shall satisfy all Company consent requirements for early retirement under such plans.

(k) Company agrees to continue the following executive perquisites during the term of this Agreement:

- Employee may retain the personal computer with fax provided by Entergy for his home use, and

- Employee may continue, at his option, to occupy one of Entergy's membership slots at New Orleans Country Club during the term of this Agreement or until he leaves the city, whichever comes first, provided that Employee shall bear all costs and charges associated with said membership, including but not being limited to dues, capital improvement charges, food and beverage charges and all other fees and expenses, and provided further that the slot is not needed by the Company in the future. In the event Employee decides to stay in New Orleans, he shall have the option of purchasing the membership from the Company at the then-current market value.

(l) Employee shall remain eligible for the following executive perquisites through December 31, 1997:

- Executive Financial Counseling Program reimbursement, - Auto Reimbursement allowance,
- Company provided parking,
- Executive physicals,
- Luncheon Club membership(s),
- Executive Medical Plan,
- Executive Long Term Disability Plan, and - Home security system monitoring and maintenance charges.

Effective January 1, 1998, the Employee shall cease to be eligible for all executive perquisites, except that Employee shall be entitled (a) to receive in 1998 reimbursement of all eligible expenses incurred in calendar year 1997 and (b) to participate in the Executive Financial Counseling Program in 1998 in connection with the preparation of his 1997 income tax returns and to establish will and estate plans based on this Agreement, provided the existing Five Thousand Dollars (\$5,000.00) limitation on such planning is not exceeded.

(m) During the period of this Agreement, Employee will not accrue or receive additional pay for vacation, holidays, sick leave or any other benefits not specifically provided for in this Agreement.

(n) During the period of this Agreement, Employee will not be eligible for any kind of separation pay that may be offered by the Company to other active employees.

(o) Company agrees that, any time during the term of this Agreement, the Employee will be reimbursed for typical expenses, including the costs of packing, transporting, and unpacking, directly associated with one movement of household goods from his present residence in New Orleans to another location within the Continental United States. This provision shall not apply, however, if Employee accepts, with the permission of the Company as provided in paragraph 2(b) hereof, a position with another employer which has a relocation policy under which Employee is eligible to receive relocation benefits.

4. Remedy for Breach

Employee hereby acknowledges that, in the event of any material breach or threatened material breach by him of any of the provisions of Paragraphs 2(b) or 6 of this Agreement, the Company would have no adequate remedy at law and could suffer substantial and irreparable damage. Accordingly, Employee hereby agrees that, in such event, the Company shall be entitled, without the necessity of proving damages and notwithstanding any election by the Company to claim damages, to obtain a temporary and/or permanent injunction to restrain any such material breach or threatened material breach or to obtain specific performance of any of such provisions without bond, all without prejudice to any and all other remedies which the Company may have either at law or in equity.

5. Release

In consideration of the Company's agreement to provide the compensation and benefits described herein, Employee agrees to release and forever discharge the Company, its subsidiaries and affiliates, and their respective directors, officers, agents, servants, employees, attorneys, successors, predecessors, assigns, insurers, employee benefit plans and fiduciaries and agents of any of the foregoing from any and all damages, losses, causes of action, demands, liabilities, and claims of whatever kind or nature, whether or not herein named, on behalf of himself, or his heirs, executors, and assigns with respect to all matters relating to or arising out of his employment with the Company prior to the date of the execution of this Agreement, and any existing claims or rights which he may have under any federal, state or local law, including but not being limited to all claims arising under the Age Discrimination in Employment Act, 29 USC 621, et sec, or for severance payments of any kind. Employee acknowledges that he was provided with a copy of this Agreement, that he was advised to discuss this Agreement with his attorney, and that he was given no less than 21 days within which to consider signing this Agreement. Employee further acknowledges that he had the option of executing this Agreement at any time within the 21 day period, at his sole discretion. He further acknowledges that he was informed that (a) he had seven (7) days from the date of his execution of this Agreement within which to revoke this Agreement and (b) that this Agreement would not become effective or enforceable until expiration of the seven-day period. Employee acknowledges that he has thoroughly reviewed this Agreement and understands that, to the extent he has any claims covered by this Agreement, he is waiving potentially valuable rights by the execution of this Agreement. Employee further acknowledges that his execution of this Agreement is free and voluntary and was not procured through duress, coercion or undue influence.

Company agrees to indemnify Employee for his actions while serving as an officer of the Company in accordance with the bylaws of the Company and according to the terms and conditions of the Company's director and officer liability insurance in effect during his service as an officer.

Employee affirms and agrees that his employment relationship with the Company will end on May 31, 2001, and that he will withdraw unequivocally, completely and finally from his employment on that date, unless sooner terminated in accordance with the terms of this Agreement, and waive all rights in connection with such relationship except as to vested benefits and the payments and other benefits described herein.

6. Confidentiality

Both Company and Employee agree that the terms of this Agreement are confidential and will not be disclosed to anyone for any purpose whatsoever (save and except disclosure to Employee's spouse, to financial institutions as part of a financial statement, to immediate family members, financial, tax and legal advisors, to prospective/actual employers or as required by law). Employee agrees that he has returned or will return immediately, and maintain in strictest confidence and will not use in any way, any proprietary, confidential, or other non-public information or documents relating to the business and affairs of the Company, or of its subsidiaries, affiliates and divisions.

7. Representation and Warranties

Employee represents and warrants that he is under no restriction or obligation inconsistent with the execution of this Agreement or with the performance of his obligations hereunder.

8. Cooperation

Employee agrees to cooperate with the Company and its counsel on any matters relating to the conduct of any administrative or judicial

litigation, claim, suit, investigation or proceeding involving the Company or any of its subsidiaries or affiliates arising out of or in connection with any facts or circumstances occurring during the term of Employee's employment with the Company in which the Company determines that Employee's cooperation is necessary or appropriate. Company agrees to make all reasonable efforts to minimize time required for such activities and to reimburse employee for any required travel and related expenses.

9. Termination by Company

The Company may terminate this Agreement if Employee fails to materially comply with any of the provisions hereof and, in such event, all rights and benefits in favor of Employee under this Agreement shall terminate.

10. Conflict Resolution

Any material dispute between parties shall be resolved through binding arbitration, with the exception of equitable remedies. The losing party to any enforcement action pursuant to arbitration shall be obligated to pay reasonable attorney fees and costs.

11. Miscellaneous Provisions

(a) Withholding. All payments to Employee made pursuant to this Agreement, shall be subject to withholding of all amounts required to be withheld by applicable Internal Revenue Service rules and regulations and the rules and regulations of all other applicable tax agency authorities and shall be conditioned upon Employee's submission of all information or execution of all instruments required in order to enable the Company to comply with such withholding requirements.

(b) Notice. Any notice required to be given in accordance with the provisions of this Agreement shall be given in writing, either by personal delivery or by causing such written notice to be provided by registered mail, to Employee at the address set forth herein or to the Company at its principal business address to the attention of the Office of the Chairman, with copy to C. Gary Clary, or at such other address for a party as may be hereafter specified by like notice, provided that written notice of a change of address shall be effective only upon receipt thereof.

(c) Governing Law. This Agreement is entered into in accordance with, and shall be interpreted pursuant to, the laws of the State of Delaware.

(d) Severability. If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect or impair the validity or enforceability of the remaining provisions of this Agreement, which shall remain in full force and effect in accordance with their terms.

(e) Non-Assignability. Employee's rights and obligations under this Agreement may not be assigned or sold, in whole or part, to any other person or entity.

(f) Successors. This Agreement shall be binding upon the parties hereto and upon their respective heirs, successors and assigns.

(g) Entire Agreement. This Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes all previous agreements or understandings, whether oral or written.

If this letter accurately sets forth the terms of our agreement relating to your employment after November 24, 1997, please sign and date one of the enclosed originals of this letter in the space provided below and return one executed original to the Company.

ENERGY SERVICES INC. ("COMPANY")

*By: /s/ C. Gary Clary
C. Gary Clary
Vice President, Human Resources
and
Administration*

ACCEPTED AND AGREED TO on this ___ day of December, 1997.

/s/ Gerald D. McInvale
Gerald D. McInvale
("Employee")

Exhibit 10(c)100

JEFFERSON COUNTY, ARKANSAS

and

ENTERGY ARKANSAS, INC.

LOAN AGREEMENT

Dated as of December 1, 1997

\$45,500,000 Jefferson County, Arkansas Pollution Control Revenue Refunding Bonds (Entergy Arkansas, Inc. Project) Series 1997

LOAN AGREEMENT

TABLE OF CONTENTS

(This Table of Contents is not a part of the Loan Agreement and is only for convenience of reference.)

Parties	
1	
Recitals	
1	

ARTICLE I

DEFINITIONS

Section 1.01	Definitions	2
Section 1.02	Use of Words and Phrases	4

ARTICLE II REPRESENTATIONS

Section 2.01	Representations and Warranties of the County	5
Section 2.02	Representations and Warranties of the Company	5

ARTICLE III THE FACILITIES

Section 3.01	Construction of the Facilities	7
Section 3.02	Maintenance of Facilities; Remodeling	7
Section 3.03	Insurance	7

ARTICLE IV ISSUANCE OF BONDS; DISPOSITION OF PROCEEDS OF BONDS

Section 4.01	Issuance of the Series 1997 Bonds	8
Section 4.02	Additional Bonds	8
Section 4.03	Disposition of Bond Proceeds	8

ARTICLE V LOAN PROVISIONS; OTHER OBLIGATIONS

Section 5.01	Loan of Bond Proceeds	9
Section 5.02	Repayment of Loan	9
Section 5.03	Payments Assigned; Obligation Absolute	9
Section 5.04	Payment of Expenses	10
Section 5.05	Indemnification	10
Section 5.06	Payment of Taxes; Discharge of Liens	11

ARTICLE VI SPECIAL COVENANTS AND AGREEMENTS

Section 6.01	Maintenance of Corporate Existence	12
Section 6.02	Permits or Licenses	12
Section 6.03	County's and Trustee's Access to Facilities	12
Section 6.04	Arbitrage Covenant	12
Section 6.05	Use of Facilities	13
Section 6.06	Tax Exempt Status of Bonds	13

**ARTICLE VII
ASSIGNMENT, LEASING AND SELLING**

Section 7.01 By the County 16
Section 7.02 By the Company 16
Section 7.03 Limitation 16

**ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES**

Section 8.01 Events of Default 17
Section 8.02 Force Majeure 18
Section 8.03 Remedies on Default 18
Section 8.04 No Remedy Exclusive 19
Section 8.05 Agreement to Pay Attorneys' Fees and Expenses 19
Section 8.06 Waiver of Breach 19

**ARTICLE IX
REDEMPTION OR PURCHASE OF BONDS**

Section 9.01 Redemption of Bonds 20
Section 9.02 Purchase of Bonds 20

**ARTICLE X
RECORDATION AND OTHER INSTRUMENTS**

Section 10.01 Recording and Filing 21
Section 10.02 Photocopies and Reproductions 21

**ARTICLE XI
MISCELLANEOUS**

Section 11.01 Notices
22
Section 11.02 Severability
22
Section 11.03 Execution of Counterparts
22
Section 11.04 Amounts Remaining in Bond Fund
22
Section 11.05 Amendments, Changes and Modifications
23
Section 11.06 Governing Law
23
Section 11.07 Authorized Company Representatives
23
Section 11.08 Term of the Agreement
23
Section 11.09 No Personal Liability
23
Section 11.10 Parties in Interest
23

Signatures and Seals
25
Exhibit A - Description of Facilities
26

LOAN AGREEMENT

This LOAN AGREEMENT, dated as of December 1, 1997, by and between JEFFERSON COUNTY, ARKANSAS, a political subdivision under the Constitution and laws of the State of Arkansas (hereinafter referred to as the "County"), and ENTERGY ARKANSAS, INC. (formerly Arkansas Power & Light Company), a corporation organized and existing under and by virtue of the laws of the State of Arkansas (hereinafter referred to as the "Company").

WITNESSETH:

WHEREAS, the County is authorized and empowered under the laws of the State of Arkansas, including particularly Title 14, Chapter 267 of the Arkansas Code of 1987 Annotated (the "Act"), to issue revenue bonds and to expend the proceeds thereof to finance and refinance the acquisition, construction, reconstruction, extension, equipment or improvement of pollution control facilities for the disposal or control of sewage, solid waste, water pollution, air pollution, or any combination thereof; and

WHEREAS, certain pollution control facilities (hereinafter referred to as the "Facilities") have been acquired, constructed and equipped at Units 1 and 2 of the electric generating plant jointly owned by the Company and others located within the boundaries of the County near Redfield, Arkansas and known as the White Bluff Steam Electric Station (hereinafter referred to as the "Plant"); and

WHEREAS, pursuant to and in accordance with the provisions of the Act, the County has heretofore issued and delivered its Pollution Control Revenue Bonds, Series 1977 (Arkansas Power & Light Company Project), in the aggregate principal amount of \$46,000,000, of which \$45,500,000 in aggregate principal amount is outstanding (the "Prior Bonds", for the purpose of financing the cost of acquiring, constructing and equipping all or part of the Company's interest in the Facilities, and paying the expenses of authorizing and issuing the Prior Bonds; and

WHEREAS, the County proposes to issue \$45,500,000 aggregate principal amount of its revenue bonds under the Act (the "Series 1997 Bonds") for the purpose of refunding the Prior Bonds; and

WHEREAS, in connection with the issuance of the Series 1997 Bonds the proceeds of the Series 1997 Bonds will be loaned by the County to the Company upon the terms and conditions set forth herein; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein made, and subject to the conditions herein set forth, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. In addition to the words and terms elsewhere defined in this Agreement or in the Indenture, the following words and terms as used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning:

"Act" -- Title 14, Chapter 267 of the Arkansas Code of 1987 Annotated, as amended and enacted from time to time.

"Additional Bonds" -- Bonds in addition to the Series 1997 Bonds, which are issued under the provisions of Section 211 of the Indenture.

"Administration Expenses" -- The reasonable and necessary expenses incurred by the County with respect to this Agreement, the Indenture and any transaction or event contemplated by this Agreement or the Indenture including the compensation and reimbursement of expenses and advances payable to the Trustee, any paying agent, any co-paying agent, and the registrar under the Indenture.

"Agreement" -- This Loan Agreement and any amendments and supplements hereto.

"Authorized Company Representative" -- The person or persons at the time designated to act on behalf of the Company, such designation in each case to be evidenced by a certificate furnished to the County and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Company by its President, any Senior Vice President, any Vice President, or the Treasurer or any Assistant Treasurer.

"Bonds" -- The Series 1997 Bonds and all Additional Bonds issued by the County pursuant to the Indenture.

"Bond Counsel" -- Any firm of nationally recognized municipal bond counsel selected by the Company and acceptable to the County and the Trustee.

"Bond Fund" -- The fund by that name created and established in Section 501 of the Indenture.

"Clearing Fund" -- The fund by that name created and established in Section 601 of the Indenture.

"Code" -- The Internal Revenue Code of 1954, as heretofore amended (the "1954 Code"), and the Internal Revenue Code of 1986, as heretofore or hereafter amended (the "1986 Code"), as applicable.

"Company" -- Entergy Arkansas, Inc., a corporation organized and operating under the laws of the State of Arkansas, and its permitted successors and assigns.

"County" -- Jefferson County, Arkansas, a political subdivision under the Constitution and laws of the State of Arkansas.

"Event of Default" -- Any event of default specified in Section 8.01 hereof.

"Facilities" -- The pollution control facilities at the Plant which were financed and refinanced, in whole or in part, with the proceeds of the Prior Bonds, which facilities are generally described in Exhibit A hereto.

"Indenture" -- The Trust Indenture dated as of December 1, 1997, between the County and the Trustee, securing the Bonds, and any amendments and supplements thereto.

"outstanding" -- When used with reference to the Bonds, as of any particular date, all Bonds authenticated and delivered under the Indenture except:

- (a) Bonds canceled at or prior to such date or delivered to or acquired by the Trustee prior to such date for cancellation;
- (b) Bonds deemed to be paid in accordance with Article IX of the Indenture; and
- (c) Bonds in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture.

"Plant" -- The Company's electric generating plant located within the boundaries of the County.

"Prior Bonds" -- The County's Pollution Control Revenue Bonds, Series 1977 (Arkansas Power & Light Company Project), in the original aggregate principal amount of \$46,000,000.

"Series 1997 Bonds" -- The initial issue of Bonds under and secured by the Indenture in the aggregate principal amount of \$45,500,000.

"Trustee" -- The banking corporation or association designated as Trustee in the Indenture, and its successor or successors as such Trustee. The original Trustee is Simmons First National Bank, Pine Bluff, Arkansas.

Section 1.02. Use of Words and Phrases. "Herein", "hereby", "hereunder", "hereof", "hereinabove", "hereinafter", and other equivalent words and phrases refer to this Agreement and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.01 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations and Warranties of the County. The County makes the following representations and warranties as the basis for the undertakings on the part of the Company herein contained:

- (a) The County is a political subdivision duly existing under the Constitution and laws of the State of Arkansas.
- (b) The County has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. By proper action of the governing body of the County, the County has been duly authorized to execute and deliver this Agreement.
- (c) The County has not, and will not, except as otherwise required by mandatory provisions of law, assign its interest in this Agreement other than to secure the Bonds.
- (d) The Facilities and their operation promote the securing and developing of industry and the health, safety and physical and economic welfare of the County and its inhabitants, and thereby further the public purposes of the Act.

Section 2.02. Representations and Warranties of the Company. The Company makes the following representations and warranties as the basis

for the undertakings on the part of the County herein contained:

(a) The Company is a corporation duly incorporated and in good standing under the laws of the State of Arkansas, is not in violation of any provision of its Amended and Restated Articles of Incorporation, or its Bylaws, each as amended, has power to enter into this Agreement and to perform and observe the agreements and covenants on its part contained herein, and has duly authorized the execution and delivery of this Agreement by proper corporate action.

(b) The Facilities constitute a pollution control project of the type authorized and permitted by the Act.

(c) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Company is now a party or by which the Company is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Company except any interests created herein.

(d) The Securities and Exchange Commission, the Arkansas Public Service Commission, and the Tennessee Public Service Commission have each approved all matters relating to the Company's participation in the transactions contemplated by this Agreement which require said approval, and no other consent, approval, authorization or other order of any regulatory body or administrative agency or other governmental body is legally required for the Company's participation therein, except such as may have been obtained or may be required under the securities laws of any state or in connection with the issuance of series of Additional Bonds.

ARTICLE III

THE FACILITIES

Section 3.01. Construction of the Facilities. The Company has caused the Facilities to be constructed in order to effectuate the purposes of the Act.

Section 3.02. Maintenance of Facilities; Remodeling. The Company shall, at its expense, cause the Facilities, and every element and unit thereof, to be maintained, preserved and kept in good repair, working order and condition, and from time to time to cause all needful and proper repairs, replacements, additions, betterments and improvements to be made thereto; provided, however, that the Company may discontinue the operation of, or reduce the capacity of, the Facilities, or any element or unit thereof, if, in the judgment of the Company, any such action is necessary or desirable in the conduct of the business of the Company, or if the Company is ordered so to do by any regulatory authority having jurisdiction in the premises, or if the Company intends to sell or dispose of the same and within a reasonable time shall endeavor to effectuate such sale. The Company shall notify the County as to the nature and extent of any material damage or loss to the Facilities and of the discontinuance of the operation of the Facilities, or any material element or unit thereof.

The Company may at its own expense cause the Facilities to be remodeled or cause substitutions, modifications and improvements to be made to the Facilities from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Facilities.

Section 3.03. Insurance. The Company shall, at its expense, cause the Facilities to be kept insured against fire to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, to a reasonable amount, by reputable insurance companies or, in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire at least equal in protection to the method or plan of protection against such loss of companies similarly situated and operating like properties. All proceeds of such insurance, or such other method or plan, shall be for the account of the Company.

ARTICLE IV

ISSUANCE OF BONDS; DISPOSITION OF PROCEEDS OF BONDS

Section 4.01. Issuance of the Series 1997 Bonds. The County shall issue the Series 1997 Bonds under and in accordance with the Indenture, subject to the provisions of any bond purchase agreement between the County and the original purchaser or purchasers of the Series 1997 Bonds. The Company hereby approves the issuance of the Series 1997 Bonds and all terms and conditions thereof.

Section 4.02. Additional Bonds. So long as the Company shall not be in default hereunder, and at the request of the Company, the County may authorize and issue Additional Bonds in aggregate principal amounts specified from time to time by the Company in order to provide funds for the purpose of refunding the Series 1997 Bonds or any series of Additional Bonds, in whole or in part, or any combination thereof.

The right to issue Additional Bonds set forth in this Agreement and the Indenture shall not imply that the County and the Company may not enter into, and the County and the Company expressly reserve the right to enter into, to the extent permitted by law, another agreement or

agreements with respect to the issuance by the County, under an indenture or indentures other than the Indenture, of refunding bonds to refund all or any principal amount of any series of Bonds, and the provisions of this Agreement and the Indenture governing the issuance of Additional Bonds shall not apply thereto.

Section 4.03. Disposition of Bond Proceeds. The proceeds of the issuance and sale of the Series 1997 Bonds and any Additional Bonds, other than accrued interest, if any, paid by the initial purchaser or purchasers thereof, shall be deposited into the Clearing Fund, and any such accrued interest shall be deposited into the Bond Fund, all in accordance with the provisions of the Indenture.

ARTICLE V

LOAN PROVISIONS; OTHER OBLIGATIONS

Section 5.01. Loan of Bond Proceeds. Concurrently with the sale and delivery of each series of the Bonds, the County covenants and agrees that it will, upon the terms and conditions in this Agreement, lend to the Company an amount equal to the proceeds (other than accrued interest) of such series. Pursuant to said covenant and agreement, the County will issue the Bonds upon the terms and conditions contained in this Agreement and the Indenture and will cause the Bond proceeds to be applied as provided in Article IV hereof. The Bonds may be sold by the County, with the consent of the Company, at a discount from their principal amount. If the County does sell Bonds at a discount, the amount of such discount shall be deemed to have been loaned to the Company pursuant to the terms and conditions hereof.

Section 5.02. Repayment of Loan. On or before any date that principal of or interest on the Bonds is due as set forth in the Indenture, or any date fixed for the redemption of any or all of the Bonds pursuant to the Indenture, the Company covenants and agrees to pay or to cause to be paid in lawful money of the United States of America to the Trustee for deposit in the Bond Fund, as a repayment of the loan made to the Company pursuant to Section 5.01 hereof, a sum equal to the amount payable on such payment date as principal (whether at maturity, upon redemption or otherwise) of and premium, if any, and interest on the Bonds as provided in the Indenture. Each payment made pursuant to this Section shall be made in immediately available funds at the principal corporate trust office of the Trustee during normal banking hours.

In the event that the payment of the principal of and accrued interest on the Bonds is accelerated under Section 1002 of the Indenture, the Company covenants and agrees to pay, or cause to be paid, to the Trustee as provided above a sum equal to all the principal of and interest on the Bonds then outstanding.

Each payment pursuant to this Section shall at all times be sufficient to pay the amount of principal (whether at maturity, upon redemption or otherwise) of and premium, if any, and interest payable on the Bonds on the date that such payment is due; provided that the obligation of the Company to make any payment of the principal of or premium, if any, or interest on the Bonds, whether at maturity, upon redemption or otherwise, shall be reduced by the amount of any reduction under the Indenture of the amount of the corresponding payment required to be made by the County thereunder in respect of the principal of or premium, if any, or interest on the Bonds.

Section 5.03. Payments Assigned; Obligation Absolute. It is understood and agreed that all payments to be made by the Company of the loan by the County are, by the Indenture, to be pledged by the County to the Trustee, and that all rights and interest of the County hereunder (except for the County's rights under Sections 5.04, 5.05, 5.06, 6.03 and 8.05 hereof and any rights of the County to receive notices, certificates, requests, requisitions, directions and other communications hereunder) are to be pledged and assigned to the Trustee. The Company assents to such pledge and assignment and agrees that the obligation of the Company to make the payments of the loan shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement, or to any defense other than payment, or to any right of set-off, counterclaim or recoupment arising out of any breach under this Agreement, the Indenture or otherwise by the County or the Trustee or any other party, or out of any obligation or liability at any time owing to the Company by the County, the Trustee or any other party, and, further, that the payments of the loan from the County to the Company and the other payments due hereunder shall continue to be payable at the times and in the amounts specified herein, whether or not the Facilities or the Plant, or any portion thereof, shall have been completed or shall have been destroyed by fire or other casualty, or title thereto, or the use thereof, shall have been taken by the exercise of the power of eminent domain, and that there shall be no abatement of or diminution in any such payments by reason thereof, whether or not the Facilities or the Plant shall be used or useful, and whether or not any applicable laws, regulations or standards shall prevent or prohibit the use of the Facilities or the Plant, or for any other reason.

Section 5.04. Payment of Expenses. The Company shall pay, or cause to be paid, all of the Administration Expenses of the County, the payment of the compensation and the reimbursement of expenses and advances of the Trustee, any paying agent, any co-paying agent, and the registrar under the Indenture to be made directly to such entity.

Section 5.05. Indemnification. The Company releases the County and the Trustee from, agrees that the County and the Trustee shall not be liable for, and agrees to indemnify and hold the County and the Trustee free and harmless from, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Facilities, except in any case as a result of the negligence or bad faith of the County or the Trustee.

The Company will indemnify and hold the County and the Trustee free and harmless from any loss, claim, damage, tax, penalty, liability

(including but not limited to liability for any patent infringement), disbursement, litigation expenses, attorneys' fees and expenses or court costs arising out of, or in any way relating to, the execution or performance of this Agreement, the issuance or sale of the Bonds, actions taken under the Indenture, or any other cause whatsoever pertaining to the Facilities, including without limitation, recovery costs arising from the presence of hazardous substances, except in any case as a result of the negligence or bad faith of the Trustee, or as a result of the gross negligence or bad faith of the County.

Under this Section 5.05, the Company shall also be deemed to release, indemnify and agree to hold harmless each employee, official or officer of the County and the Trustee to the same extent as the County and the Trustee.

Section 5.06. Payment of Taxes; Discharge of Liens. The Company shall: (a) pay, or make provision for payment of, all lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or municipal government or political body upon the County with respect to the Facilities or any part thereof or upon any amounts payable hereunder; and (b) pay or cause to be satisfied and discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, any lien or charge upon any amounts payable hereunder, and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon such amounts; provided that if the Company shall first notify the County and the Trustee of its intention so to do, the Company may in good faith contest any such lien or charge or claims or demands in appropriate legal proceedings, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the County or the Trustee shall notify the Company in writing that, in the opinion of counsel to the County or the Trustee, by nonpayment of any such items the lien of the Indenture as to the amounts payable hereunder will be materially endangered, in which event the Company shall promptly pay and cause to be satisfied and discharged all such unpaid items. The County shall cooperate fully with the Company in any such contest.

ARTICLE VI

SPECIAL COVENANTS AND AGREEMENTS

Section 6.01. Maintenance of Corporate Existence. The Company shall maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge with or into another corporation; provided, however, that the Company may consolidate with or merge with or into, or sell or otherwise transfer all or substantially all of its assets (and may thereafter dissolve) to, another corporation, incorporated under the laws of the United States, one of the states thereof or the District of Columbia, if the surviving, resulting or transferee corporation, as the case may be (if other than the Company), prior to or simultaneously with such consolidation, merger, sale or transfer, assumes, by delivery to the Trustee of an instrument in writing satisfactory in form and substance to the Trustee, all the obligations of the Company hereunder.

If consolidation, merger or sale or other transfer is made as permitted by this Section 6.01, the provisions of this Section 6.01 shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section 6.01.

Section 6.02. Permits or Licenses. In the event that it may be necessary for the proper performance of this Agreement on the part of the Company or the County that any application or applications for any permit or license to do or to perform certain things be made to any governmental or other agency by the Company or the County, the Company and the County each shall, upon the request of either, execute such application or applications.

Section 6.03. County's and Trustee's Access to Facilities. The County and the Trustee shall have the right, upon appropriate prior notice to the Company, to have reasonable access to the Facilities during normal business hours for the purpose of making examinations and inspections of the same.

Section 6.04. Arbitrage Covenant. The County and the Company covenant that the proceeds of the sale of the Bonds, the earnings thereon, and any other moneys on deposit in any fund or account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) will not be used in a manner which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of

Section 148 of the Code. The Company further covenants that: (a) all actions with respect to the Bonds required by Section 148(f) of the Code shall be taken; (b) it shall make the determinations required by paragraph (b) of Section 702 of the Indenture and promptly notify the Trustee of the same, together with supporting calculations; and (c) it shall within twenty-five (25) days after

(i) the calendar date which corresponds to the final maturity of the respective series of Bonds and each anniversary thereof falling on or after the date of initial authentication and delivery thereof up to and including the final maturity of such series of the Bonds, unless the final payment, whether upon redemption in whole or at maturity, of such Bonds shall have occurred prior to such anniversary, and (ii) such final payment, file with the Trustee a statement signed by an Authorized Company Representative to the effect that the Company is then in compliance with its covenants contained in clauses (a) and (b) of this sentence, together with supporting calculations; provided, however, that if the Company shall furnish an opinion of Bond Counsel to the Trustee to the effect that no further action by the Company is required for such compliance with respect to the Bonds, the Company shall not thereafter be required to deliver any such statements or calculations.

Section 6.05. Use of Facilities. The Company shall cause the Facilities to be used for the abatement or control of pollution or for the disposal of sewage or solid waste.

Section 6.06. Tax Exempt Status of Bonds. The County and the Company mutually covenant and agree that neither of them shall take or authorize or permit any action to be taken, and have not taken or authorized or permitted any action to be taken, which results in interest paid on the Bonds being included in gross income for purposes of federal income taxes. Without limiting the generality of the foregoing, the Company further covenants and agrees as follows:

(a) Not less than 90% of the proceeds (within the meaning of Section 103(b)(4) of the 1954 Code and regulations thereunder) from the sale of the Prior Bonds was expended (or was used to retire bonds not less than 90% of the proceeds from the sale of which was expended) (i) for proper costs of land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or which will be, for federal income tax purposes, chargeable to capital account or would have been so chargeable either with a proper election by the Company (for example under Section 266 of the Code) or but for a proper election by the Company to deduct such amounts, and (ii) to provide air or water pollution control or sewage or solid waste disposal facilities within the meaning of Section 103(b)(4)(E) or (F) of the Code and regulations thereunder.

(b) Within fifteen (15) days of the date of issuance of the Series 1997 Bonds, there neither have been nor will be any private activity bonds (within the meaning of Section 141(a) of the 1986 Code) sold to finance facilities of the Company or any related person within the meaning of Section 147(a)(2) of the Code, under a common plan of marketing, at substantially the same rate of interest, and for which a common or pooled security will be used or available to pay debt service.

(c) The average maturity of the Series 1997 Bonds (within the meaning of Section 147(b) of the 1986 Code and regulations thereunder) does not exceed 120% of the average reasonably expected economic life of the Facilities (within the meaning of Section 147(b) of the 1986 Code and regulations thereunder), remaining as of the date of issue of the Series 1997 Bonds.

(d) No changes will be made with respect to the Facilities (including, without limitation, their ownership and use) which in any way impair the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation.

(e) No action shall be taken that will cause the Series 1997 Bonds to be "federally guaranteed" as defined in Section 149(b) of the Code.

(f) No portion of the proceeds of the Series 1997 Bonds (within the meaning of Section 147(g) of the Code and regulations thereunder) will be used to finance costs of issuance of the Series 1997 Bonds.

(g) (i) The Facilities being refinanced out of the proceeds of the Series 1997 Bonds are part of the facilities described in either the Memorandum of Agreement dated May 29, 1974, between the County and the Company (authorized by Order of the County Court entered as of May 29, 1974), and by Ordinance No. 1977-34 adopted by the Quorum Court on September 29, 1977); (ii) acquisition and construction of each of such Facilities commenced prior to May 29, 1974, and that none of such Facilities had reached a degree of completion which would permit operation, nor was any of such Facilities in fact in operation, at substantially the level for which it was designed prior to May 29, 1974; and (iii) acquisition and construction of the Facilities described in the Memorandum of Agreement dated April 5, 1985, commenced on or after April 5, 1985, and none of such Facilities had been placed in service or acquired (whichever occurred last) as of December 19, 1985.

The covenants and agreements contained in this Section 6.06 shall survive any termination of this Agreement.

ARTICLE VII

ASSIGNMENT, LEASING AND SELLING

Section 7.01. By the County. Except as provided in Article V of this Agreement, the County will not sell, lease, assign, transfer, convey or otherwise dispose of its interest in this Agreement or any portion thereof or interest therein or in the revenues therefrom without the written consent of the Company.

Section 7.02. By the Company. The Company's interest in this Agreement may be assigned in whole or in part, and the Facilities may be leased or sold as a whole or in part (whether a specific element or unit or an undivided interest), by the Company, subject, however, to the condition that no assignment, lease or sale (other than as described in Section 6.01 hereof) shall relieve the Company from primary liability for its obligations under Section 5.02 to repay the loan from the County to the Company, or its obligations under Section 6.06 with respect to the excludability from gross income of interest on the Series 1997 Bonds for federal income tax purposes, or for any other of its obligations hereunder, other than those obligations relating to the operation, maintenance and insurance of the Facilities which obligations (to the extent of the interest assigned, leased or sold and to the extent assumed by the assignee, lessee or purchaser) shall be deemed to be satisfied and

discharged.

After any lease or sale of any element or unit of the Facilities, or any interest therein, such element or unit, or interest therein, shall no longer be deemed to be part of the Facilities for the purposes of this Agreement. Further, upon any such lease or sale the Company shall comply with the requirements of the Code and the regulations promulgated thereunder (including, without limitation, the taking of remedial action with respect to the Series 1997 Bonds) as the same may then be applicable.

The Company shall, within fifteen (15) days after the delivery thereof, furnish to the County and the Trustee a true and complete copy of the agreements or other documents effectuating any such assignment, lease or sale.

Section 7.03. Limitation. This Agreement shall not be assigned nor shall the Facilities be leased or sold, in whole or in part, except as provided in this Article VII or in Section 6.01 or in the Indenture.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute and is referred to in this Agreement as an "Event of Default":

- (a) a failure by the Company to make when due any payment required to be made pursuant to Section 5.02 hereof, which failure shall have resulted in an "Event of Default" under clause (a) or (b) of Section 1001 of the Indenture;
- (b) a failure by the Company to pay when due any other amount required to be paid under this Agreement or to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement which failure shall continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Company by the County or the Trustee, unless the County and the Trustee shall agree in writing to an extension of such period prior to its expiration; provided, however, that the County and the Trustee shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued;
- (c) the expiration of a period of ninety (90) days following:
 - (1) the adjudication of the Company as a bankrupt by any court of competent jurisdiction;
 - (2) the entry of an order approving a petition seeking reorganization or arrangement of the Company under the federal bankruptcy laws or any other applicable law or statute of the United States, or of any state thereof; or
 - (3) the appointment of a trustee or a receiver of all or substantially all of the property of the Company;

unless during such period such adjudication, order or appointment of a trustee or receiver shall be vacated or shall be stayed on appeal or otherwise or shall have otherwise ceased to continue in effect; or

- (d) the filing by the Company of a voluntary petition in bankruptcy or the making of an assignment for the benefit of creditors; the consenting by the Company to the appointment of a receiver or trustee of all or any part of its property; the filing by the Company of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws, or any other applicable law or statute of the United States, or of any state thereof; or the filing by the Company of a petition to take advantage of any insolvency act.

Section 8.02. Force Majeure. The provisions of

Section 8.01 hereof are subject to the following limitations: If by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or other acts of any kind of the Government of the United States or of the State of Arkansas, or any other sovereign entity or body politic, or any department, agency, political subdivision, court or official of any of them, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; volcanoes; fires; hurricanes; tornados; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery; partial or entire failure of utilities; or any cause or event not reasonably within the control of the Company, the Company is unable in whole or in part to carry out any one or more of its agreements or obligations contained herein, other than its obligations under

Section 5.02 hereof to repay the loan made to the Company and its obligations under Sections 5.05, 6.01, 6.04, 6.06 and 9.01 hereof, the Company shall not be deemed in default by reason of not carrying out said agreement or agreements or performing said obligation or obligations during the continuance of such inability. The Company agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of

the Company unfavorable to the Company.

Section 8.03. Remedies on Default. (a) Upon the occurrence and continuance of any Event of Default, and further upon the condition that, in accordance with the terms of the Indenture, the Bonds shall have become immediately due and payable pursuant to any provision of the Indenture, the payments required to be paid pursuant to Section 5.02 hereof shall, without further action, become and be immediately due and payable.

(b) Upon the occurrence and continuance of any Event of Default, the County with the prior consent of the Trustee, or the Trustee, may take any action at law or in equity to collect the payments then due and thereafter to come due hereunder, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement.

(c) Any amounts collected pursuant to action taken under this Section shall be applied in accordance with the Indenture.

(d) In case any proceeding taken by the County or the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the County or the Trustee, then and in every case the County and the Trustee shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the County and the Trustee shall continue as though no such proceeding had been taken.

Section 8.04. No Remedy Exclusive. No remedy conferred upon or reserved to the County or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be required in this Article.

Section 8.05. Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement and the County or the Trustee should employ attorneys or incur other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Company contained herein, the Company agrees that it will on demand therefor pay to the County or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.06. Waiver of Breach. In the event that any agreement contained herein shall be breached by either the Company or the County and such breach shall thereafter be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the County's rights in and under this Agreement to the Trustee under the Indenture, the County shall have no power to waive any default hereunder by the Company without the consent of the Trustee. Any waiver of any "Event of Default" under the Indenture and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default hereunder and a rescission and annulment of the consequence thereof.

ARTICLE IX

REDEMPTION OR PURCHASE OF BONDS

Section 9.01. Redemption of Bonds. The County shall take the actions required by the Indenture to discharge the lien thereof through the redemption, or provision for payment or redemption, of all Bonds then outstanding, or to effect the redemption, or provision for payment or redemption, of less than all the Bonds then outstanding, upon receipt by the County and the Trustee from the Company of a notice designating the principal amounts, series and maturities of the Bonds to be redeemed, or for the payment or redemption of which provision is to be made, and, in the case of redemption of Bonds, or provision therefor, specifying the date of redemption, which shall not be less than forty-five (45) days from the date such notice is given, and the applicable redemption provision of the Indenture. Unless otherwise stated therein or otherwise required by the Indenture, such notice shall be revocable by the Company at any time prior to the time at which the Bonds to be redeemed, or for the payment or redemption of which provision is to be made, are first deemed to be paid in accordance with Article IX of the Indenture. The Company shall furnish, as a prepayment of the amounts due under Section 5.02 hereof, any moneys or Government Securities (as defined in the Indenture) required by the Indenture to be deposited with the Trustee or otherwise paid by the County in connection with any of the foregoing purposes.

Section 9.02. Purchase of Bonds. The Company may at any time, and from time to time, furnish moneys to the Trustee accompanied by a notice directing the Trustee to apply such moneys to the purchase in the open market of Bonds in the principal amounts and of the series and maturities specified in such notice, and any Bonds so purchased shall thereupon be canceled by the Trustee.

ARTICLE X

RECORDATION AND OTHER INSTRUMENTS

Section 10.01. Recording and Filing. The Company shall record and file, or cause to be recorded and filed, all documents and statements referred to in Section 404 of the Indenture.

Section 10.02. Photocopies and Reproductions. A photocopy or other reproduction of this Agreement may be filed as a financing statement pursuant to the Uniform Commercial Code, although the signatures of the Company and the County on such reproduction are not original manual signatures.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Notices. Except as otherwise provided in this Agreement, all notices, certificates or other communications shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, to the County, the Company or the Trustee. Copies of each notice, certificate or other communication given hereunder by or to the Company shall be mailed by registered or certified mail, postage prepaid, to the Trustee; provided, however, that the effectiveness of any such notice shall not be affected by the failure to send any such copies. Notices, certificates or other communications shall be sent to the following addresses:

Company: Entergy Arkansas, Inc.

P.O. Box 61000
New Orleans, Louisiana 70161
Attention: Treasurer

County: Jefferson County, Arkansas
Jefferson County Courthouse
101 East Barraque Street
Pine Bluff, Arkansas 71601
Attention: County Judge

Trustee: Simmons First National Bank
P.O. Box 7009
Pine Bluff, Arkansas 71611
Attention: Corporate Trust Department

Any of the foregoing may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.02. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 11.03. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.04. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that after payment in full of (i) the Bonds (or the provision for payment thereof having been made in accordance with the provisions of the Indenture), (ii) the Administration Expenses, and (iii) all other amounts required to be paid under this Agreement and the Indenture, any amounts remaining in the Bond Fund shall belong to and be paid by the Trustee to the Company.

Section 11.05. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to payment in full of the Bonds (or the provision for payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be effectively amended, changed, modified, altered or terminated nor any provision waived, without the written consent of the Trustee which shall not be unreasonably withheld.

Section 11.06. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of Arkansas.

Section 11.07. Authorized Company Representatives. An Authorized Company Representative shall act on behalf of the Company whenever the approval of the Company is required or the Company requests the County to take some action, and the County and the Trustee shall be authorized to act on any such approval or request and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

Section 11.08. Term of the Agreement. This Agreement shall be in full force and effect from the date hereof until the right, title and interest of the Trustee in and to the Trust Estate (as defined in the Indenture) shall have ceased, determined and become void in accordance with Article IX of the Indenture and until all payments required under this Agreement shall have been made.

Section 11.09. No Personal Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any official, officer, agent, or employee of the County in his individual capacity, and no such person shall be subject to any personal liability or accountability by reason of the issuance thereof.

Section 11.10. Parties in Interest. This Agreement shall inure to the benefit of and shall be binding upon the County, the Company and their respective successors and assigns, and no other person, firm or corporation shall have any right, remedy or claim under or by reason of this Agreement; provided, however, that any obligation of the County created by or arising out of this Agreement shall be payable solely out of the revenues derived from this Agreement or the sale of the Bonds or income earned on invested funds as provided in the Indenture and shall not constitute, and no breach of this Agreement by the County shall impose, a pecuniary liability upon the County or a charge upon the County's general credit or against its taxing powers.

IN WITNESS WHEREOF, the County and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

JEFFERSON COUNTY, ARKANSAS

ATTEST:

By /s/ Jack

Jones
/s/ Pamela Stone Ratliff County
Judge
County Clerk

(SEAL)

ENTERGY ARKANSAS, INC.

ATTEST:

/s/ Christopher Screen
Treasurer
Assistant Secretary

By /s/William J. Regan, Jr.
Vice President and

(SEAL)

EXHIBIT A

DESCRIPTION OF FACILITIES

I. Ash Disposal Facilities. These facilities are designed to remove and dispose of bottom ash and fly ash from each generating unit of the Plant, and include the following components:

- (a) Two dewatering bins per unit;
- (b) One conveyor blower per unit;
- (c) Two silo fluidizing blowers per unit;

- (d) One fly ash bin per unit;
- (e) Two rotary unloaders per unit; and
- (f) Two water ponds which function in conjunction with the dewatering bins.

II. Condenser Cooling Water Facilities. Separate condenser cooling water facilities are provided for each generating unit of the Plant and are designed to supply the cooling water required to remove the heat loads developed in the main condenser, as follows:

- (a) Two 50% capacity circulating water pumps per unit;
- (b) One hyperbolic, natural draft cooling tower per unit; and
- (c) Circulating water piping from the cooling tower of each unit to the turbine condensers of each unit, and return piping.

Excluded herefrom are the special intake structures, low pressure service water pumps, river intake pumps, clean water holding pond and special discharge structures, clean water intake canal, blowdown water pipe, and makeup water pipe with respect to each generating unit.

III. Sewage Treatment and Disposal System. This system consists of a package sewage treatment plant and necessary piping to process the sanitary sewage from the Plant.

IV. Electrostatic Precipitators. There are four electrostatic precipitators per unit, designed to remove particulate matter from flue gases prior to being released to the environment.

V. Coagulation and Sedimentation Ponds. There are two coagulation and sedimentation ponds to chemically treat contaminated water derived from the ash disposal area, the Plant site, and the coal handling area.

Exhibit 12(a)

Entergy Arkansas, Inc.
 Computation of Ratios of Earnings to Fixed Charges and
 Ratios of Earnings to Combined Fixed Charges and Preferred Dividends

	1992	1993	1994	1995	1996	1997
Fixed charges, as defined:						
Total Interest Charges	124,101	119,591	110,814	115,337	106,716	104,165
Interest applicable to rentals	17,657	16,860	19,140	18,158	19,121	17,529

Total fixed charges, as defined	141,758	136,451	129,954	133,495	125,837	121,694
Preferred dividends, as defined (a)	32,195	30,334	23,234	27,636	24,731	16,073

Combined fixed charges and preferred dividends, as defined	\$173,953	\$166,785	\$153,188	\$161,131	\$150,568	\$137,767
	=====					
Earnings as defined:						
Net Income	\$130,529	\$205,297	\$142,263	\$136,666	\$157,798	\$127,977
Add:						
Provision for income taxes:						
Total	50,590	82,337	29,220	72,081	84,445	59,220
Fixed charges as above	141,758	136,451	129,954	133,495	125,837	121,694

Total earnings, as defined	\$322,877	\$424,085	\$301,437	\$342,242	\$368,080	\$308,891
	=====					
Ratio of earnings to fixed charges, as defined	2.28	3.11	2.32	2.56	2.93	2.54
	=====					
Ratio of earnings to combined fixed charges and preferred dividends, as defined	1.86	2.54	1.97	2.12	2.44	2.24
	=====					

 (a) "Preferred dividends," as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one hundred percent (100%) minus the income tax rate.

Exhibit 12(b)

Entergy Gulf States, Inc.

Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Dividends

	1992	1993	1994	1995	1996	1997
Fixed charges, as defined:						
Total Interest charges	248,416	210,599	204,134	200,224	193,890	180,073
Interest applicable to rentals	23,759	23,455	21,539	16,648	14,887	15,747
	-----	-----	-----	-----	-----	-----
Total fixed charges, as defined	272,175	234,054	225,673	216,872	208,777	195,820
Preferred dividends, as defined (a)	69,617	65,299	52,210	44,651	48,690	30,028
	-----	-----	-----	-----	-----	-----
Combined fixed charges and preferred dividends, as defined	\$341,792	\$299,353	\$277,883	\$261,523	\$257,467	\$225,848
	=====	=====	=====	=====	=====	=====
Earnings as defined:						
Income (loss) from continuing operations before extraordinary items and the cumulative effect of accounting changes	\$139,413	\$69,462	(\$82,755)	\$122,919	(\$3,887)	59,976
Add:						
Income Taxes	55,860	58,016	(62,086)	63,244	102,091	22,402
Fixed charges as above	272,175	234,054	225,673	216,872	208,777	195,820
	-----	-----	-----	-----	-----	-----
Total earnings, as defined (b)	\$467,448	\$361,532	\$80,832	\$403,035	\$306,981	\$278,198
	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges, as defined	1.72	1.54	0.36	1.86	1.47	1.42
	=====	=====	=====	=====	=====	=====
Ratio of earnings to combined fixed charges and preferred dividends, as defined	1.37	1.21	0.29	1.54	1.19	1.23
	=====	=====	=====	=====	=====	=====

(a) "Preferred dividends," as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one hundred percent (100%) minus the income tax rate.

(b) Earnings for the year ended December 31, 1994, for GSU were not adequate to cover fixed charges combined fixed charges and preferred dividends by \$144.8 million and \$197.1 million, respectively.

Exhibit 12(c)

Entergy Louisiana, Inc.

Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Dividends

	1992	1993	1994	1995	1996	1997
Fixed charges, as defined:						
Total Interest	141,513	136,957	136,444	136,901	132,412	128,900
Interest applicable to rentals	9,363	8,519	8,332	9,332	10,601	9,203
Total fixed charges, as defined	150,876	145,476	144,776	146,233	143,013	138,103
Preferred dividends, as defined (a)	42,026	40,779	29,171	32,847	28,234	22,103
Combined fixed charges and preferred dividends, as defined	\$192,902	\$186,255	\$173,947	\$179,080	\$171,247	\$160,206
Earnings as defined:						
Net Income	\$182,989	\$188,808	\$213,839	\$201,537	\$190,762	\$141,757
Add:						
Provision for income taxes:						
Total Taxes	87,037	110,813	63,288	117,114	118,559	98,965
Fixed charges as above	150,876	145,476	144,776	146,233	143,013	138,103
Total earnings, as defined	\$420,902	\$445,097	\$421,903	\$464,884	\$452,334	\$378,825
Ratio of earnings to fixed charges, as defined	2.79	3.06	2.91	3.18	3.16	2.74
Ratio of earnings to combined fixed charges and preferred dividends, as defined	2.18	2.39	2.43	2.60	2.64	2.36

(a) "Preferred dividends," as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one hundred percent (100%) minus the income tax rate.

Exhibit 12(d)

Entergy Mississippi, Inc.

Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Dividends

	1992	1993	1994	1995	1996	1997
Fixed charges, as defined:						
Total Interest	64,066	55,359	52,764	51,635	48,007	45,274
Interest applicable to rentals	521	1,264	1,716	2,173	2,165	1,947
	-----	-----	-----	-----	-----	-----
Total fixed charges, as defined	64,587	56,623	54,480	53,808	50,172	47,221
Preferred dividends, as defined (a)	12,823	12,990	9,447	9,004	7,610	5,123
	-----	-----	-----	-----	-----	-----
Combined fixed charges and preferred dividends, as defined	\$77,410	\$69,613	\$63,927	\$62,812	\$57,782	\$52,344
	=====	=====	=====	=====	=====	=====
Earnings as defined:						
Net Income	\$65,036	\$101,743	\$48,779	\$68,667	\$79,210	66,661
Add:						
Provision for income taxes:						
Total income taxes	23,147	55,993	12,476	34,877	41,107	26,744
Fixed charges as above	64,587	56,623	54,480	53,808	50,172	47,221
	-----	-----	-----	-----	-----	-----
Total earnings, as defined	\$152,770	\$214,359	\$115,735	\$157,352	\$170,489	\$140,626
	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges, as defined	2.37	3.79	2.12	2.92	3.40	2.98
	=====	=====	=====	=====	=====	=====
Ratio of earnings to combined fixed charges and preferred dividends, as defined	1.97	3.08	1.81	2.51	2.95	2.69
	=====	=====	=====	=====	=====	=====

(a) "Preferred dividends," as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one hundred percent (100%) minus the income tax rate.

Exhibit 12(e)

Entergy New Orleans, Inc.

Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Dividends

	1992	1993	1994	1995	1996	1997
Fixed charges, as defined:						
Total Interest	25,224	21,092	18,272	17,802	16,304	15,287
Interest applicable to rentals	444	544	1,245	916	831	911
Total fixed charges, as defined	25,668	21,636	19,517	18,718	17,135	16,198
Preferred dividends, as defined (a)	3,214	2,952	2,071	1,964	1,549	1,723
Combined fixed charges and preferred dividends, as defined	\$28,882	\$24,588	\$21,588	\$20,682	\$18,684	\$17,921
Earnings as defined:						
Net Income	\$26,424	\$47,709	\$13,211	\$34,386	\$26,776	\$15,451
Add:						
Provision for income taxes:						
Total	16,065	31,938	4,600	20,467	16,216	12,142
Fixed charges as above	25,668	21,636	19,517	18,718	17,135	16,198
Total earnings, as defined	\$68,157	\$101,283	\$37,328	\$73,571	\$60,127	\$43,791
Ratio of earnings to fixed charges, as defined	2.66	4.68	1.91	3.93	3.51	2.70
Ratio of earnings to combined fixed charges and preferred dividends, as defined	2.36	4.12	1.73	3.56	3.22	2.44

(a) "Preferred dividends," as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one hundred percent (100%) minus the income tax rate.

(b) Earnings for the twelve months ended December 31, 1991 include the \$90 million effect of the 1991 NOPSI Settlement.

Exhibit 12(f)**System Energy Resources, Inc.****Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Fixed Charges**

	1992	1993	1994	1995	1996	1997
Fixed charges, as defined:						
Total Interest	204,541	190,938	176,504	151,512	143,720	128,653
Interest applicable to rentals	6,265	6,790	7,546	6,475	6,223	6,065
Total fixed charges, as defined	\$210,806	\$197,728	\$184,050	\$157,987	\$149,943	\$134,718
Earnings as defined:						
Net Income	\$130,141	\$93,927	\$5,407	\$93,039	\$98,668	\$102,295
Add:						
Provision for income taxes:						
Total	88,853	78,552	36,838	75,493	82,121	74,654
Fixed charges as above	210,806	197,728	184,050	157,987	149,943	134,718
Total earnings, as defined	\$429,800	\$370,207	\$226,295	\$326,519	\$330,732	\$311,667
Ratio of earnings to fixed charges, as defined	2.04	1.87	1.23	2.07	2.21	2.31

Exhibit 12(g)

Entergy London Investments

Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Fixed Charges

	1997
Fixed charges, as defined:	
Total Interest	178,647
Interest applicable to rentals	3,766

Total fixed charges, as defined	\$182,413
	=====
Earnings as defined:	
Net Income	
(\$148,856)	
Add:	
Provision for income taxes:	
Total	
(55,536)	
Fixed charges as above	182,413

Total earnings, as defined	
(\$21,979)	
	=====
Ratio of earnings to fixed charges, as defined	-0.12
	=====

Exhibit 21

The eight registrants, Entergy Corporation, System Energy Resources, Inc., Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy London Investments plc, Entergy Louisiana, Inc., Entergy Mississippi, Inc., and Entergy New Orleans, Inc., and their active subsidiaries, are listed below:

State or Other
Jurisdiction of
Incorporation

Entergy Corporation	Delaware
System Energy Resources, Inc. (a)	Arkansas
Entergy Arkansas, Inc. (a)	Arkansas
Entergy Arkansas Capital I (b)	Delaware
The Arkklahoma Corporation (b)	Arkansas
Entergy Gulf States, Inc. (a)	Texas
Entergy Gulf States Capital I (c)	Delaware
Varibus Corporation (c)	Texas
GSG&T, Inc. (c)	Texas
Southern Gulf Railway Company (c)	Texas
Prudential Oil & Gas, Inc. (c)	Texas
Entergy Louisiana, Inc. (a)	Louisiana
Entergy Louisiana Capital I (d)	Delaware
Entergy Mississippi, Inc. (a)	Mississippi
Entergy New Orleans, Inc. (a)	Louisiana
System Fuels, Inc. (e)	Louisiana
Entergy Services, Inc. (a)	Delaware
Entergy Power, Inc. (a)	Delaware
Entergy Operations, Inc. (a)	Delaware
Entergy Enterprises, Inc. (a)	Louisiana
Entergy S.A. (a)	Argentina
Entergy Power Development Corporation (a)	Delaware
Entergy Integrated Solutions, Inc.	Delaware
Entergy Pakistan, Ltd.	Delaware
Entergy Power Asia, Ltd.	Cayman
Islands	
Entergy International Holdings Ltd. LLC (a)	Delaware
Entergy International Ltd. LLC	Delaware
Entergy Global Power Operations Corporation (a)	Delaware
Entergy Power Operations U.S., Inc.	Delaware
Entergy Power Operations Corporation	Delaware
EP Edegel, Inc.	Delaware
Entergy Power CBA Holding Ltd.	Bermuda
EPG Cayman Holding I	Cayman
Islands	
EPG Cayman Holding II	Cayman
Islands	
Entergy Victoria LDC	Cayman
Islands	
Entergy Victoria Holding, LDC	Cayman
Islands	
CitiPower Trust	Australia
CitiPower Ltd.	Australia
Entergy Power Edesur Holding Ltd. (a)	Bermuda
Entergy Power Marketing Corp. (a)	Delaware
Entergy Power Holding II, Ltd.	Cayman
Islands	
Entergy Power Operations Holdings Ltd.	Cayman
Islands	
Entergy Power Operations Pakistan LDC	Cayman
Islands	
Entergy Nuclear, Inc.	Delaware
Entergy Power Cayman Investments, Ltd.	Cayman
Islands	
Entergy Power Peru S.A.	Peru
Entergy do Brasil LTDA	Brazil
Entergy Technology Holding Company (a)	Delaware
Entergy Power International Holdings Corporation (a)	Delaware
Entergy Power Generation Corporation (a)	Delaware
Entergy Power Saltend, Ltd.	Cayman
Islands	
Entergy Power Chile, Inc.	Delaware
Entergy London Limited	England
Entergy London Limited	England
London Electricity plc	England

(a) Entergy Corporation owns all of the Common Stock of System Energy Resources, Inc., Entergy Arkansas Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Services, Inc., Entergy Power, Inc., Entergy Operations, Inc., Entergy Enterprises, Inc., Entergy S.A., Entergy Power Development Corporation, Entergy International Holdings Ltd. LLC, Entergy Power Edesur Holding Ltd., Entergy Power Marketing Corp., Entergy Power International Holdings Corporation, Entergy Power Generation Corporation, Entergy Global Power Operations Corporation and Entergy Technology Holding Company.

(b) Entergy Arkansas, Inc. 100 % of the common stock of Entergy Arkansas Capital I and 34% of the Common Stock of The Arkklahoma Corporation.

(c) Entergy Gulf States, Inc. owns all of the Common Stock of Entergy Gulf States Capital I, Varibus Corporation, GSG&T, Inc., Southern Gulf Railway Company, and Prudential Oil & Gas, Inc.

(d) Entergy Louisiana, Inc. owns all of the common stock of Entergy Louisiana Capital I.

(e) The capital stock of System Fuels, Inc. is owned in proportions of 35%, 33%, 19% and 13% by Entergy Arkansas, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., and Entergy New Orleans, Inc., respectively.

Exhibit 24

DATE: March 2, 1998

TO: Louis E. Buck, Jr.
Laurence M. Hamric

FROM: Edwin Lupberger, et. al.

SUBJECT: Power of Attorney; 1997 Form 10-K

Entergy Corporation, referred to herein as the Company, will file with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 1997 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The Company and the undersigned, in their respective capacities as directors and/or officers of said Company as specified in Attachment I, do each hereby make, constitute and appoint Louis E. Buck, Jr. and Laurence M. Hamric, and each of them, their true and lawful Attorneys (with full power of substitution) for each of the undersigned and in his or her name, place and stead to sign and cause to be filed with the Securities and Exchange Commission the aforementioned Annual Report on Form 10-K and any amendments thereto.

Yours very truly,

Entergy Corporation

*By: /s/ Edwin Lupberger
Edwin Lupberger
Chairman of the Board,
President
Chief Executive Officer and
Principal Financial Officer*

*/s/ W. Frank Blount
Jr.
W. Frank Blount*

*/s/ John A. Cooper,
John A. Cooper, Jr.*

*/s/ Lucie J. Fjeldstad
Lucie J. Fjeldstad*

*/s/ Norman C. Francis
Norman C. Francis*

*/s/ Robert v.d. Luft
Robert v.d. Luft*

*/s/ Edwin Lupberger
Edwin Lupberger*

*/s/ Kinnaird R. McKee
Kinnaird R. McKee*

*/s/ Paul W. Murrill
Paul W. Murrill*

*/s/ James R. Nichols
James R. Nichols*

*/s/ Eugene H. Owen
Eugene H. Owen*

*/s/ John N. Palmer, Sr.
John N. Palmer, Sr.*

*/s/ Robert D. Pugh
Robert D. Pugh*

*/s/ Bismark A. Steinhagen
Bismark A. Steinhagen*

*/s/ Wm. Clifford Smith
Wm. Clifford Smith*

Entergy Corporation

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors - W. Frank Blount, John A. Cooper, Jr., Lucie J. Fjeldstad, Norman C. Francis, Robert v.d. Luft, Kinnaird R. McKee, Edwin Lupberger, Paul W. Murrill, James R. Nichols, Eugene H. Owen, John N. Palmer, Sr., Robert D. Pugh, Wm. Clifford Smith, Bismark A. Steinhagen.

DATE: March 2, 1998
TO: Louis E. Buck, Jr.
Laurence M. Hamric
FROM: Edwin Lupberger, et.
al.

SUBJECT: Power of Attorney; 1997 Form 10-K

Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., System Energy Resources, Inc., and Entergy London Investments plc (collectively referred to herein as the Companies) will file with the Securities and Exchange Commission their respective Annual Reports on Form 10-K for the year ended December 31, 1997 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The Companies and the undersigned, in their respective capacities as directors and/or officers of said Companies as specified in Attachment I, do each hereby make, constitute and appoint Louis E. Buck and Laurence M. Hamric, and each of them, their true and lawful Attorneys (with full power of substitution) for each of the undersigned and in his or her name, place and stead to sign and cause to be filed with the Securities and Exchange Commission the aforementioned Annual Report on Form 10-K and any amendments thereto.

Yours very truly,

Entergy Arkansas, Inc.
Entergy Gulf States, Inc.
Entergy Louisiana, Inc.
Entergy Mississippi, Inc.
Entergy New Orleans, Inc.
System Energy Resources, Inc.
Entergy London Investments plc

By: /s/ Edwin Lupberger
Edwin Lupberger
Chairman of the Board
Chief Executive Officer
and
Principal Financial
Officer

*/s/ Michael B. Bemis
Michael B. Bemis*

*/s/ John J. Cordaro
Johnson
John J. Cordaro*

*/s/ Frank F. Gallaher
Frank F. Gallaher*

*/s/ Jerry D. Jackson
Jerry D. Jackson*

*/s/ Edwin Lupberger
Maulden
Edwin Lupberger*

*/s/ Donald E. Meiners
Packer
Donald E. Meiners*

*/s/ Karen R.
Karen R. Johnson*

*/s/ Donald C. Hintz
Donald C. Hintz*

*/s/ R. Drake Keith
R. Drake Keith*

*/s/ Jerry L.
Jerry L. Maulden*

*/s/ Daniel F.
Daniel F. Packer*

Entergy Arkansas, Inc.

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors -Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, R. Drake Keith, Edwin Lupberger, Jerry L. Maulden.

Entergy Gulf States, Inc.

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors - John J. Cordaro, Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, Karen R. Johnson, Edwin Lupberger, Jerry L. Maulden.

Entergy Louisiana, Inc.

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors - Frank F. Gallaher, John J. Cordaro, Donald C. Hintz, Jerry D. Jackson, Edwin Lupberger, Jerry L. Maulden.

Entergy Mississippi, Inc.

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors -Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, Edwin Lupberger, Jerry L. Maulden, Donald E. Meiners.

Entergy New Orleans, Inc.

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors - Jerry D. Jackson, Edwin Lupberger, Jerry L. Maulden, Daniel F. Packer.

System Energy Resources, Inc.

President, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer) - Donald C. Hintz

Chairman of the Board and Principal Financial Officer (principal financial officer) - Edwin Lupberger

Directors - Donald C. Hintz, Edwin Lupberger, Jerry L. Maulden.

Entergy London Investments plc

Chairman of the Board, Chief Executive Officer, Principal Financial Officer and Director (principal executive officer and principal financial officer) - Edwin Lupberger

Directors - Michael B. Bemis, Edwin Lupberger

ARTICLE UT

This schedule contains summary financial information extracted from Entergy Corporation's financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 0000065984

NAME: ENTERGY CORPORATION AND SUBSIDIARIES

SUBSIDIARY:

NUMBER: 023

NAME: ENTERGY CORPORATION AND SUBSIDIARIES

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	18,132,828
OTHER PROPERTY AND INVEST	1,383,819
TOTAL CURRENT ASSETS	3,171,322
TOTAL DEFERRED CHARGES	4,312,731
OTHER ASSETS	0
TOTAL ASSETS	27,000,700
COMMON	2,461
CAPITAL SURPLUS PAID IN	4,613,572
RETAINED EARNINGS	2,157,912
TOTAL COMMON STOCKHOLDERS EQ	6,714,740
PREFERRED MANDATORY	400,005
PREFERRED	788,445
LONG TERM DEBT NET	9,068,325
SHORT TERM NOTES	428,964
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	390,674
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	236,000
LEASES CURRENT	167,700
OTHER ITEMS CAPITAL AND LIAB	8,746,642
TOT CAPITALIZATION AND LIAB	27,000,700
GROSS OPERATING REVENUE	9,561,721
INCOME TAX EXPENSE	471,341
OTHER OPERATING EXPENSES	7,704,563
TOTAL OPERATING EXPENSES	7,704,563
OPERATING INCOME LOSS	1,857,158
OTHER INCOME NET	(222,646)
INCOME BEFORE INTEREST EXPEN	1,634,512
TOTAL INTEREST EXPENSE	862,272
NET INCOME	300,899
PREFERRED STOCK DIVIDENDS	53,216
EARNINGS AVAILABLEFOR COMM	247,683
COMMON STOCK DIVIDENDS	438,183
TOTAL INTEREST ON BONDS	858,871
CASH FLOW OPERATIONS	1,724,632
EPS PRIMARY	\$1.03
EPS DILUTED	\$1.03

ARTICLE UT

This schedule contains summary financial information extracted from Entergy Arkansas' financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 000007323

NAME: ENTERGY ARKANSAS, INC.

SUBSIDIARY:

NUMBER: 001

NAME: ENTERGY ARKANSAS, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	2,802,790
OTHER PROPERTY AND INVEST	266,725
TOTAL CURRENT ASSETS	637,457
TOTAL DEFERRED CHARGES	399,905
OTHER ASSETS	0
TOTAL ASSETS	4,106,877
COMMON	470
CAPITAL SURPLUS PAID IN	590,134
RETAINED EARNINGS	479,705
TOTAL COMMON STOCKHOLDERS EQ	1,070,309
PREFERRED MANDATORY	91,027
PREFERRED	116,350
LONG TERM DEBT NET	1,244,860
SHORT TERM NOTES	667
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	60,650
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	83,841
LEASES CURRENT	62,623
OTHER ITEMS CAPITAL AND LIAB	1,376,550
TOT CAPITALIZATION AND LIAB	4,106,877
GROSS OPERATING REVENUE	1,715,714
INCOME TAX EXPENSE	59,220
OTHER OPERATING EXPENSES	1,448,839
TOTAL OPERATING EXPENSES	1,448,839
OPERATING INCOME LOSS	266,875
OTHER INCOME NET	22,226
INCOME BEFORE INTEREST EXPEN	289,101
TOTAL INTEREST EXPENSE	101,904
NET INCOME	127,977
PREFERRED STOCK DIVIDENDS	10,988
EARNINGS AVAILABLEFOR COMM	116,989
COMMON STOCK DIVIDENDS	128,600
TOTAL INTEREST ON BONDS	101,839
CASH FLOW OPERATIONS	433,740
EPS PRIMARY	0
EPS DILUTED	0

ARTICLE UT

This schedule contains summary financial information extracted from Entergy Gulf States' financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 0000044570

NAME: ENTERGY GULF STATES, INC.

SUBSIDIARY:

NUMBER: 006

NAME: ENTERGY GULF STATES, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	4,538,186
OTHER PROPERTY AND INVEST	364,415
TOTAL CURRENT ASSETS	735,208
TOTAL DEFERRED CHARGES	850,828
OTHER ASSETS	0
TOTAL ASSETS	6,488,637
COMMON	114,055
CAPITAL SURPLUS PAID IN	1,152,575
RETAINED EARNINGS	284,165
TOTAL COMMON STOCKHOLDERS EQ	1,550,795
PREFERRED MANDATORY	153,978
PREFERRED	201,444
LONG TERM DEBT NET	1,702,719
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	190,890
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	92,055
LEASES CURRENT	30,280
OTHER ITEMS CAPITAL AND LIAB	2,566,476
TOT CAPITALIZATION AND LIAB	6,488,637
GROSS OPERATING REVENUE	2,147,829
INCOME TAX EXPENSE	22,402
OTHER OPERATING EXPENSES	1,617,283
TOTAL OPERATING EXPENSES	1,617,283
OPERATING INCOME LOSS	530,546
OTHER INCOME NET	(269,924)
INCOME BEFORE INTEREST EXPEN	260,622
TOTAL INTEREST EXPENSE	178,244
NET INCOME	59,976
PREFERRED STOCK DIVIDENDS	23,865
EARNINGS AVAILABLEFOR COMM	36,111
COMMON STOCK DIVIDENDS	77,200
TOTAL INTEREST ON BONDS	167,642
CASH FLOW OPERATIONS	466,324
EPS PRIMARY	0
EPS DILUTED	0

ARTICLE UT

This schedule contains summary financial information extracted from Entergy Louisiana's financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 0000060527

NAME: ENTERGY LOUISIANA, INC.

SUBSIDIARY:

NUMBER: 012

NAME: ENTERGY LOUISIANA, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	3,382,254
OTHER PROPERTY AND INVEST	101,859
TOTAL CURRENT ASSETS	335,478
TOTAL DEFERRED CHARGES	355,809
OTHER ASSETS	0
TOTAL ASSETS	4,175,400
COMMON	1,088,900
CAPITAL SURPLUS PAID IN	(2,321)
RETAINED EARNINGS	46,766
TOTAL COMMON STOCKHOLDERS EQ	1,133,345
PREFERRED MANDATORY	155,000
PREFERRED	100,500
LONG TERM DEBT NET	1,338,464
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	35,300
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	28,579
LEASES CURRENT	29,232
OTHER ITEMS CAPITAL AND LIAB	1,354,980
TOT CAPITALIZATION AND LIAB	4,175,400
GROSS OPERATING REVENUE	1,803,272
INCOME TAX EXPENSE	98,965
OTHER OPERATING EXPENSES	1,435,692
TOTAL OPERATING EXPENSES	1,435,692
OPERATING INCOME LOSS	367,580
OTHER INCOME NET	632
INCOME BEFORE INTEREST EXPEN	368,212
TOTAL INTEREST EXPENSE	127,490
NET INCOME	141,757
PREFERRED STOCK DIVIDENDS	13,355
EARNINGS AVAILABLEFOR COMM	128,402
COMMON STOCK DIVIDENDS	145,400
TOTAL INTEREST ON BONDS	132,199
CASH FLOW OPERATIONS	341,126
EPS PRIMARY	0
EPS DILUTED	0

ARTICLE UT

This schedule contains summary financial information extracted from Entergy Mississippi's financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 0000066901

NAME: ENTERGY MISSISSIPPI, INC.

SUBSIDIARY:

NUMBER: 016

NAME: ENTERGY MISSISSIPPI, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	1,053,532
OTHER PROPERTY AND INVEST	13,288
TOTAL CURRENT ASSETS	270,301
TOTAL DEFERRED CHARGES	102,440
OTHER ASSETS	0
TOTAL ASSETS	1,439,561
COMMON	199,326
CAPITAL SURPLUS PAID IN	(59)
RETAINED EARNINGS	229,181
TOTAL COMMON STOCKHOLDERS EQ	428,448
PREFERRED MANDATORY	0
PREFERRED	50,381
LONG TERM DEBT NET	464,156
SHORT TERM NOTES	47,162
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	20
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	449,394
TOT CAPITALIZATION AND LIAB	1,439,561
GROSS OPERATING REVENUE	937,395
INCOME TAX EXPENSE	26,744
OTHER OPERATING EXPENSES	800,647
TOTAL OPERATING EXPENSES	800,647
OPERATING INCOME LOSS	136,748
OTHER INCOME NET	1,462
INCOME BEFORE INTEREST EXPEN	138,210
TOTAL INTEREST EXPENSE	44,805
NET INCOME	66,661
PREFERRED STOCK DIVIDENDS	4,044
EARNINGS AVAILABLEFOR COMM	62,617
COMMON STOCK DIVIDENDS	59,200
TOTAL INTEREST ON BONDS	50,194
CASH FLOW OPERATIONS	159,086
EPS PRIMARY	0
EPS DILUTED	0

ARTICLE UT

This schedule contains summary financial information extracted from Entergy New Orleans' financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 000071508

NAME: ENTERGY NEW ORLEANS, INC.

SUBSIDIARY:

NUMBER: 017

NAME: ENTERGY NEW ORLEANS, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	293,976
OTHER PROPERTY AND INVEST	3,259
TOTAL CURRENT ASSETS	119,804
TOTAL DEFERRED CHARGES	81,111
OTHER ASSETS	0
TOTAL ASSETS	498,150
COMMON	33,744
CAPITAL SURPLUS PAID IN	36,294
RETAINED EARNINGS	61,558
TOTAL COMMON STOCKHOLDERS EQ	131,596
PREFERRED MANDATORY	0
PREFERRED	19,780
LONG TERM DEBT NET	168,953
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	0
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	177,821
TOT CAPITALIZATION AND LIAB	498,150
GROSS OPERATING REVENUE	504,822
INCOME TAX EXPENSE	12,142
OTHER OPERATING EXPENSES	462,531
TOTAL OPERATING EXPENSES	462,531
OPERATING INCOME LOSS	42,291
OTHER INCOME NET	303
INCOME BEFORE INTEREST EXPEN	42,594
TOTAL INTEREST EXPENSE	15,001
NET INCOME	15,451
PREFERRED STOCK DIVIDENDS	965
EARNINGS AVAILABLEFOR COMM	14,486
COMMON STOCK DIVIDENDS	26,000
TOTAL INTEREST ON BONDS	14,951
CASH FLOW OPERATIONS	48,588
EPS PRIMARY	0
EPS DILUTED	0

ARTICLE UT

This schedule contains summary financial information extracted from System Energy's financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 0000202584

NAME: SYSTEM ENERGY RESOURCES, INC.

SUBSIDIARY:

NUMBER: 018

NAME: SYSTEM ENERGY RESOURCES, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	2,480,174
OTHER PROPERTY AND INVEST	85,912
TOTAL CURRENT ASSETS	365,029
TOTAL DEFERRED CHARGES	500,916
OTHER ASSETS	0
TOTAL ASSETS	3,432,031
COMMON	789,350
CAPITAL SURPLUS PAID IN	0
RETAINED EARNINGS	60,583
TOTAL COMMON STOCKHOLDERS EQ	849,933
PREFERRED MANDATORY	0
PREFERRED	0
LONG TERM DEBT NET	1,341,948
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	70,000
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	22,213
LEASES CURRENT	41,977
OTHER ITEMS CAPITAL AND LIAB	1,105,960
TOT CAPITALIZATION AND LIAB	3,432,031
GROSS OPERATING REVENUE	633,698
INCOME TAX EXPENSE	74,654
OTHER OPERATING EXPENSES	340,505
TOTAL OPERATING EXPENSES	340,505
OPERATING INCOME LOSS	293,193
OTHER INCOME NET	10,726
INCOME BEFORE INTEREST EXPEN	303,919
TOTAL INTEREST EXPENSE	126,970
NET INCOME	102,295
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLEFOR COMM	102,295
COMMON STOCK DIVIDENDS	113,800
TOTAL INTEREST ON BONDS	103,684
CASH FLOW OPERATIONS	278,146
EPS PRIMARY	0
EPS DILUTED	0

ARTICLE UT

This schedule contains summary financial information extracted from Entergy London's financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

CIK: 0001042730

NAME: ENTERGY LONDON INVESTMENTS PLC

SUBSIDIARY:

NUMBER: 036

NAME: ENTERGY LONDON INVESTMENTS PLC

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	2,274,834
OTHER PROPERTY AND INVEST	1,607,192
TOTAL CURRENT ASSETS	521,599
TOTAL DEFERRED CHARGES	0
OTHER ASSETS	0
TOTAL ASSETS	4,403,625
COMMON	114,000
CAPITAL SURPLUS PAID IN	391,981
RETAINED EARNINGS	(132,390)
TOTAL COMMON STOCKHOLDERS EQ	365,832
PREFERRED MANDATORY	300,000
PREFERRED	0
LONG TERM DEBT NET	1,706,096
SHORT TERM NOTES	240,794
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	33,814
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	1,757,089
TOT CAPITALIZATION AND LIAB	4,403,625
GROSS OPERATING REVENUE	1,847,042
INCOME TAX EXPENSE	177,023
OTHER OPERATING EXPENSES	1,660,232
TOTAL OPERATING EXPENSES	1,660,232
OPERATING INCOME LOSS	186,810
OTHER INCOME NET	21,525
INCOME BEFORE INTEREST EXPEN	208,335
TOTAL INTEREST EXPENSE	178,647
NET INCOME	(147,335)
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLEFOR COMM	(147,335)
COMMON STOCK DIVIDENDS	0
TOTAL INTEREST ON BONDS	139,578
CASH FLOW OPERATIONS	51,257
EPS PRIMARY	0
EPS DILUTED	0

End of Filing