Entergy

ENTERGY 2006 ANNUAL REPORT

ENTERGY CORPORATION AND SUBSIDIARIES 2006

Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity and it is the second-largest nuclear generator in the United States. Entergy delivers electricity to 2.6 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than $10 billion and approximately 14,000 employees.

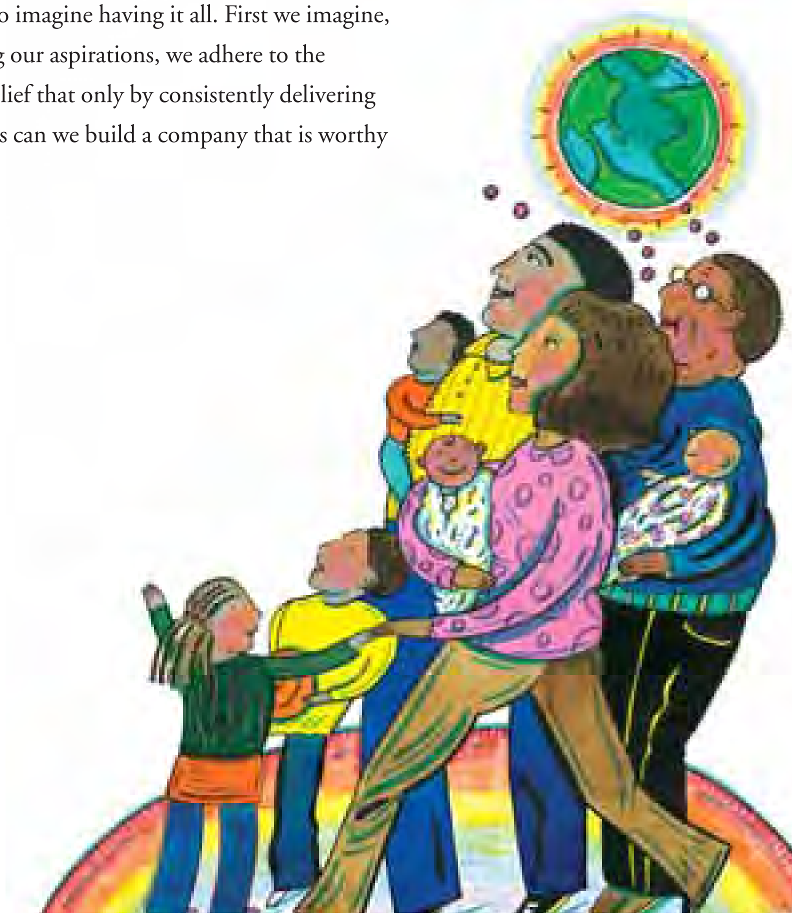
HIGHLIGHTS	2006	Change	2005	Change	2004
FINANCIAL RESULTS					
(in millions, except percentages and per share amounts)					
Operating revenues	$10,932	8.2%	$10,106	4.3%	$9,685
Consolidated net income	$ 1,133	26.2%	$ 898	(1.3%)	$ 910
Earnings per share					
Basic	$ 5.46	27.9%	$ 4.27	6.5%	$ 4.01
Diluted	$ 5.36	27.9%	$ 4.19	6.6%	$ 3.93
Average shares outstanding (in millions)					
Basic	207.5	(1.2%)	210.1	(7.4%)	226.9
Diluted	211.5	(1.4%)	214.4	(7.3%)	231.2
Return on average common equity	14.2%	26.8%	11.2%	4.7%	10.7%
Net cash flow provided by operating activities	$ 3,419	132.9%	$ 1,468	(49.9%)	$2,929
UTILITY ELECTRIC OPERATING DATA					
Retail kilowatt-hour sales (in millions)	96,663	1.6%	95,153	(6.9%)	102,225
Peak demand (in megawatts)	20,887	(2.4%)	21,391	1.0%	21,174
Retail customers – year end (in thousands)	2,595	(1.3%)	2,629	(1.2%)	2,662
TOTAL EMPLOYEES – YEAR END	13,814	(2.3%)	14,136	(2.0%)	14,425

CONTENTS

Immediately preceding the Financial Review in this year's annual report, we present a special section on global climate change. In this centerpiece, we offer for your consideration our point of view on this urgent issue as well as the views of six independent, well-respected experts from academia, environmental non-governmental organizations and the media.

Top-quartile shareholder returns. Unlimited energy. Affordable power. Clean air and water. Safety and security. A healthy, educated and productive society where no one suffers in poverty. Imagine achieving not just one or two of these ideals; imagine having it all.

At Entergy, we believe it is our responsibility to imagine having it all. First we imagine, and then we aspire and seek to achieve. In setting our aspirations, we adhere to the principles of sustainable growth. It is our firm belief that only by consistently delivering superior financial, operational and societal results can we build a company that is worthy of your investment and trust.



To Our Stakeholders:

The theme of this year's annual report is "having it all." Obviously, that phrase means different things to different people. To many of our customers it's the dream of home ownership, stable employment, adequate healthcare and seeing their children head off to college for the first time in their family's history. Unfortunately, to a great many, it seems little more than a dream.

For some "having it all" means the freedom to use the air and water or other natural resources as if they're free for the taking or the sole property of this generation. To others, it may mean simply accumulating more of anything than you can possibly use.

When I joined Entergy over eight years ago we were on the brink. Having strained our financial resources in order to seek "growth," we were rapidly losing touch with what really mattered, moving away from what we really did well. Every decision seemed to come down to either/or, and in hindsight many of the choices seemed all wrong.

We vowed to dig out of that hole and never make the same mistakes again – in particular, as my mother would say, "having eyes bigger than your stomach." Through a lot of good fortune and the incredible efforts of 14,000 players, those dark times are a distant memory. But the temptation to get away from what got us here always exists. Particularly when the market is always looking for the next big thing.

Compared to many others, our stated strategy sounds just too complicated or too fluid. It doesn't fit on a bumper sticker. How do you describe a point-of-view driven strategy when that point of view constantly changes as the "herd" moves in unison from one idea to the next? How do you articulate your point of view when doing so only attracts more of the herd back to your side of the pasture?

How do you articulate the value of sustainable growth or being a business with a conscience without sounding like you've forgotten investors bought the stock for one reason – to make money? How do you articulate what 34 years in the business have taught you about the importance of having dedicated employees who know that the values of the company align with their own? Or the boost it gives employee spirit in knowing we have no hesitation in telling investors or customers that the safety of our employees always comes before anything else; something we prove in our actions every day?

You can count diversity in the organization in any number of ways. But how do you compute the real value of cultural, socio-economic or ethnic diversity when it comes to making the everyday decisions that affect one of the most diverse customer bases in the country? What is the increased value of serving communities that know the company is making a difference in the lives of the people who can least afford our product; not because we have to but because it's simply the right thing to do? What is the value to the bottom line of adhering to the principles of sustainable growth whether the times are good or not? Whether it's expedient or not? Whether it affects this generation or the next?

How do you explain to investors the seeming paradox that "having it all" means giving back and taking no more than absolutely essential from other stakeholders as you go?

The fact is, I've never felt overly compelled to woo those looking to get rich overnight. Maybe because I've never figured how to do that. The principles of sustainable growth have worked for Entergy even though I couldn't predict how or how much eight years ago when I was given the opportunity to become CEO, nor can I even explain today how it contributed to the achievement of the highest total shareholder return in the industry over these eight years. Entergy's average annual TSR was almost three times the industry average. And we started with no financial headroom or margin for error and have had our share of adversity along the way, like the unprecedented 120,000 square miles of damage from hurricanes Katrina and Rita in 2005.

Today, we continue to assert that the principles of sustainable growth are the only way to run the business. We continue to set aspirations to not only be a leader in financial, operational and societal performance, but to separate Entergy from the rest. We have demonstrated it is possible to deliver consistently superior shareholder returns (multiples of the industry average), create a safe and inclusive workplace, preserve our environment and contribute to a productive society. Using our dynamic point-of-view driven business model, our aspirations will be tomorrow's benchmark for what "having it all" means in business.

- As the rebuilding process began, we worked to educate and influence communities to adopt environmentally smart building standards in order to lower future utility bills for our customers and reduce environmental emissions.
- We redoubled our efforts in support of wetland restoration to reduce flooding risks from future storms in New Orleans and other communities along the Gulf Coast.
- We successfully advocated for securitization legislation to preserve affordable rates for our customers and worked to establish storm reserves to lower future risks for both our customers and our owners.
- We continued to issue Requests for Proposals for long-term and limited/intermediate-term resources under our utility Resource Supply Plan in order to drive down prices for our customers and to maintain superior reliability.
- We reached an agreement to purchase the 798-megawatt Palisades Nuclear Plant, continuing the impressive profitable growth in our nuclear business.
- We operated our nuclear plants more reliably than ever, setting new records for total output at both our regulated and Northeast plants.

> **"The principles of sustainable growth have worked for Entergy ... contributed to the achievement of the highest total shareholder return in the industry over these eight years."**

Sustainability in Good Times and Bad

The 2005 hurricanes put everything we believe and have practiced to the test. 2006 could easily have been consumed with the near-term recovery of storm-related costs but we maintained our long-term commitment to the principles of sustainability. For example, even as we pushed diligently for storm restoration cost recovery at local, state and federal levels in 2006:

- We continued to set new standards in emergency restoration not only in our own service area, but in assisting others. We were honored to receive Edison Electric Institute's Emergency Assistance Award. Entergy has received either EEI's Emergency Assistance Award or Emergency Response Award for nine consecutive years.

- We made our second five-year commitment to voluntarily stabilize our CO_2 emissions at 20 percent below year 2000 levels from 2006 to 2010 after successfully completing our first commitment with emission levels that were 23 percent lower than our target.
- In 2006, we delivered total shareholder return of 38 percent relative to the 20 percent returned by the Philadelphia Utility Index – reinforcing our belief that the real market is not just day traders looking at a screen for a quick buck, but sophisticated investors who understand long-term value. We restored market confidence by demonstrating that Entergy's long-term value proposition remains intact. For the year 2006, Entergy's as-reported earnings were $5.36 per share, up 28 percent from $4.19 per share in 2005. Operational earnings were $4.72 per share, up seven percent from $4.40 per share in 2005.
- Most importantly, in 2006, our employees achieved the safest year in the history of the company.

"We made our second five-year commitment to voluntarily stabilize our CO_2 emissions at 20 percent below year 2000 levels from 2006 to 2010 after successfully completing our first commitment with emission levels that were 23 percent lower than our target."

In 2006, for the fifth consecutive year, Entergy was named to the Dow Jones Sustainability Index – World, an index that tracks the performance of companies that lead their field in terms of corporate sustainability on a global basis. This year we were the only company in the U.S. electricity sector to be so honored. In the electricity sector, Entergy ranked best in class for social responsibility, corporate governance, climate strategy, corporate citizenship/philanthropy, stakeholder engagement and occupational health and safety. All of which is evidence that the principles of sustainable growth work – in good times and bad.

Entergy is a stronger company today than it was before the hurricanes hit in 2005. That does not happen when you build on sand, only when you have a solid foundation of support from employees and the communities you serve. One that is built on trust and mutual respect.

Recovering Storm Costs, Managing Risks

We began 2006 with a comprehensive total storm cost recovery plan that sought to minimize the impact on our customers. We successfully pursued recovery from insurance carriers, federal funds allocated for community development and state securitization of remaining costs. All of which substantially lowered the remaining costs to customers.

Here are the basic elements of our storm recovery results in each jurisdiction.

Mississippi

Last June, the Mississippi Public Service Commission approved recovery of $89 million in storm restoration costs for Hurricane Katrina with no finding of imprudence. Ninety cents on the dollar was funded by the $81 million Community Development Block Grant funding received in October. The balance, plus $40 million to increase the storm reserve and lower future risks for Entergy Mississippi and its customers, is being funded by securitized bonds to be issued by the state of Mississippi.

New Orleans

In October, the City Council of New Orleans unanimously approved a settlement agreement that calls for a phased-in rate increase, and the creation of a $75 million storm reserve and an emergency rate relief provision in the event of another Katrina-type disaster. The settlement also called for an independent process for certification of storm costs. In early 2007, the City Council advisors issued their reports on storm costs incurred through December 2006 with no finding of imprudence. This rate relief outcome, combined with the award by the Louisiana Recovery Authority of a $200 million Community Development Block Grant, will assist Entergy New Orleans with its efforts to emerge from bankruptcy.

Texas

In December, the Public Utility Commission of Texas unanimously approved a constructive settlement that included $353 million of hurricane recovery costs, an amount net of anticipated insurance proceeds, with no finding of imprudence. In February 2007, the Public Utility Commission of Texas voted to approve securitization of the $353 million with an offset of $31.6 million which the commission determined was the net present value of accumulated deferred income tax benefits related to storm costs. A financing order is expected from the commission authorizing issuance of securitized debt in March 2007.

Louisiana

Testimony was filed in early 2007 by the Louisiana Public Service Commission staff and intervenors in the Entergy Gulf States-Louisiana and Entergy Louisiana storm restoration cost recovery cases. Both the staff and intervenors expressed support for securitization of costs and the creation of a storm reserve. While the cases are still pending, we are encouraged that the resolution will be as constructive as the results achieved in Mississippi, New Orleans and Texas.

In 2007, we expect closure for all remaining storm-related regulatory matters, receipt of additional insurance proceeds, receipt of funds from the securitization process and the removal of the remaining negative credit agency outlook triggered as a result of the hurricanes.

2006 Results: Generating Clean, Affordable, Reliable Power for Our Customers

The physical aspects of the storm restoration effort may well have been the greatest challenge this company has ever faced. The cost and financial recovery process consumed considerable time and resources as well. Nonetheless, we refused to let the storms slow down momentum in other initiatives in our utility and nuclear businesses.

Utilities: Executing the Resource Supply Plan

In 2006, we continued to execute our Resource Supply Plan to meet our

continued on page 7

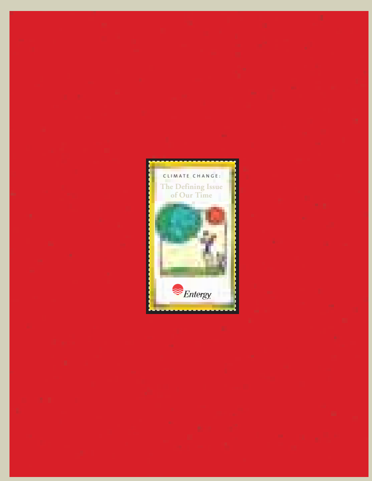
Climate Change

The Defining Issue of Our Time

At Entergy, we believe that we are at a defining point in time as a society – a time that future generations will look back on with either admiration or despair. Today, our global society is emitting greenhouse gases at ever-escalating rates. While scientists, politicians and academics debate the extent of the impact of greenhouse gas emissions, we as a society are running out of time.

When we look up at the sky at night we see the light from stars that was emitted millions of years ago, only now completing its journey to earth. Greenhouse gas can be viewed the same way. Once emitted into the atmosphere, the outcome is inevitable. CO_2 stays in the atmosphere for approximately 100 years. Every day that goes by our future becomes more certain. There is no ability to turn back.

At Entergy, we believe now is the time to act. We know the issue is complex and the necessary actions difficult. To further both discussion and action, we have invited experts on climate change to share their thoughts in the centerpiece to this year's annual report. We invite you to form your own opinion and support action on climate change – the defining issue of our time.



A Lasting Contribution

Robert v.d. Luft

In 2006, Robert v.d. Luft retired as the chairman of our Board of Directors after eight years of service in that position. Under his leadership, Entergy's market capitalization grew from less than $7 billion at the time Bob became chairman to more than $19 billion at the end of 2006.

A retired senior vice president of DuPont who also served as chairman of the board of DuPont Dow Elastomers, president of DuPont Europe and chairman of DuPont International, Bob was elected chairman of Entergy Corporation in mid-1998. Shortly after Bob became chairman, the Board of Directors launched a turnaround strategy designed to increase shareholder value by narrowing the company's focus on fewer businesses that were aligned with Entergy's core competencies, by divesting underperforming businesses and by restoring the company's overall financial health.

The strategy has delivered strong results for owners and earned recognition from various industry organizations. Entergy was recognized by Edison Electric Institute for having the top total shareholder return for the five-year periods ending September 30, 2003 and September 30, 2004. The company twice received EEI's highest honor, the Edison Award, in 2002 and 2005 and was named 2002 Power Company of the Year and 2003 Global Energy Company of the Year by *Platts/Business Week* Global Energy Awards.

With his focus, discipline, attention to the details that matter most to our customers and owners, and generosity of spirit in dealing with employees, Bob has had a significant impact on our organization – an impact that has forever changed the way we do business and the way we see the world around us.

continued from page 5

customers' demand for power, diversify and modernize our generation fleet and create opportunities to lower our customers' rates. Our portfolio transformation framework assures consistency with our market-based point of view in order to produce the long-term least cost to customers after considering and pricing all risks. We are actively pursuing a number of attractive opportunities to meet our customers' demand requirements conditioned on the receipt of regulatory approval for rate recovery.

We also continued to pursue constructive resolution of other outstanding regulatory issues in 2006. Proving the value of creativity and persistence, our Independent Coordinator of Transmission was approved, installed and began performing all of its functions, including tariff administration, available flowgate capacity calculation, transmission planning and operation of the Entergy OASIS. Crossing these milestones were significant events for Entergy, as we have worked for nearly a decade to align our transmission operations with changing federal policy, while meeting local regulators' and policymakers' needs. In a testament to the hard work of all parties involved, on November 17, 2006, the transition was completed seamlessly.

We still have work ahead to resolve outstanding issues associated with the System Agreement litigation and Entergy Arkansas' decision to provide its eight-year notice to exit from this agreement. We also expect Entergy Gulf States to separate into Louisiana and Texas operating companies by the end of 2007, allowing the separate companies to develop plans that are consistent with local public policy, including potentially the pursuit of retail customer choice in Texas.

Nuclear: Strong Earnings and Opportunity

We continue to focus on safety and security first in all our nuclear operations. While our operational excellence is second to none and our aspiration is to continue our growth in this business, we have remained disciplined investors.

In 2006, we seized an opportunity that aligned with how we create value for sellers of plants and for our owners. We announced our intent to purchase the 798-megawatt Palisades Nuclear Plant near South Haven, Michigan, for a net amount of $350 million, or $303 per KW. The Palisades plant is of a design and vintage that is problematic for most operators. Entergy's experience with this technology and its technical challenges was a clear advantage in constructing the successful bid. We are confident in our operating plan to maintain the reliability and safety of the plant as it meets technical challenges in the years ahead. When this transaction closes – expected in the second quarter of 2007 – we will own and operate 11 nuclear plants in the South, Northeast and Midwest. We also continue to operate the Cooper Nuclear Station under a service contract with the Nebraska Public Power District. With our positive point of view relative to clean, affordable nuclear power generation, we continue to seek opportunities to further expand our nuclear business portfolio through acquisitions, management service contracts and other types of agreements. We have also continued to preserve our option to pursue new nuclear development through the construction and operating license initiatives at Grand Gulf Nuclear Station and River Bend Station.

The Time to Aspire for More

By any measure, 2006 was a defining year for Entergy. Thanks to a lot of hard work by our employees, the support of our customers, communities and owners and the collaborative efforts of too many to mention at the federal, state and local jurisdiction levels, we recovered from two unprecedented storms that devastated our service territories and much of our infrastructure. Then we moved beyond survival and recovery. We took steps to manage our regulatory and operating risks, reduce our impact on the environment and ensure our customers have access to reliable, affordable power for years to come. Our shareholder return was top-quartile at 38 percent for the year. While we are pleased to report progress, we are far from done. We recognize that after overcoming such adversity there is a great temptation to become satisfied and complacent. Instead, now is the time to aspire for more.

"Most importantly, in 2006, our employees achieved the safest year in the history of the company."

Imagine. Aspire. Achieve.

The legacy of 2005 and 2006 was not that we proved we had achieved our aspirations of operational excellence or financial resilience. What we proved was as an organization we are capable of more than we might have ever imagined. The adversity in the last two years was beyond anything the industry has experienced. The organization's response was equally unprecedented. As 2006 drew to a close, we took a hard look at our aspirations. We assessed our current position, evaluated multiple scenarios using our dynamic points of view on market conditions, our stated strategies, our change in risk profile and our experiences over the last few years, and refined our aspirations.

Underlying our refined aspirations is our timeless belief in the principles of sustainable growth, the unlimited human potential and basic human goodness. The long-term success of our company depends on our ability to ensure our employees' safety, meet our customers' expectations, deliver superior returns to our owners, conserve and protect our environment and contribute to a healthy, educated and productive society. It takes steady progress along every dimension to generate lasting growth and value. With that in mind, our five-year aspirations for 2006 through 2010 are outlined below:

- **We aspire to consistently deliver top-quartile total shareholder returns.**
  We aspire to grow earnings per share by $1.00 each year through 2010, earn returns at or above our risk-adjusted cost of capital and maintain solid investment grade credit with flexibility to manage risk and act on opportunities. We aspire to return cash to our owners through common stock repurchases of up to $500 million each year and/or dividends targeting a 60 percent payout ratio over time.

"Entergy was named to the Dow Jones Sustainability Index – World, the only company in the U.S. electricity sector to be so honored."

At the end of 2006, we ended the suspension of and completed our 2004-2006 $1.5 billion common stock repurchase program. In January 2007, we announced a new $1.5 billion common stock repurchase program to be implemented over the next two years. These actions were consistent with our commitment to fairly compensate those who provided capital for storm restoration and those who made that possible by continuing to believe in our long-term value proposition and not selling into a market when we were issuing securities.

Regarding the dividend, no one needs to remind us that the current level is well below our 60 percent target and also well below the average relative to our peers. Your Board of Directors continues to be disappointed that we believe it is still premature to consider dividend action at this time. I assure you, it is at the top of our list when more certainty and clarity is achieved on other initiatives.

- **We aspire to provide clean, reliable and affordable power in our utility business.**
  We aspire to safe, efficient and effective operations in all areas – generation, transmission and distribution. Our service area has unique operational and economic challenges. We strive to address these challenges while continually improving customer satisfaction, increasing productivity and decreasing costs.

- **We aspire to operate safe, secure and vital nuclear resources in an environment that is both growing and carbon-constrained.**
  Safety and security come first in our nuclear operations. After that, we aspire to uninterrupted operations and continuous improvement in productivity. We are committed to aggressively pursue opportunities to expand our nuclear fleet more fully, utilizing our talented and deeply skilled workforce.

- **We aspire to break the cycle of poverty for our customers and contribute to a society that is healthy, educated and productive.**
  Our societal aspirations encompass our communities, our employees and our environment. No one should have to choose between food and heat. We strive to make our service as affordable as possible. But we do not accept that as the end of our responsibility. We strive

to contribute to the eradication of poverty in our utility service territories. We aspire to eliminate lost-time accidents in every area of our business and create a workforce as diverse as the communities in which we operate. We strive to be the cleanest power generator in America – one that voluntarily adheres to greenhouse gas emission levels and conserves natural resources in as many ways as possible.

While all aspirations involve some stretch, our refined aspirations are firmly grounded in the reality of our current business as well as the future scenarios we believe most likely based on our current point of view. We put these aspirations before you to share our vision for what we believe is possible and to challenge ourselves to continuously reach beyond our current grasp.

A Lifetime of Achievement

In 2006, Robert v.d. Luft retired as the chairman of our Board of Directors after eight years of service in that position. Under Bob's guidance, Entergy became a focused, financially healthy organization driven to produce tangible benefits for customers and owners. Safety is Bob's passion. He has engrained that passion in the entire Entergy organization. Bob has been an inspirational leader and mentor to me personally. We know Bob's contribution to the good of mankind, while already great, is far from finished. We wish him all the best in retirement.

With Bob Luft's retirement from the chairman role, the Board of Directors elected Gary W. Edwards as the Presiding Director. Gary is widely respected for his character and unwavering commitment to the highest standards of conduct. With Gary's leadership, the Board will continue to operate at these same standards of corporate governance and provide meaningful and expert insights to our management team.

The Power to Sustain

We begin 2007 with great momentum and anticipation. Our diverse, dedicated family of employees continues to deliver truly outstanding performance, whatever the obstacles. Our point-of-view driven business model continues to serve us well, giving us the ability to adapt our strategies and positions quickly as market conditions change. Finally, our commitment to sustainability and our focus on total shareholder return set a clear framework for all our decisions and actions. Entergy as an organization remains committed, focused and ready to adapt to whatever the future may bring.

As a leadership team, we are always mindful of our fiduciary obligations to our owners and our moral responsibilities to our customers and communities. We believe we have the power to not only financially succeed in the years ahead, but to help assure the sustainability of the world around us. At Entergy, "having it all" means no less.

J. Wayne Leonard
Chairman and Chief Executive Officer

Wayne Leonard (left) was elected Chairman and Chief Executive Officer in August 2006 by Entergy's Board of Directors, following the announcement of Bob Luft's retirement as Chairman. Gary Edwards (right), an independent Entergy board member, was elected to the position of Presiding Director.

Our financial and societal aspirations for 2006 through 2010 guide the actions we take as a corporation. We strive to meet our owners' expectations for top-quartile returns while contributing to a healthy, productive society. It's how we move closer to realizing the world we imagine.

by delivering top-quartile shareholder returns through the generation of safe, clean, affordable power to a healthy, educated, productive society where none of our customers live in poverty.

At Entergy, we are committed to the pursuit of sustainable growth. We aspire to deliver superior returns to our owners while simultaneously making progress toward specific societal goals. In 2006, we delivered returns to our shareholders that ranked in the top quartile of our peer group. In 2006, we were also gratified to be named to the Dow Jones Sustainability Index – World for the fifth consecutive year. We are proud to be a leader in sustainable development, the only company in the U.S. electricity sector to be included in the 2006 DJSI – World.

Delivering Top-Quartile Financial Returns

We aspire to consistently deliver top-quartile total shareholder returns. In the past five years, we have twice been honored with EEI's award in recognition of the highest total shareholder return for a large-cap electric utility over a five-year period.

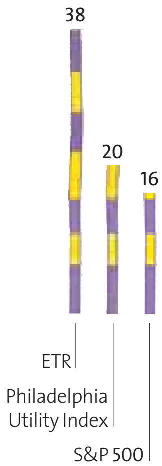
We restored market confidence by demonstrating that Entergy's long-term value proposition remained intact. As a result, we saw Entergy stock rebound from post-hurricane weaknesses and deliver top-quartile returns to our owners.

While delivering top-quartile returns over the past five years, we continually focused on constraining risks – financial, regulatory, operational, commodity – in our day-to-day operations. Our risk profile has changed substantially in recent years as our business has evolved. That change, combined with other factors, led us to take a hard look at our aspirations.

We assessed our current position, evaluated multiple scenarios using our dynamic points of view on market conditions and our stated strategies, and refined our aspirations for 2006 through 2010. Our overarching financial aspiration is to achieve top-quartile total shareholder returns. We will do so by growing earnings per share by $1.00 each year, earning returns at or above our risk-adjusted cost of capital, all the while maintaining solid investment grade credit with flexibility to manage risk and act on opportunities. We also aspire to return cash to our owners through common stock repurchases of up to $500 million each year and/or dividends targeting a 60 percent target payout ratio over time. In January 2007, we announced a new $1.5 billion common stock repurchase program to be implemented over the next two years. Regarding the dividend, we are well aware that the current level is considerably below our 60 percent target and also well below the average of our peers. Considering our last dividend increase was in 2004, we continue to be disappointed that we believe it is still premature to consider dividend action at this time. It is at the top of our list when more certainty and clarity is achieved on other initiatives.

While there is stretch, we believe our refined financial aspirations are realistic and achievable. We also believe they are aligned with our societal aspirations. Our commitments to strengthen our environment and our communities are embodied in our societal aspirations.

Total Shareholder Return
2006, %



Total Shareholder Return
1999-2006, %

We aspire to consistently deliver top-quartile total shareholder returns. We restored market confidence by demonstrating that Entergy's long-term value proposition remained intact. As a result, we saw Entergy stock rebound from post-hurricane weaknesses and deliver top-quartile returns to our owners.

Delivering Superior Results to Society

As we refined our financial aspirations, we also reaffirmed our societal aspirations. We are convinced that being a leader in environmental excellence, meeting the particular needs of our low-income customers and fostering a safe, inclusive work environment are more important than ever to the long-term success of our company and our society.

We aspire to be the cleanest generator in America, to conserve natural resources and to be a strong advocate for establishing mandatory greenhouse gas levels. More than 80 percent of the power we generate comes from clean sources such as nuclear and natural gas. We continue to invest in clean technologies like combined-cycle gas turbine plants. We also have programs in each jurisdiction to inform and help our customers conserve energy in their homes and businesses.

We strongly believe that greenhouse gas emissions harm our environment. In 2001, we became the first electric utility to commit to a voluntary five-year target to stabilize our CO_2 emissions. In 2006, we made a second five-year commitment to voluntarily stabilize our CO_2 emissions at 20 percent below year 2000 levels over the next five years. Our actions demonstrate that it is possible to economically stabilize greenhouse gas emissions. Regardless of the outcome of any debate on the climate change issue, these are actions we should and will take now.

Our approach to climate change was recognized in 2006 by the Carbon Disclosure Project, an international secretariat for the world's largest institutional investor collaboration on the business implications of climate change. For the third year in a row, Entergy was named to the Climate Leadership Index, a prestigious index for global corporations addressing the challenges of climate change. Members of the index were judged to be distinguished by their strategic awareness of the risks and opportunities of a carbon-constrained environment as well as the quality and effectiveness of programs put in place to reduce overall greenhouse gas emissions. Entergy was judged among the best in the North American electric power sector.

In another of our societal commitments, we aspire to contribute to the eradication of extreme poverty in the region served by our utilities. We are taking steps to meet the needs of our low-income customers with programs designed to improve the flow of public funds, better manage energy usage and address the underlying causes of poverty. Of special note in 2006 were our coordinated jurisdiction efforts to secure increased funding for the federal Low Income Home Energy Assistance Program. We worked to maximize funding for Entergy states through meetings with members of Congress and an aggressive media campaign in all our jurisdictions. Entergy states received over $75 million in additional LIHEAP funding in 2006 and we made extensive outreach efforts to our LIHEAP-eligible customers to help them secure assistance with their bill payments. In 2006, Entergy advocacy efforts such as these were recognized again by the Edison Electric Institute's Advocacy Excellence Award – the second consecutive year we've been so honored.

We faced many challenges in 2006 and made great strides, including another record year in terms of safety. However, our proudest day, now clearly in sight, will be when our dedicated employees achieve no lost-time accidents. We completed 2006 with no fatalities and reached several safety milestones in our operations. For example, our transmission team of approximately 1,000 employees worked one million hours in 2006 without a lost-time accident. In addition, eight sites earned Star status under the OSHA Voluntary Protection Program in 2006 – the highest possible safety rating for an industrial work site. As of the end of 2006, 36 of our nuclear, fossil, distribution and transmission sites have achieved OSHA VPP Star status.

We also aspire to a workforce that reflects the diversity of our communities. We have a diversity strategy that positions our company as an employer of choice, a business partner of choice and a good corporate citizen. The commitment to create an environment that fosters creativity, productivity and mutual respect for all people reaches from the office of our CEO throughout our entire organization. We believe there is no substitute for the experience and insight of a diverse, focused Entergy team.

From Aspire to Achieve

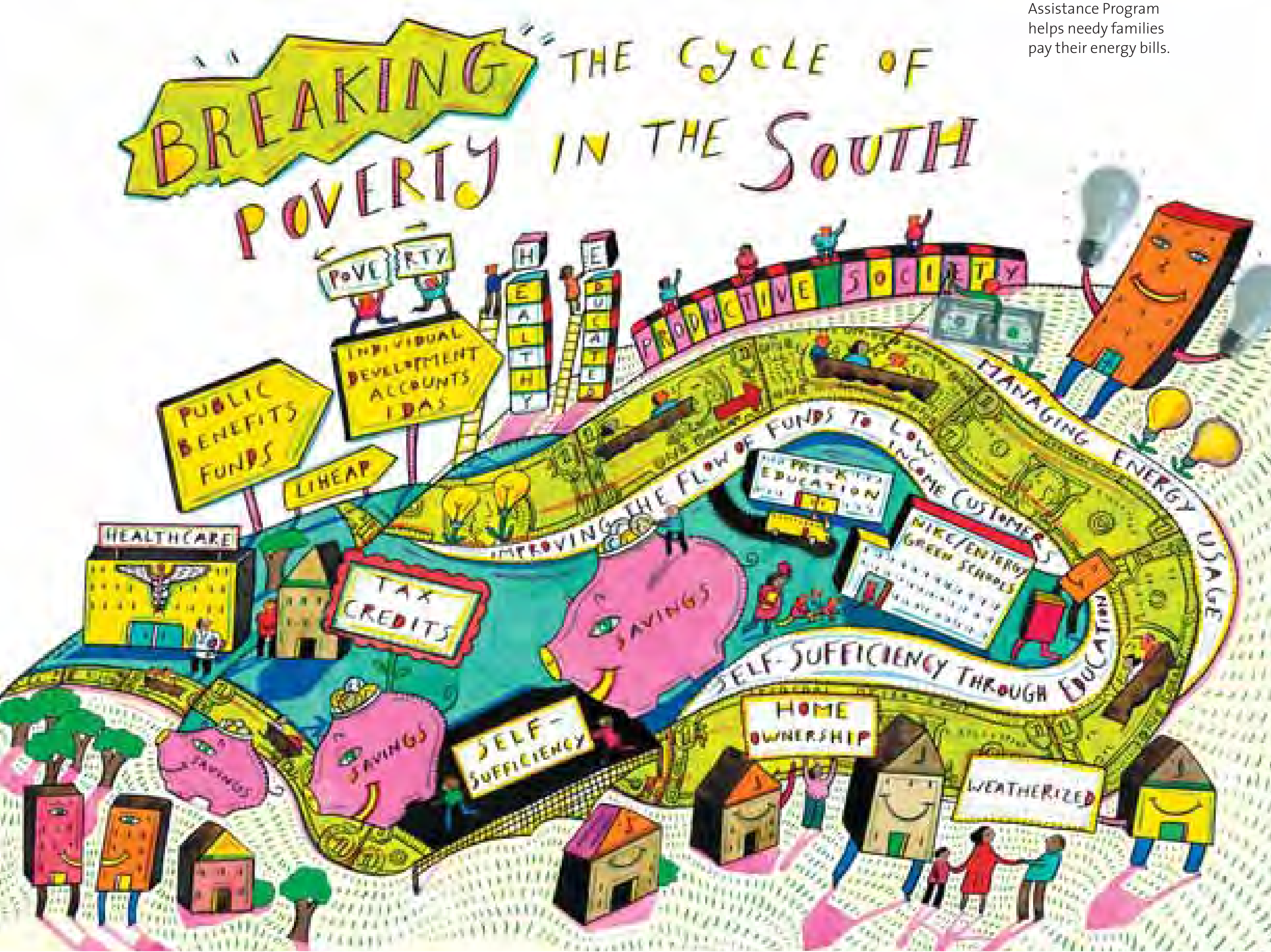
Rounding out our financial and societal aspirations, we also have operational aspirations to guide our utility and nuclear businesses. Our operational aspirations are outlined in the following sections of this report along with a discussion of our 2006 operational performance.

At all levels of our organization, we continue to use our point-of-view driven business model to develop our strategies and action plans. From setting our CO_2 emission stabilization targets to evaluating the purchase of a generation asset, our dynamic model enables us to form decisive points of view incorporating sophisticated analyses and extensive market knowledge. We then execute on our points of view using discipline and the experience of our talented team of employees.

By definition, our aspirations will at times seem out of reach. However, we believe our management team and employees have the expertise and the will to achieve superior financial, operational and societal results consistent with our aspirations.

LIHEAP Funding in Arkansas, Louisiana, Mississippi and Texas
$ millions

We aspire to break the cycle of poverty for our customers and contribute to a society that is healthy, educated and productive. The federal Low Income Home Energy Assistance Program helps needy families pay their energy bills.



Our utility business aspires to meet its customers' demand for clean, reliable and affordable power. We strive to safely generate and deliver power while maintaining strong, healthy relationships with our customers, communities and regulators.

by safely generating and delivering clean, reliable and affordable power while structuring our utility business to meet the objectives of all stakeholders.

Generating and delivering electricity is a unique business. Companies that provide power are viewed and regulated as public servants yet still must earn equitable returns for private owners in order to attract capital. While the goals of our various stakeholders can sometimes diverge, we believe it is possible to operate our utilities in a way that consistently meets the objectives of our customers, regulators, communities and owners.

Customer Service, Reliability and Safety

Customer satisfaction is driven largely by the day-to-day operation of our utility business; by maintaining transmission lines, responding to customer calls and safely providing power to meet fluctuating demands. We continue to invest in our utilities to ensure we meet our customers' expectations for safe, reliable service.

In 2006 we began the year challenged by a number of customer service issues related to the storms of 2005. However, as we progressed through the year our performance along a variety of customer service and reliability measures continued to improve as it has consistently over the past eight years. As of year-end 2006, routine outage frequency decreased 48 percent and outage duration decreased 32 percent over the eight-year period from 1998 to 2006. Regulatory outage complaints dropped to 81 in 2006 from 535 in 1998.

In 2006, we were once again honored to receive the Edison Electric Institute's Emergency Assistance Award. Entergy has won either EEI's Emergency Assistance or Emergency Response award for nine consecutive years, every year that the awards have been offered. We are the only utility in the country to have achieved this recognition.

We also continued to make progress in ensuring the safety of our employees. In 2006, seven of our distribution sites and one transmission site earned OSHA Voluntary Protection Program Star status – bringing our total number of Star sites to 36 as of the end of 2006. Another nine sites completed the rigorous process of applying for OSHA VPP Star status in 2006. Ensuring the safety of all employees in all our operations continues to be our number one priority.

Affordable, Available Power

We strive to provide clean, reliable and affordable power to all our customers over the long term. Currently our customers' demand for power exceeds our generation capacity by two to four gigawatts. At the same time, approximately 18 gigawatts of new merchant capacity have been commissioned in our service territories in the last six years. This provides us with the opportunity to meet our capacity shortfall as well as offer high-quality generation sources to our customers.

Our Resource Supply Plan is designed to meet our customers' demand for power, diversify and modernize our generation fleet and create opportunities to lower our customers' rates. It's a comprehensive plan that calls for the contract purchase of power, the acquisition of highly efficient assets, as well as the evaluation of new fuel and new capacity alternatives, conditioned on the receipt of regulatory approval.

Outage Frequency
average number per customer per year

Outage Duration
average minutes per customer per year

We aspire to safe, efficient and effective operations in our utility business. We strive to continually improve customer satisfaction. Since 1998, outage frequency has decreased 48 percent and outage duration has decreased 32 percent.

In early 2006, we issued a Request for Proposal for 2,000 MW of long-term supply-side resources. We received 35 proposals for combined-cycle gas turbine resources and eight proposals for solid fuel resources. A year later, we narrowed the field and entered further negotiations for two CCGT resources representing over 1,300 MW of capacity and two solid fuel resources representing between approximately 730 and 880 MW of capacity. The solid fuel resources include the selection of Entergy's Little Gypsy repowering self-build option identified in the RFP. At Little Gypsy, we expect to repower this gas-fired facility to use petroleum coke as fuel. As a refinery waste product, pet-coke is readily and economically available in southern Louisiana. The pet-coke option also introduces more solid fuel capacity into the Louisiana generation fleet, which is heavily dependent on natural gas with its greater price volatility.

In addition to executing our Resource Supply Plan, we took several actions to ensure power is readily available and affordable to our customers over the long term.

In January 2006, we completed the purchase of the 480-megawatt, natural gas-fired, combined-cycle Attala facility near Kosciusko, Mississippi. We have purchased the output from the Attala plant since mid-2004. Through this acquisition, we added a highly efficient plant to our generation portfolio as we did in 2005 with the purchase of the 718-megawatt, natural gas-fired, combined-cycle Perryville plant in Louisiana.

After initiating negotiations in late 2006, we announced in February 2007 an agreement to acquire the 322-megawatt, natural gas-fired, simple-cycle Calcasieu Generating Facility in southwestern Louisiana. This modern, quick-start peaking generation resource has substantial advantages because of its close proximity to big industrial customers with large potential load swings. This natural gas-fired, simple-cycle facility can be dispatched on extremely short notice, which is critical in a region where there are natural limitations – such as the Gulf of Mexico – on the ability to import power.

We also continue to see potential in the development of new nuclear capacity at our Grand Gulf Nuclear Station and River Bend Station. Nuclear generation is emission-free, less exposed to fuel price volatility and subject to federal incentives. With necessary legislative support, including loan guarantee and production tax credit incentives, and state regulatory mechanisms to enable timely cost recovery, the prospect of new nuclear could become a reality.

Finally, we continuously strive to reduce our operating costs. Improving efficiency and productivity in our generation fleet is one of the most important steps we can take to ensure our customers have ready access to affordable power.

A Constructive Regulatory Environment

In many respects we experienced a very constructive regulatory environment in 2006. For example, we pushed diligently for storm restoration cost recovery at the local, state and federal levels. We also advocated for securitization legislation to preserve affordable rates for our customers and

Goal	42.6
Actual	38.9

2006 CO_2 Emissions
tons, millions

We made a second voluntary commitment to stabilize our greenhouse gas emissions at 20 percent below year 2000 levels from 2006 to 2010. As of year-end 2006, our CO_2 emissions were nearly 10 percent below target.

worked to establish storm reserves to lower future risks for both our customers and our owners from the effects of future storms.

Local regulators in New Orleans have been supportive of our efforts as Entergy New Orleans continues to make progress in its reorganization plan. We are planning to have Entergy New Orleans emerge from Chapter 11 in mid-2007 as a financially stable utility. Going forward, we will continue to work with the New Orleans City Council to ensure that the company remains on solid ground financially and to minimize its exposure to future storm risk.

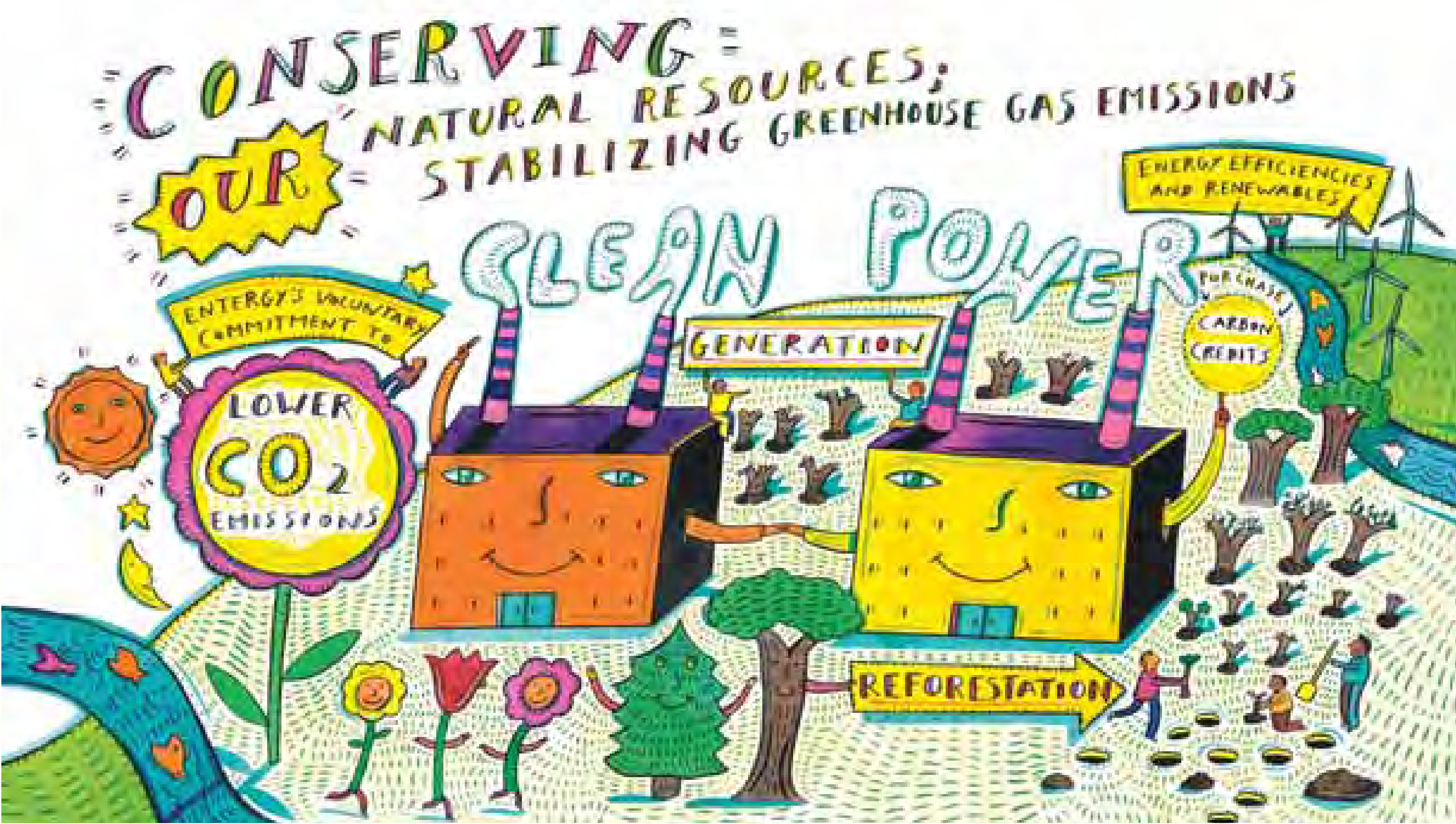
In early 2007, we received approval from the Louisiana Public Service Commission to divide Entergy Gulf States into two separate operating companies – one in Louisiana and one in Texas. We expect to complete the separation by the end of 2007 – allowing each company to develop operating strategies that are consistent with the public policy direction in its jurisdiction.

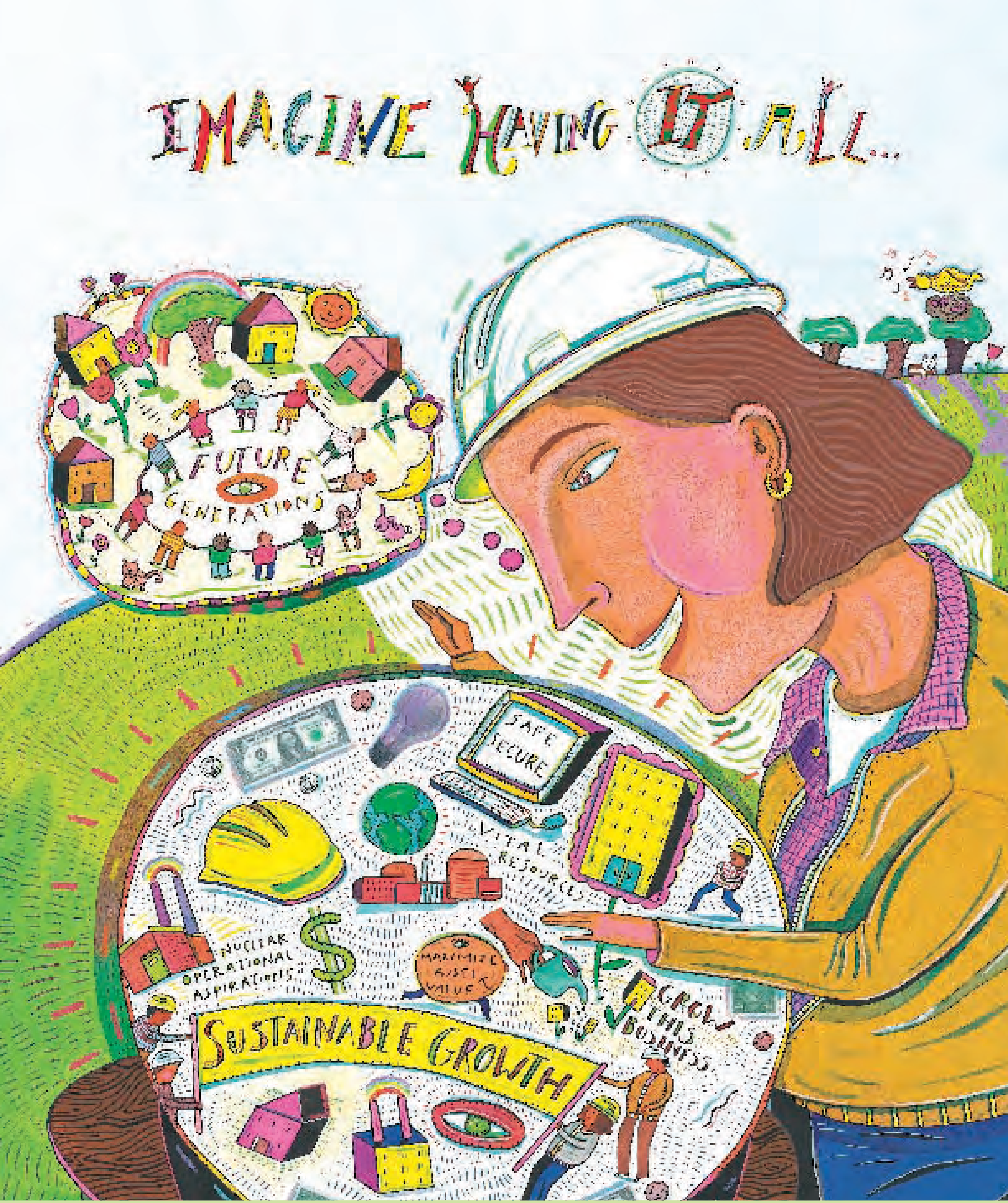
Pursuant to the legislation passed in 2005, Entergy Gulf States-Texas made its required Transition to Competition filing at the end of 2006. In its plan, Entergy Gulf States-Texas proposed to join the Electric Reliability Council of Texas. We expect that the billion dollar investment to electrically connect our Texas business with ERCOT will provide customer benefits exceeding this investment. However, there are important conditions that must be met in order to proceed. The Texas PUCT will be deciding these issues in the coming years.

Looking ahead to 2007, we expect closure for all remaining storm-related matters. We will continue to implement the Federal Energy Regulatory Commission's rough production cost equalization remedy for the System Agreement, and at the same time, we will pursue a replacement agreement that meets the needs of our utility customers without provoking undue disputes and litigation. In Arkansas, we will pursue constructive resolution of the rate case we filed in August 2006 as well as the outstanding fuel recovery proceeding. In Texas, we will file our first base rate increase case in 16 years to be effective when the legislative-imposed rate freeze ends on June 30, 2008.

Regulatory Outage Complaints

The number of regulatory outage complaints dropped from 535 in 1998 to 81 in 2006.





Our nuclear business aspires to safe and secure operations that result in industry-leading performance. Our point of view at Entergy is that emission-free, affordable nuclear power is vital to our society's long-term, sustainable growth.

by operating safe, secure and vital resources in a way that maximizes the inherent asset value and enhances the opportunity to grow this business, all in an environment that does not pose a threat to future generations.

In the pursuit of sustainable growth, goals often appear to be at odds: affordable power or clean air but not both. To sustain growth, however, solutions must be found that drive progress toward multiple goals simultaneously. At Entergy, we firmly believe that safe, affordable and emission-free nuclear generation is vital to sustainable growth.

We are currently the second-largest nuclear operator in the United States. We own and operate 10 plants in the Northeast and South and operate another in the Midwest under a service agreement. In 2006, we reached an agreement to purchase the Palisades Nuclear Plant near South Haven, Michigan, from Consumers Energy for a net amount of $350 million. With our positive point of view on nuclear generation, we continue to aggressively pursue opportunities to expand our nuclear business.

Safety and Security First

In each of our nuclear plants, we work diligently to maintain safety and security at the highest levels. Only then do we seek to improve operating efficiency and productivity.

Our safety performance is world-class. Six of our nuclear plants are currently designated OSHA VPP Star status. Our Vermont Yankee nuclear plant received Merit designation, which is considered an effective stepping stone to Star status.

Each of our nuclear sites meets or exceeds the security standards set by the Nuclear Regulatory Commission. These standards are the highest of any American industry and include site security measures, security force and operator training, controlled access and behavioral observation programs. We work closely with outside security experts to continually enhance and reinforce the security programs at all our nuclear sites.

Operating and Management Expertise That Makes a Difference

With strong leadership and an experienced, talented team of engineers, technicians and operators, we have consistently delivered industry-leading performance in our nuclear operations. For example:

- Our fleet average capability factor was 94 percent in 2006, compared to an industry average of 90 percent.
- Production costs in our regulated fleet remained flat at $16.3 per MWh. We also achieved our first uninterrupted breaker-to-breaker run at Arkansas Nuclear One Unit 2.
- Our Northeast fleet achieved an average INPO Index of 97.6 in 2006, up more than 30 percent since we acquired these plants.

In 2006, we placed an additional 95 MW of capacity into production at our Vermont Yankee Nuclear Power Station. Approval from the Nuclear Regulatory Commission to increase the power output came after the most extensive engineering review of any uprate. The review process took 29 months and resulted in a unanimous approval recommendation. Through 2006, we have added 512 MW of nuclear capacity through uprates and

Northeast Nuclear Fleet Capacity Factor
%

We strive to increase our nuclear generation through high capacity factors to meet the growing demand for power.

capacity improvements. Increasing our nuclear generation through uprates and high capacity factors enables us to meet our customers' growing demand for energy without increasing harmful emissions. Currently, about one-third of our generation capacity is supplied by nuclear power.

In 2006, the Nuclear Regulatory Commission accepted our applications to renew our operating licenses for an additional 20 years at the Vermont Yankee Nuclear Power Station in Vermont, the Pilgrim Nuclear Power Station in Massachusetts and the James A. FitzPatrick Nuclear Power Plant in New York. The operating licenses for Vermont Yankee, Pilgrim and FitzPatrick are currently scheduled to expire in 2012, 2012 and 2014, respectively. In 2006, the NRC renewed the operating license for the Palisades Nuclear Plant for an additional 20 years, through 2031. Finally, in November 2006, we formally announced our intention to extend the license of our Indian Point Energy Center. Former New York City Mayor Rudy Giuliani and Greenpeace Co-founder Dr. Patrick Moore joined us in announcing our "Right for New York" license extension campaign.

We maintain dynamic points of view on external factors such as commodity prices, the regulation of carbon emissions and infrastructure constraints in the generation and transmission of energy. We use our points of view to guide our hedging strategy for the output of our Northeast fleet. Our hedging strategy seeks to balance the risks and rewards of volatile commodity prices. We layer in hedges to avoid the risk of timing the market but retain the ability to leave up to

15 percent open during the year. At the end of 2006, 95 percent of our planned generation for 2007 was under contract, 85 percent for 2008 and 64 percent for 2009 at average energy prices per MWh of $49, $53 and $57, respectively.

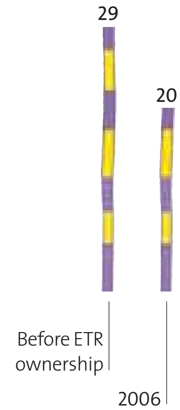
Opportunities to Drive Growth and Create Value

We continue to seek opportunities to grow and create value in our nuclear business. We will strive to close the Palisades acquisition in the second quarter of 2007 and successfully transition the plant into the Entergy fleet over the course of 2007.

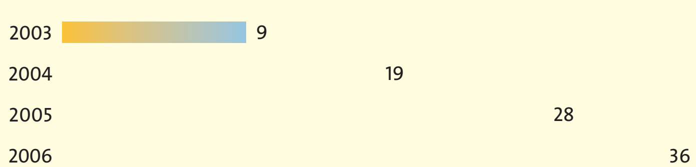
We also believe opportunity exists to further expand our fleet. We have grown our fleet from five nuclear units eight years ago to 11 units with the pending acquisition of Palisades. In addition, the service contract under which we operate the Cooper Nuclear Station has also contributed to growth in this business. However, while not currently on the market, we believe a number of consolidation opportunities remain in the U.S. market for nuclear generation. Roughly two dozen small nuclear fleet operators exist across the United States that have either below industry average capacity factors, above average costs, regulatory issues or event risk. We remain open to expanding our portfolio of nuclear businesses in the future through acquisitions, management service agreements or other deal structures.

We are also preserving our option to participate in the next generation of new nuclear development. Entergy is on track to receive one of the first early site permits to be issued by the Nuclear Regulatory Commission in first quarter 2007, qualifying the Grand Gulf Nuclear Station near Port Gibson, Mississippi, as an acceptable site for a new nuclear reactor. We are also pursuing a combined construction and operating license for the new unit at Grand Gulf, as well as our River Bend Station near St. Francisville, Louisiana. Our decision to proceed with any new nuclear development is contingent on achieving the necessary legislative and regulatory actions to enable efficient financing and timely cost recovery.

Northeast Nuclear Fleet Production Costs
$ per MWh



We aspire to operate safe, secure and vital resources. We strive to deliver industry-leading performance. We have driven significant improvement in production costs in our Northeast fleet.



Entergy OSHA VPP Star Sites

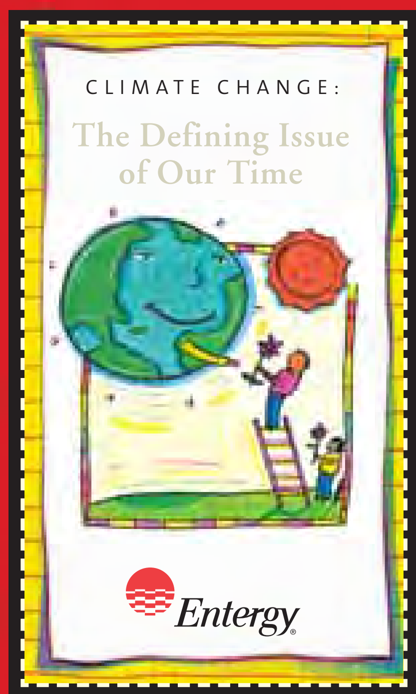
We aspire to a work environment that is free of accidents. We use the OSHA Voluntary Protection Program as the model for outstanding safety performance. We have made steady progress under OSHA VPP. As of year-end 2006, 36 sites had earned Star status – the highest possible safety rating for an industrial work site.

IMAGINE HAVING IT ALL...

Our aspirations are clear and will guide our strategies and decision-making in the years ahead. We continue to aspire to a balanced set of financial aspirations, with top-quartile total shareholder returns as the overarching aspiration.

While we strive to realize our financial aspirations, we strive to meet our societal commitments to all our stakeholders. We aspire to meet our second five-year CO_2 stabilization commitment. We aspire to meet the particular needs of our low-income customers. We aspire to a workforce that performs every job safely and that reflects the diversity of our communities.

As diligently as we will work in the years ahead toward our aspirations, we will continue to imagine a world beyond what we can achieve today. An environment that poses no threat to future generations. A society where no one suffers in poverty. A world with unlimited energy and unlimited possibilities. Imagine having all that. *Imagine, then Aspire and Achieve.*


CLIMATE CHANGE:
The Defining Issue of Our Time
Entergy

CONTENTS

CLIMATE CHANGE:

The Defining Issue of Our Time

Are we as a society fundamentally changing our climate through the emission of greenhouse gases? Is global climate change slowly destroying our planet? Will our great-grandchildren be able to enjoy the rich, diverse environment that we take for granted today or will they face a vastly different world? If the answer to any of these alarming questions is yes, then it raises an even more profound question – can anything be done?

At Entergy, we view the issue of climate change from a somewhat unique perspective. Our product – power – is considered vital to the public good. It's a necessity in some countries, a requirement for development in others. Yet power generation today accounts for about 40 percent of global CO_2 emissions. We sit at the very center of the debate that posits economic development against environmental preservation. Given our position, we have spent a great deal of time and resources analyzing the issue of climate change. We have worked with environmental, societal and economic experts from academia, industry and government. We have reviewed and analyzed the data. Based on the results of our analyses, we hold a clear point of view and well-defined beliefs on climate change.

- We believe that the science is overwhelming. Man-made greenhouse gas emissions are the predominate cause of global climate change. We are already seeing the consequences of this climate change on our environment. The data is clear. It's happening now.
- We believe the federal government should implement a national mandatory program that will make decisive cuts in greenhouse gas emissions in the coming decades. The current approach of state regulations is well-intended, but not the ultimate answer. Mandatory greenhouse gas regulations at the federal level will trigger technology innovation throughout our economy and change the way we manage our resources.
- We believe the U.S. government must step up to the challenge and lead the world forward on the issue of climate change. The United States generates more greenhouse gas emissions on a total and per capita basis than any other major country. As the leader of the free world, we have a moral responsibility to set the example by establishing policies founded in intellectual honesty and reasoning. Denying the need to address the problem because some uncertainties remain, not only sets an impossible standard for climate change action, but also diminishes the nation's ability to lead on other global issues that also involve lingering uncertainties. The solution will require new policies, technologies, behaviors and a long-term commitment. It will no doubt impact the U.S. economy. It will be difficult, but we firmly believe doing nothing ultimately will cost multiples of any short-term impacts.

In this centerpiece to our annual report, we present the opinions of six recognized and respected experts on climate change. Please take the time to read them and form your own opinion. We're confident that when you do, you will agree that now is the time to think and act differently about climate change. Take steps to reduce your personal energy consumption. Commit to lower emissions in your business. Demand action from your elected officials in both the House and Senate in Washington, DC, on this issue.

We can muster the will and courage to work together and find a solution to global climate change or we can turn our back on the facts, and do nothing. The choice is ours to make; the time to make it is now.

J. Wayne Leonard
Chairman and CEO
Entergy Corporation

Unequivocal Evidence of a Human Role in Climate Change

Richard H. Moss, Ph.D.
Senior Director, Climate and Energy, of the United Nations Foundation

Images of the Earth from space enable us to see our planet as a fragile haven for life suspended in the vast cosmos. But our opinions are evidently still shaped by an older Earth-bound perspective of a planetary system resistant to human-induced change. In a January 2007 survey of Americans conducted by the Pew Research Center for the People & the Press, fewer than half (47 percent) reported that they believe human activity is the cause of observed warming.[1]

Our perceptions have yet to catch up with scientific evidence which verifies that human activities have changed a key planetary system, the Earth's climate. The most recent report of the Intergovernmental Panel on Climate Change (IPCC), released in early February 2007, says that warming of the climate system is "unequivocal" and there is a 9 in 10 chance that human activities are the cause of a substantial portion of observed changes in climate.[2] The evidence is in.

Global average temperature has already increased about 1.4°F above the 1850-1899 average. Discrepancies between satellite measurements and land-based thermometers have been resolved, which has increased confidence in observation systems.[3] Numerous long-term changes in climate have been observed including declines in mountain glaciers and snow cover, reductions in Arctic summer sea ice, increased Greenland Ice Sheet melting, changes in ocean salinity and acidity, widespread changes in precipitation amounts, and changes to extreme events including droughts, heavy precipitation, heat waves, and tropical storm intensity.

But this is only the initial wave of changes that is projected to occur. Climate models predict a rise in global average surface temperatures ranging from roughly 3-7°F relative to 1980-1999 (best estimates for a range of emissions scenarios). There is a 9 in 10 chance that hot extremes, heat waves, and heavy precipitation will be more frequent, and a two-thirds chance that future tropical storms will be more intense. Precipitation will increase in high latitudes (9 in 10 chance) and decrease by as much as 20 percent in sub-tropical areas (two-thirds chance). Human-induced warming and sea-level rise will continue for centuries even if greenhouse gases were stabilized at today's levels.

Analyses of the potential impacts of these climate changes project dramatic alterations to ecosystems, agriculture, water supplies, coastal infrastructure, and human health. While some may benefit from the initial changes in climate, most impacts are expected to be negative and to worsen over time. The consequences will be most dire for the poorest nations and those in affluent countries living in water-scarce regions and coastal communities.

No one can say precisely what level of human interference will constitute "dangerous" interference in the climate system.[4] But a growing number of scientists are warning that increases in the range of 3.5-4.5°F above pre-industrial levels greatly increase the risk of crossing a climate "tipping point." Avoiding greater increases requires that carbon dioxide emissions peak around 2020 and decline thereafter. While this presents an enormous challenge, there are also opportunities. By acting immediately and assiduously, we can avoid the most disastrous changes and promote growth as we do so.

Governments, corporations, and individuals must all provide leadership in their own decisions and actions to hasten the transition to a low-emissions energy future that provides opportunities for sustainable development for all.

1 "Global Warming: A Divide on Causes and Solutions," Pew Research Center for the People & the Press, Washington, January 24, 2007. http://pewresearch.org/pubs/282/global-warming-a-divide-on-causes-and-solutions
2 *Climate Change 2007: The Physical Science Basis,* Contribution of Working Group I to the Intergovernmental Panel on Climate Change, Fourth Assessment Report. Geneva, 2007. http://www.ipcc.ch/ Observations and projections of future change are drawn from this source.
3 *Temperature Trends in the Lower Atmosphere: Steps for Understanding and Reconciling Differences,* U.S. Climate Change Science Program, Washington, 2006. http://www.climatescience.gov/Library/sap/sap1-1/finalreport/default.htm
4 Avoiding "dangerous anthropogenic interference" with the Earth's climate is the objective of the UN Framework Convention on Climate Change, a global treaty that entered into force in 1994 and that has been ratified by 189 countries. See http://unfccc.int/2860.php for further information.

Honorariums in the amounts of $3,000 and $2,000 have been donated to Heifer International and the UN Foundation's anti-malaria campaign "Nothing But Nets," respectively, by Entergy Corporation on behalf of Dr. Moss' family.

Ecosystem Response to Climate Change

Camille Parmesan, Ph.D.
Assistant Professor of Integrative Biology, University of Texas-Austin

The direct impacts of climate change have been documented on every continent, in every ocean and in most plant and animal groups. Nearly half of all species globally are responding to current climate change. Recent independent syntheses of studies worldwide have provided a clear, globally coherent conclusion: Twentieth century anthropogenic (man made) climate change has already affected the Earth's biota. There is a growing consensus within the scientific community that without meaningful intervention to stem the increase in man-made greenhouse gas emissions, climate change will compound existing threats and lead to an acceleration of the rate at which biodiversity is lost.

In 2001, the Intergovernmental Panel on Climate Change (IPCC) released its Third Assessment Report (TAR) that provided a consensus on climate change science. TAR predicted that species and ecological systems with ranges restricted to mountaintops or Polar Regions would be the species/systems most vulnerable and sensitive to climate change. Now, just a few years later we see that these are the very species and ecological systems experiencing the most negative impacts from climate change:

- Harlequin frogs native to the cloud forests of the Central and South American tropics have declined significantly with 67 percent of the species disappearing over the past 20-30 years. Climate change at mid-elevation sites (1,000-2,400 m) created optimum conditions for the spread of the chytrid fungus which is thought to have wiped out dozens of species in recent years;
- Polar bears that depend upon sea-ice for hunting are declining in both numbers and in mean body weight as the number of ice-free days in their range has increased because of warming;
- Coral Polyps depend upon algae living on the coral for photosynthesis. This symbiotic relationship is critical to the coral's existence. However, high ocean temperatures stress this symbiosis and cause loss of the algal symbiont, a condition called bleaching. Recent increases in the number and intensity of extreme temperature events in oceans have resulted in significant widespread bleaching. A particularly strong extreme temperature event in 1997-1998 caused bleaching in every ocean, with up to 95 percent of the corals bleached in the Indian Ocean, ultimately resulting in 16 percent of corals rendered extinct globally;
- Ecosystem processes for carbon cycling have been altered in the arctic by climate change. The Alaskan and Russian tundra have switched from being a net sink of CO_2 (absorbing and storing more carbon from the atmosphere than is released) to being a net source of CO_2 (releasing more carbon than is stored) because warmer winters have allowed dead plant matter stored in frozen soil to decompose and release CO_2 to the atmosphere.

When TAR was published in 2001, we thought it would take 20-50 years before seeing the types of large-scale species extinctions we are witnessing today. The data is telling us that, even though species can theoretically adapt through evolution, they in fact have very limited potential to evolve. As climate space for the species disappears, so too will the species. The implications of changes we are now observing in the natural world are that current biological trends will continue over future decades as greenhouse gas emissions continue to rise. The real concern is how these changes will collectively influence complex ecosystem interactions that are vital to the sustainability of future generations of both wildlife and humans. The unanswered question is will we have the wisdom and the will to take action today to prevent potentially irreversible and catastrophic impacts from climate change.

An honorarium in the amount of $5,000 has been donated to the UT Section of Integrated Biology to support graduate student research by Entergy Corporation on behalf of Camille Parmesan, Ph.D.

Clean Energy or No More Crawfish, Cher

Mike Tidwell
Author

In 2003 I wrote a book titled *Bayou Farewell*. Part travelogue, part exposé, it celebrated the great food, music, languages, and landscapes of the Gulf Coast region. It also predicted – in vivid detail – the widespread destruction that would soon come to this region from a massive future hurricane. The problem, I wrote, was that human beings had destroyed more than a million acres of buffering coastal wetlands in Louisiana alone. And barrier islands from Texas to Florida were fast disappearing. Still worse, the city of New Orleans itself was well below sea level.

Two years after the book's publication, hurricanes Katrina and Rita arrived to completely fulfill this dark prediction. Now, as the region struggles to rebuild broken homes and levees and lives, it is painful to acknowledge that an entirely new threat is coming to the vulnerable Gulf region. And if I have any credibility as a writer after publishing *Bayou Farewell* in 2003, trust me when I say that this other thing is really, really, really big. It is, of course, global climate change.

Our use of fossil fuels is heating the atmosphere, which is creating two phenomena of particular concern to the Gulf region. The first is sea-level rise. It's practically guaranteed that the Gulf of Mexico will rise 1-3 feet in the coming decades unless global climate change is quickly tamed. The rise could eventually be a full *23 feet* if the Greenland ice sheet continues its rapid meltdown. Americans from Corpus Christi to Miami would have to live behind massive levees just like New Orleans today, with all the same horrifying risks.

Second, warmer sea-surface temperatures linked to global climate change are causing hurricanes to grow in size and ferocity. This is already happening according to seven major scientific studies published just since 2005. Indeed, of the six most powerful hurricanes ever recorded in the Atlantic-Gulf region in the last 150 years, three occurred in just 52 days in 2005: Katrina, Rita, and Wilma.

Frankly, our beloved Gulf region has no viable future whatsoever without a rapid regional, national, and international switch to clean, efficient energy to fight global warming. Even if all the recovery challenges related to the last hurricanes were magically resolved tomorrow – full funding for first-rate levees, a complete restoration of all barrier islands and wetlands, and a permanent and fair resolution to all insurance issues – even if this were to happen, but we did nothing to arrest climate change, what would it matter? A crushing wave of sea-level rise would soon wash away most of our good work and multiple Katrinas per summer would take care of the rest.

The truth is the Gulf Coast needs repaired levees in New Orleans *and* wind farms all across America. It needs a competent FEMA *and* 100 mpg cars from Detroit. And the region needs a utility like Entergy. In this part of America so vulnerable to global climate change, Entergy has admirably stepped to the plate. It is one of the first utilities in the country to significantly reduce its own greenhouse gas emissions as a matter of policy. And it was *the* first to call for a national policy of mandatory carbon dioxide reductions.

If we want to preserve the treasures of the Gulf South – jazz and gumbo, crawfish and Cajun culture, sport fishing and shrimp trawlers – we have to do more than just recover fully from Katrina and Rita. We have to defuse the greenhouse gas time bomb. Entergy has taken a good first step. The rest of America must follow quickly.

A stipend in the amount of $2,000 has been paid to Mike Tidwell and an honorarium in the amount of $3,000 has been donated to the Chesapeake Climate Action Network by Entergy Corporation on behalf of Mike Tidwell.

The Defining Economic Opportunity of the 21st Century

Fred Krupp
President, Environmental Defense

Big transitions almost always bring economic opportunity. That was true when oil first took center stage in the global economy – think of how many industries and how much wealth were created out of that change – and it will be just as true as the world moves into a low-carbon future. The technologies and fuels developed to meet the demand for clean energy will be the great wealth generators of the 21st century. The race to create them is already underway in Europe, where a cap on carbon emissions is focusing investment and innovation into this sector, and will begin in earnest in the U.S. as soon as we commit to a cap.

Every year we postpone capping greenhouse gas emissions, we fail to create the price signal that will drive cash and creativity. When we enact a cap, we will engage the world's most powerful economy to solve the world's most critical environmental problem. In doing so, we reaffirm our status as the world's technology and innovation leader. Where others think of the challenge of global warming and see doom and gloom, I see opportunity: to do the right thing for the planet; to do the right thing for our economy. The key is to take action now.

To avoid the worst impacts of global climate change (sadly it is too late to avoid all impacts), the nations of the world collectively need to reverse global growth of greenhouse gas emissions, and the United States – as the world's biggest emitter – will need to make cuts on the order of those recently enacted by California Governor Arnold Schwarzenegger, 80 percent by mid-century.

A study by the Princeton Environment Institute concludes that cutting emissions and stabilizing the amount of greenhouse gases in the atmosphere will require an array of new energy generation technologies and efficiency measures. Companies prepared to offer low and zero-carbon solutions to our world's energy needs will enjoy substantial competitive advantage over those that continue to invest in the carbon-intensive technologies of the past.

And it is not just environmental advocates and academics that share this view. This past year, we have seen major investment banks launch multi-billion dollar clean energy funds, venture capitalists direct hundreds of millions of dollars into "next generation" energy technologies, and CO_2 emissions trading enter the lexicon of commodity brokers in London, Chicago, and New York.

What we are witnessing is the beginning of a new economic paradigm where the value of avoided greenhouse gas emissions is a factor in investment decisions. As the U.S. demonstrated with the sulfur dioxide trading program to combat acid rain (a program Environmental Defense helped write), – when emissions are capped, and companies are allowed to trade allowances, we get pollution reductions much faster and cheaper than from a patchwork of government mandates or subsidies. Ironically, it is the Europeans, not the Americans, who now lead the way in implementing a cap-and-trade solution to the problem of global climate change, but I am increasingly confident that, after years of inaction, the United States will soon launch a national CO_2 cap-and-trade program of our own.

Certainly, U.S. action cannot come too soon. Every year of delay results in more greenhouse gases in the atmosphere, exacerbating an already critical problem, and increasing the probability that abrupt measures will be required to prevent dramatic and negative impacts to the global climate.

Entergy Corporation's offer of an honorarium was declined by Fred Krupp.

A Call for New Approaches, New Technologies

David Victor, Ph.D.
Director, Program on Energy and Sustainable Development, Stanford University

Over the last half-decade the U.S. debate on climate change has shifted from wrangling over whether to act. The science has improved and public awareness of climate dangers has grown.

Many efforts to limit emissions are already under way. Large and growing regulatory programs are in place in Europe and Japan. The European effort is particularly interesting because it caps emissions from industry (which accounts for nearly half of Europe's total effluent of carbon dioxide, the leading human cause of global warming) and allows firms to trade emission credits. Active carbon markets have emerged in Europe, and a full blown European cap-and-trade system will be in effect from 2008.

The U.S. has been slower to respond, but policies are taking shape here as well. In the vacuum left by the lack of any credible federal effort, many states – mainly the northeast and the far west – have adopted their own policies. And over the next few years Congress is likely to approve a truly national strategy that, most likely, will include a cap-and-trade system. With time and experience, the U.S. and European and other carbon trading systems probably will be stitched together into a more global scheme.

While a start, these efforts are far from enough. The European program will keep emissions roughly flat; the U.S. effort, because the U.S. economy is stronger, will at best only slow the growth in emissions. Emissions from developing countries, which account for about half the global total, will be largely untouched. That is worrisome because deeper cuts in emissions – perhaps by half over the next 50 years – will be needed to avoid the greatest risks of climate change. Failure could force humanity to adapt to a change in climate that is greater than any seen in human history, with unknown cost. For fragile societies and ecosystems such an abrupt change could be catastrophic.

Governments and firms must complement the existing effort with a more aggressive investment in radical new technologies, such as advanced nuclear reactors, new schemes for burning coal with much lower atmospheric emissions, ultra-efficient energy systems, and novel schemes for renewable energy. These basic investments will lower the cost of controlling emissions in the future. That, in turn, will make it politically and economically more palatable to tighten the screws on emissions.

New approaches are also needed to engage developing countries. These nations have understandably put a higher priority on economic development than on more distant and uncertain risks of global climate change. The keystone to these efforts is coal, the most emission-intensive of the major fossil fuels. The largest and most rapidly growing of these countries, China and India, already use prodigious amounts of coal and have massive expansion plans.

The good news is that it is possible to help these countries use coal more efficiently and to move beyond coal to less carbon-intensive energy systems, powered by natural gas, renewables, and nuclear fission. Western technology and investment is already flowing into these countries, to a degree, because clean energy systems are already in their interest to build. But the effort could be much greater if business and government were to focus on clearing the roadblocks, such as in technology sharing, in assuring reliable global supplies of natural gas, and creating a more viable global nuclear fuel cycle. These policies, which are rarely ever called "climate change policy," are the key to making deep reductions in the developing world that will help protect the climate.

The climate challenge will prove among the most difficult that society has addressed. It requires a sustained investment over many decades, with costs paid today while benefits are realized fully only in the distant future. And it demands cooperation on a truly global scale. The challenges are great, but the seeds of a serious effort are being planted and, with diligence, a radically different energy system will emerge – one that delivers extremely clean energy services, notably electricity, with almost no harmful environmental emissions.

An honorarium in the amount of $5,000 has been donated to the Atlantic Salmon Foundation by Entergy Corporation on behalf of David Victor, Ph.D.

A Post-2012 International Agreement

Eileen Clausen
President, Pew Center on Global Climate Change

Climate change is a global challenge that requires a truly global solution. To avoid dangerous changes in the climate, it is crucial that the world community strengthen its efforts to develop a fair and effective system to reduce greenhouse gas emissions. With the binding commitments established under the Kyoto Protocol set to expire in 2012, two critical steps are needed. First, the United States must adopt mandatory domestic greenhouse gas reduction targets and re-engage productively in international negotiations. Second, a new agreement must be reached committing all major economies to contribute their fair share to the global effort.

The future of the international climate effort hinges in large measure on the United States, which is responsible for 20 percent of energy-related global emissions and 30 percent of cumulative global emissions since 1850. The lack of meaningful action so far by the United States has dealt a double-edged blow to international efforts to address climate change. On the one hand, U.S. emissions continue to rise unabated. On the other, its inaction makes it less likely that other nations – particularly China and India – will take steps to curb their own emissions.

The United States can quickly reverse its record by adopting binding domestic reduction targets and pledging to re-engage in international negotiations. As an initial step, the Senate should pass the bipartisan resolution introduced by Senators Joseph Biden (D-Delaware) and Richard Lugar (R-Indiana), the bipartisan leadership of the Senate Foreign Relations Committee, calling for the United States to participate in negotiations under the UN Framework Convention on Climate Change to "establish mitigation commitments" by all major GHG-emitting countries. Passage by the Senate would send an important signal to the international community that the United States is ready to join the rest of the world in working toward climate change solutions.

To help develop workable options for a post-2012 agreement, the Pew Center on Global Climate Change brought together 25 senior policymakers and stakeholders from 15 countries in the Climate Dialogue at Pocantico. The group's report calls for engaging all major economies through a flexible framework allowing them to take on different types of commitments appropriate to their national circumstances, such as stage of economic development, energy resources, and emissions profile. Commitment types could include emission targets, sectoral agreements, policy (non-target) commitments, and technology cooperation.

To set the stage for such an agreement, the Pocantico group urged an informal, high-level dialogue among the major economies to reach a broad political consensus on the general nature and scope of future multilateral efforts. Based on that consensus, formal agreements would be negotiated under the Framework Convention. Achieving such a consensus will require concessions all around, from developing and developed countries alike.

Finally, real consensus will be possible only by reaching beyond the circle of players historically active in climate negotiations to constituencies and decision-makers in realms such as finance, trade, energy, and economic development. In particular, it is critical that the corporate community get more deeply engaged. Particularly with respect to technology, the private sector's experience and expertise are invaluable to governments. The Pew Center and its Business Environmental Leadership Council (BELC), of which Entergy is a valued member, will continue to contribute all they can, working closely with key governments and stakeholders toward lasting solutions.

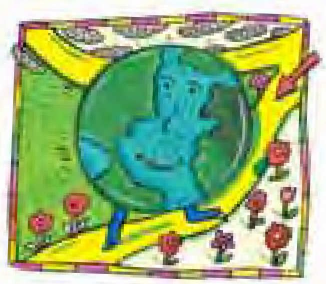
An honorarium in the amount of $5,000 has been donated to the National Public Radio by Entergy Corporation on behalf of Eileen Clausen.

OUR POINT OF VIEW IS CLEAR.

We're Taking the Right Path Forward.

Policy

At Entergy, we adhere to the principles of sustainable growth in all our operations. We aspire to deliver top-quartile returns to our owners while simultaneously making progress toward specific societal goals. We don't believe the pursuit of both goals is mutually exclusive. With extensive market knowledge and sophisticated analysis, we maintain clear points of view on external variables – like environmental policy – that impact our operations and we are guided by those points of view in our strategies and actions. All investments, including socially-oriented ones, are expected to meet our financial aspirations for long-term value creation.



The Science

We have long believed the scientific evidence on global climate change was more than sufficient to act to curb greenhouse gases. In fact, we voluntarily committed to cap our own emissions at the level in 2000 and have exceeded our goal since then. We respect the fact that scientists tend to be skeptics and conservative in their assessments. Truth as defined by the scientific community is a concept none of us in the business community ever has the luxury of experiencing before we are forced to take action. There is always the risk of being wrong, but the risk or lost opportunity that comes from doing nothing is almost never acceptable.

We believe the evolving direction of the scientific assessments on climate change is correct. But achieving "truth" as defined by science will always lag the necessary actions to stay ahead of global climate change. Greenhouse gases stay in the atmosphere for decades to centuries and the climate is widely known to act more like a switch than a dial. In particular, we believe current estimates of sea-level rise could ultimately prove to be very conservative, potentially by many multiples. Because of amplifying processes inherent to the climate system, we believe continued global warming will cause ice flow from Greenland and the West Antarctica Ice Sheet to accelerate. This process is already happening, but since scientists cannot agree on how to model it, they have not accounted for it in the sea-level rise projections. As a result, we believe the current forecasts will prove to be substantially low.

The Risk

Regardless of whether the forecasts for temperature or sea-level rise or climate change are conservative, no business schooled in risk management would ever consciously accept a proposition with a distribution curve of potential outcomes as risky and one-sided as even the current models of global climate change would suggest. The potential outcomes are decidedly asymmetric to the negative (any potential positives are reserved for high latitude regions and are temporary at best) and display what every company would see as a "deal killer," a fat tail (large probability of a catastrophic outcome) that it is impossible to hedge against.

We don't have an easy exit strategy (like another planet we can escape to) nor do we have an offsetting "hedge" we could execute like emitting huge quantities of particulate aerosols into the atmosphere to block some solar energy (which carries its own set of evils). In short, it is and always will be, our lack of the ultimate truth that is the most compelling reason to act sooner and more aggressively than science might tell us. The downside of doing nothing or delay and being “wrong” is a “bet the planet” strategy. No rational person takes that bet.

The Business Case

Our service territory, which already loses one acre every 34 minutes due to coastal erosion, was devastated with 120,000 square miles of damage from hurricanes Katrina and Rita. There is growing evidence of a link between increasing hurricane activity and global warming. With the science pointing in the direction of continued intensification of hurricanes, Katrina and Rita with their tremendous damage and loss of life offer an early indication of what to expect in the future. As a responsible society that watched in horror at the devastation of Hurricane Katrina, can we knowingly accept the risk that larger, more intense hurricanes, fueled by a warmer world will not only make their way deep into the mid-south by traveling up the Mississippi River, but also ultimately subject entire coastal populations to the same kind of risk? As sea levels rise, coastal regions will be subject to the major threat of a giant storm surge. The destruction in our area of the nation alone, will be unprecedented on American soil. The Business Case is simple. As a company serving the Gulf Coast, billions of dollars of investment, our customer base, the welfare of our employees, their families and our communities are all in peril.

Our Point of View / What to Do

We believe that a healthy, protected environment is not free but rather requires positive action by individuals, industry and government. It is the classic tragedy of the commons. When actions are taken like installing pollution-control equipment, the costs are apparent. However, when there are no limits placed on the amount of greenhouse gases pumped into the atmosphere, costs accrue to the most innocent, including future generations. Many of those costs are borne disproportionately by less affluent populations living near coastal regions – the very communities in which our utility and nuclear businesses operate.

Given our strong point of view on the environment, there are two broad strategies we are pursuing at Entergy. First, we are taking action to reduce our impact on global climate change. We already have one of the lowest CO_2 emission rates among our peers. As of 2005, we were the fifth lowest among the largest 100 power generators in the United States. In 2006, we made our second five-year commitment to voluntarily stabilize our CO_2 emissions at 20 percent below 2000 levels from 2006 to 2010 after successfully completing our first commitment with emission levels that were 23 percent lower than our target. These results were achieved at a time when business as usual would have meant a steady four percent per year increase in absolute emissions as we grew our business. We are also exploring a number of other actions to combat global climate change including:

- Expanding our use of safe, emission-free nuclear generation through high capacity factors, uprates and the construction of new nuclear facilities
- Using newer, more efficient generation technologies such as combined-cycle gas turbine plants
- Investing in equipment upgrades, carbon sequestration projects and carbon credits to lower CO_2 emissions
- Considering the future cost of carbon when making investment decisions
- Encouraging energy efficiency
- Seeking opportunities to expand utilization of renewable resources

Second, we are aggressively advocating positive actions on global climate changes at all levels of government and within our communities. We participate in 10 organizations advocating equitable regulation of greenhouse gases in all industries. Other examples include:

- Supporting and encouraging energy conservation by our customers through online tools, weatherization and other energy efficiency programs
- Committing resources for environmental stewardship grants to 30 organizations within our utility region
- Launching a solar schools program in New Orleans in partnership with Nike, Shell, Environmental Resources Trust and Global Green
- Using the Environmental Initiatives fund to help create new and innovative greenhouse gas offset market mechanisms that cost effectively achieve climate benefits while also leveraging benefits for the communities we serve

In addition, in August 2006, Entergy was the only utility in the industry to file an amicus curiae (friend of the court) brief with the U.S. Supreme Court in Massachusetts vs. EPA. In this brief, Entergy supported the plaintiffs' position that the EPA has authority and responsibility to regulate CO_2 as an air pollutant under the existing Clean Air Act.

This is the defining issue of our generation. In a recent survey by PricewaterhouseCoopers, CEOs of North American-based companies ranked near the bottom of the world in their concern for climate change. Of the more than 1,000 CEOs surveyed worldwide, the ***average*** voicing concern on climate change was 40 percent, with Asia Pacific CEOs at 58 percent. Only 18 percent of North American CEOs voiced such concern. You owe it to yourself to be well-informed on both sides of this debate. If you decide that it is too early to address climate change or simply that any cost to the economy is too large to accept at this point in time, that is your right. If you believe, as we do, that taking no action is a decision that our own lives are more important than our children or grandchildren, and if you refuse to be part of that or remembered for that, then send that message to our elected officials. It is your choice, your vote. And both will matter.

J. Wayne Leonard
Chairman and CEO
Entergy Corporation

F I N A N C I A L R E V I E W

CONTENTS

Financial Review

FORWARD-LOOKING INFORMATION

In this report and from time to time, Entergy makes statements as a registrant concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "intends," "plans," "predicts" and "estimates" and similar expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although Entergy believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of Texas legislation, and other regulatory proceedings, including those related to Entergy's System Agreement, Entergy's utility supply plan, recovery of storm costs, and recovery of fuel and purchased power costs
- Entergy's and its subsidiaries' ability to manage their operation and maintenance costs
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the implementation of the independent coordinator of transmission that includes Entergy's utility service territory, and the application of market power criteria by the FERC
- the economic climate, and particularly growth in Entergy's service territory
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of Hurricanes Katrina and Rita and recovery of costs associated with restoration including Entergy's ability to obtain financial assistance from governmental authorities in connection with these storms
- the outcome of the Chapter 11 bankruptcy proceeding of Entergy New Orleans, and the impact of this proceeding on other Entergy companies
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria
- changes in inflation, and interest rates
- Entergy's ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms
- prices for power generated by Entergy's unregulated generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, and the prices and availability of fuel and power Entergy must purchase for its utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the northeastern United States
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities
- changes in law resulting from the new federal energy legislation, including the effects of PUHCA repeal
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- advances in technology
- the potential effects of threatened or actual terrorism and war
- the effects of Entergy's strategies to reduce tax payments
- the effects of litigation and government investigations
- changes in accounting standards and corporate governance
- Entergy's ability to attract and retain talented management and directors

GAAP TO NON-GAAP RECONCILIATION

Earnings Per Share	2006	2005
As-Reported	$5.36	$ 4.19
Less Special Items	$0.64	$(0.21)
Operational	$4.72	$ 4.40

FIVE-YEAR SUMMARY *of* SELECTED FINANCIAL *and* OPERATING DATA

In thousands, except percentages and per share amounts	2006	2005	2004	2003	2002
SELECTED FINANCIAL DATA:					
Operating revenues	$10,932,158	$10,106,247	$ 9,685,521	$ 9,032,714	$ 8,299,052
Income from continuing operations	$ 1,133,098	$ 943,125	$ 909,565	$ 804,273[(a)]	$ 609,915
Earnings per share from continuing operations					
Basic	$ 5.46	$ 4.49	$ 4.01	$ 3.55	$ 2.73
Diluted	$ 5.36	$ 4.40	$ 3.93	$ 3.48	$ 2.68
Dividends declared per share	$ 2.16	$ 2.16	$ 1.89	$ 1.60	$ 1.34
Book value per share, year-end	$ 40.45	$ 37.31	$ 38.25	$ 38.02	$ 35.24
Common shares outstanding:					
At year-end	202,668	207,529	216,829	228,898	222,422
Weighted average – basic	207,457	210,142	226,864	226,804	223,047
Weighted average – diluted	211,452	214,441	231,194	231,146	227,303
Total assets	$31,082,731	$30,857,657	$ 28,310,777	$28,527,388	$ 27,504,366
Long-term obligations[(b)]	$ 8,996,620	$ 9,013,448	$ 7,180,291	$ 7,497,690	$ 7,488,919
Preferred stock	$ 355,413	$ 459,924	$ 382,756	$ 355,189	$ 358,664
Long-term debt (excluding currently maturing debt)	$ 8,798,087	$ 8,824,493	$ 7,016,831	$ 7,322,940	$ 7,308,649
Return on average common equity	14.21%	11.20%	10.70%	11.21%	7.85%
Net cash flow provided by operating activities	$ 3,419,415	$ 1,467,808	$ 2,929,319	$ 2,005,820	$ 2,181,703
UTILITY ELECTRIC OPERATING REVENUES:					
Residential	$ 3,193,351	$ 2,911,119	$ 2,841,517	$ 2,682,802	$ 2,439,590
Commercial	2,317,943	2,041,038	2,045,382	1,882,060	1,672,964
Industrial	2,630,386	2,419,465	2,311,185	2,081,781	1,850,476
Governmental	154,407	140,395	199,631	194,998	179,508
Total retail	8,296,087	7,512,017	7,397,715	6,841,641	6,142,538
Sales for resale[(c)]	611,943	656,287	388,899	371,646	330,010
Other	154,740	278,526	145,963	183,888	173,866
Total	**$ 9,062,770**	**$ 8,446,830**	**$ 7,932,577**	**$ 7,397,175**	**$ 6,646,414**
UTILITY BILLED ELECTRIC ENERGY SALES (GWH):					
Residential	31,665	31,569	32,897	32,817	32,581
Commercial	25,079	24,401	26,468	25,863	25,354
Industrial	38,339	37,615	40,293	38,637	41,018
Governmental	1,580	1,568	2,568	2,651	2,678
Total retail	96,663	95,153	102,226	99,968	101,631
Sales for resale[(c)]	10,803	11,459	8,623	9,248	9,828
Total	**107,466**	**106,612**	**110,849**	**109,216**	**111,459**

(a) Before cumulative effect of accounting changes.
(b) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and non-current capital lease obligations.
(c) Includes sales to Entergy New Orleans, which was deconsolidated in 2006 and 2005. See Note 18 to the financial statements.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS

Entergy operates primarily through two business segments: Utility and Non-Utility Nuclear.

- **UTILITY** generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **NON-UTILITY NUCLEAR** owns and operates five nuclear power plants located in the northeastern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the non-nuclear wholesale assets business. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with Entergy's market-based point-of-view.

Following are the percentages of Entergy's consolidated revenues and net income generated by its operating segments and the percentage of total assets held by them:

	% of Revenue		
Segment	2006	2005	2004
Utility	84	84	84
Non-Utility Nuclear	14	14	14
Parent Company &			
Other Business Segments	2	2	2

	% of Net Income		
Segment	2006	2005	2004
Utility	61	73	71
Non-Utility Nuclear	27	31	27
Parent Company &			
Other Business Segments	12	(4)	2

	% of Total Assets		
Segment	2006	2005	2004
Utility	81	82	81
Non-Utility Nuclear	17	16	16
Parent Company &			
Other Business Segments	2	2	3

HURRICANE KATRINA AND HURRICANE RITA

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to large portions of the Utility's service territory in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area. The storms and flooding resulted in widespread power outages, significant damage to electric distribution, transmission, and generation and gas infrastructure, and the loss of sales and customers due to mandatory evacuations and the destruction of homes and businesses. Total restoration costs through December 31, 2006 for the repair or replacement of the Utility's electric and gas facilities damaged by Hurricanes Katrina and Rita and for business continuity are $1.48 billion (including $38 million of AFUDC). The costs include $828 million in construction expenditures and $654 million recorded originally as regulatory assets. Entergy recorded regulatory assets in accordance with its accounting policies because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable, based on historic treatment of such costs in the Utility's service territories and communications with local regulators. These costs do not include other potential incremental losses, such as the inability to recover fixed costs scheduled for recovery through base rates, which base rate revenue was not received due to a loss of anticipated sales. For instance, at Entergy New Orleans, the Utility operating company that continues to experience a reduction in the level of cost recovery due to lost customers caused by Hurricane Katrina, Entergy estimates that lost net revenue due to Hurricane Katrina will total approximately $194 million through 2007. In addition, Entergy estimates that the hurricanes caused $38 million of uncollectible Utility customer receivables. Entergy estimates that its additional storm restoration spending, excluding Entergy New Orleans, will be approximately $60 million.

Entergy New Orleans has spent approximately $188 million on storm restoration through December 31, 2006, and estimates that it will ultimately spend approximately $275 million. Entergy New Orleans also incurred $22 million of uncollectible accounts receivable because of Hurricane Katrina. The storm restoration cost estimate includes approximately $80 million in spending for accelerated rebuilding of the gas system in New Orleans that Entergy New Orleans expects will be necessary due to massive salt water intrusion into the system caused by the flooding in New Orleans. The salt water intrusion is expected to shorten the life of the gas system, making it necessary to rebuild that system over time, earlier than otherwise would be expected. The storm restoration cost estimate given above does not include the longer-term spending expected for the gas rebuild project. Entergy New Orleans currently estimates the additional longer-term costs to rebuild the gas system to be $385 million, with the project extending for many years into the future.

Entergy is pursuing a broad range of initiatives to recover storm restoration and business continuity costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for damage caused by Hurricanes Katrina and Rita, and, as noted above, pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies, in combination with securitization. Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans have filed with their respective retail regulators for recovery of storm restoration costs. The proceedings are discussed in Note 2 to the financial statements.

See Note 8 to the financial statements for a discussion of Entergy's non-nuclear property insurance program. Entergy is currently evaluating the amount of the covered losses for each of the affected Utility operating companies, working with insurance adjusters, and preparing proofs of loss for both Hurricanes Katrina and Rita. There is an aggregation limit of $1 billion for all parties insured by OIL, Entergy's primary insurer, for any one occurrence, and Entergy has been notified by OIL that it expects claims for Hurricanes Katrina and Rita to materially exceed this limit. The Utility operating companies have received $51.5 million through December 31, 2006 on their insurance claims. Entergy currently estimates that its remaining net insurance recoveries for the losses caused by the hurricanes, including the effect of the OIL aggregation limit being exceeded, will be approximately $350 million. Entergy currently expects to receive payment for the majority of its estimated insurance recoveries related to Hurricanes Katrina and Rita through 2009.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

In December 2005, the U.S. Congress passed the Katrina Relief Bill, a hurricane aid package that includes $11.5 billion in Community Development Block Grants (for the states affected by Hurricanes Katrina, Rita, and Wilma) that allows state and local leaders to fund individual recovery priorities. The bill includes language that permits funding to be provided for infrastructure restoration.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

Entergy Mississippi filed a request with the Mississippi Development Authority for CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs and received $81 million in October 2006.

Entergy New Orleans, Entergy Louisiana, and Entergy Gulf States-Louisiana provided justification statements to state and local officials in March 2006 and presented revised justification statements to the Louisiana Recovery Authority (LRA) in September 2006. The statements include the estimated costs of Hurricanes Katrina and Rita damage, as well as for Entergy New Orleans a lost customer base component intended to help offset the need for storm-related rate increases. The statements include justification for CDBG funding of $592 million for Entergy New Orleans, $539 million for Entergy Louisiana, and $183 million for Entergy Gulf States-Louisiana.

In October 2006, the LRA Board endorsed a resolution proposing to allocate $200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to provide rate relief for Entergy New Orleans customers. The proposal was developed as an action plan amendment and published for public comment. State lawmakers approved the action plan in December 2006, and the U.S. Department of Housing and Urban Development approved it in February 2007. In addition, the City Council must review and certify the amount of Entergy New Orleans' eligible storm costs before an application can be filed with the LRA and CDBG funding can be released to Entergy New Orleans. Entergy New Orleans filed applications seeking City Council certification of $210 million in storm-related costs incurred through December 2006. Entergy New Orleans has supplemented this request to include the estimated future cost of the gas system rebuild. In January 2007, the City Council passed a resolution in which it stated its intent to render a decision in the certification proceeding by March 2007.

ENTERGY NEW ORLEANS BANKRUPTCY

Because of the effects of Hurricane Katrina, on September 23, 2005, Entergy New Orleans filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Louisiana seeking reorganization relief under the provisions of Chapter 11 of the United States Bankruptcy Code (Case No. 05-17697). Entergy Corporation owns 100 percent of the common stock of Entergy New Orleans, has continued to supply general and administrative services through Entergy Services, and has provided debtor-in-possession financing to Entergy New Orleans. Uncertainties surrounding the nature, timing, and specifics of the bankruptcy proceedings, however, caused Entergy to deconsolidate Entergy New Orleans and reflect Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change did not affect the amount of net income Entergy records from Entergy New Orleans' operations for any current or prior period, but did result in Entergy New Orleans' net income for 2005 and 2006 being presented as "Equity in earnings (loss) of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for periods prior to 2005. Entergy has reviewed the carrying value of its equity investment in Entergy New Orleans to determine if an impairment has occurred as a result of the storm, the flood, the power outages, restoration costs, and changes in customer load. Entergy determined that no impairment has occurred because management believes that cost recovery is probable. Entergy will continue to assess the carrying value of its investment in Entergy New Orleans as developments occur in Entergy New Orleans' recovery efforts.

On February 5, 2007, Entergy New Orleans filed an amended plan of reorganization and a disclosure statement with the bankruptcy court. The bankruptcy court entered an order on February 13, 2007 that approves the adequacy of Entergy New Orleans' disclosure statement. The Unsecured Creditors' Committee also filed a plan of reorganization on February 5, 2007. The Unsecured Creditors' Committee's plan is similar in some respects to Entergy New Orleans' plan, but contains several differences. The significant differences are noted below. A hearing regarding confirmation for both plans of reorganization is scheduled for May 3 and 4, 2007.

Entergy New Orleans' plan of reorganization reflects its continuing effort to work with federal, state, and local authorities to resolve the bankruptcy in a manner that allows Entergy New Orleans' customers to be served by a financially viable entity as required by law. The plan of reorganization provides full compensation to Entergy New Orleans' creditors whose claims are allowed by the bankruptcy court. Conditions precedent proposed in Entergy New Orleans' plan of reorganization before it can become effective include:

- A final confirmation order from the bankruptcy court approving the plan of reorganization;
- Receipt by Entergy New Orleans of insurance proceeds of at least $50 million;
- Receipt by Entergy New Orleans of $200 million in CDBG funding; and
- No material adverse change shall have occurred from and after the confirmation date of the plan of reorganization.

In addition, key factors that will continue to influence the timing and outcome of Entergy New Orleans' recovery efforts include the level of economic recovery of New Orleans and the number of customers that return to New Orleans, including the timing of their return. Entergy New Orleans currently estimates that approximately 95,000 electric customers and 65,000 gas customers have returned and are taking service. Prior to Hurricane Katrina, Entergy New Orleans had approximately 190,000 electric customers and 144,000 gas customers.

The Unsecured Creditors' Committee's plan does not contain the conditions precedent regarding receipt by Entergy New Orleans of insurance proceeds and CDBG funds. Instead, the Unsecured Creditors' Committee's plan proposes exit financing of up to $150 million, with a maturity of up to 5 years, and with an estimated interest rate of 10.5%, increasing by 1% per year. Obtaining this exit financing is a condition precedent to the Unsecured Creditors' Committee's plan.

The bankruptcy judge set a date of April 19, 2006 by which creditors with prepetition claims against Entergy New Orleans, with certain exceptions, had to file their proofs of claim in the bankruptcy case. Approximately 560 claims, including amending claims, have been filed thus far in Entergy New Orleans' bankruptcy proceeding. Entergy New Orleans is currently analyzing the accuracy and validity of the claims filed, and is seeking withdrawal or modification of claims or objecting to claims with which it disagrees. Several of the filed claims have been withdrawn or disallowed by the bankruptcy court. Entergy New Orleans currently estimates that the prepetition claims that will be allowed in the bankruptcy case will approximate the prepetition liabilities currently recorded by Entergy New Orleans.

Entergy New Orleans' plan of reorganization proposes to pay the third-party prepetition accounts payable in full in cash and to issue three-year notes in satisfaction of the affiliate prepetition accounts payable, and proposes that its first mortgage bonds will remain outstanding with their current maturity dates and interest terms. The plan of reorganization proposes that Entergy New Orleans' preferred stock will also remain outstanding on its current dividend terms, with payment of unpaid preferred dividends in arrears. The Unsecured Creditors' Committee's plan is similar, but would pay the affiliate prepetition accounts payable in cash.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

Entergy New Orleans' plan of reorganization proposes to pay interest from September 23, 2005 on the third-party and affiliate accounts payable at the Louisiana judicial rate of interest in 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% thereafter. The Louisiana judicial rate of interest is 9.5% for 2007. Pursuant to an agreement with the first mortgage bondholders, Entergy New Orleans' plan of reorganization also proposes to pay the first mortgage bondholders an amount equal to the one year of interest from the bankruptcy petition date that the bondholders had waived previously in the bankruptcy proceeding. As approved by the bankruptcy court, Entergy New Orleans has begun paying interest accruing after September 23, 2006 on its first mortgage bonds. In the fourth quarter 2006 Entergy New Orleans accrued for the interest from September 23, 2005 through December 2006 and for the proposed payment to the bondholders in the amount of the one year of waived interest.

Municipalization is one potential outcome of Entergy New Orleans' recovery effort that may be pursued by a stakeholder or stakeholders, even after Entergy New Orleans exits from bankruptcy. In June 2006, the Louisiana Legislature passed a law that establishes a governance structure for a public power authority, if municipalization of Entergy New Orleans' utility business is pursued. Entergy New Orleans' October 2006 settlement approved by the City Council allowing phased-in rate increases through 2008, discussed in "Significant Factors and Known Trends", provides that Entergy New Orleans will work with the City Council to seek an exception to the Stafford Act that will afford Stafford Act protections to Entergy New Orleans if another catastrophic event affects Entergy New Orleans. The Stafford Act provides for restoration funding from the federal government for municipal and cooperative utilities, but does not allow such funding for investor-owned utilities like Entergy New Orleans.

RESULTS OF OPERATIONS

2006 Compared to 2005

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2006 to 2005 showing how much the line item increased or (decreased) in comparison to the prior period (in thousands):

	Utility	Non-Utility Nuclear	Parent & Other	Entergy
2005 Consolidated Net Income (Loss)	**$659,760**	**$282,623**	**$ (44,052)**	**$ 898,331**
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges (credits) – net)	195,681	114,028	3,952	313,661
Other operation and maintenance expenses	177,725	49,264	(13,831)	213,158
Taxes other than income taxes	38,662	8,489	(1,111)	46,040
Depreciation	19,780	13,215	(1,580)	31,415
Other income	44,465	27,622	65,049	137,136
Interest charges	41,990	(3,450)	38,234	76,774
Other expenses	3,146	6,465	66	9,677
Discontinued operations (net-of-tax)	–	–	44,298	44,298
Income taxes	(72,557)	40,794	(84,477)	(116,240)
2006 Consolidated Net Income	**$691,160**	**$309,496**	**$131,946**	**$1,132,602**

Refer to "Selected Financial Data - Five-Year Comparison Of Entergy Corporation And Subsidiaries" which accompanies Entergy Corporation's financial statements in this report for further information with respect to operating statistics.

Net Revenue

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing 2006 to 2005 (in millions):

2005 Net Revenue	**$4,075.4**
Base revenues/Attala cost deferral	143.2
Fuel recovery	39.6
Pass-through rider revenue	35.5
Transmission revenue	20.8
Storm cost recovery	12.3
Volume/weather	10.6
Price applied to unbilled electric sales	(43.7)
Purchased power capacity	(34.5)
Other	11.9
2006 Net Revenue	**$4,271.1**

The base revenues variance resulted primarily from increases effective October 2005 in the Louisiana jurisdiction of Entergy Gulf States for the 2004 formula rate plan filing and the annual revenue requirement related to the purchase of power from the Perryville generating station, and increases in the Texas jurisdiction of Entergy Gulf States related to an incremental purchased capacity recovery rider that began in December 2005 and a transition to competition rider that began in March 2006. The Attala costs variance is due to the recovery of Attala power plant costs at Entergy Mississippi through the power management rider. The net income effect of the Attala cost recovery is partially offset by Attala costs in other operation and maintenance expenses, depreciation expense, and taxes other than income taxes.

The fuel recovery variance resulted primarily from adjustments of fuel clause recoveries at Entergy Gulf States – Louisiana and increased recovery in 2006 of fuel costs from retail and special rate customers.

The pass-through rider revenue variance is due to a change in 2006 in the accounting for city franchise tax revenues in Arkansas as directed by the APSC. The change results in an increase in rider revenue with a corresponding increase in taxes other than income taxes, resulting in no effect on net income.

The transmission revenue variance is primarily due to new transmission customers in 2006. Also contributing to the increase was an increase in rates effective June 2006.

The storm cost recovery variance is due to the return earned on the interim recovery of storm-related costs at Entergy Louisiana and Entergy Gulf States - Louisiana in 2006 as allowed by the LPSC. The storm cost recovery filings are discussed in Note 2 to the financial statements.

The volume/weather variance resulted from an increase of 1.7% in electricity usage primarily in the industrial sector. The increase was partially offset by the effect of less favorable weather on billed sales in the residential sector, compared to the same period in 2005, and a decrease in usage during the unbilled period.

The price applied to unbilled sales variance is due to the exclusion in 2006 of the fuel cost component in the calculation of the price applied to unbilled sales. Effective January 1, 2006, the fuel cost component is no longer included in the unbilled revenue calculation at Entergy Louisiana and the Louisiana jurisdiction of Entergy Gulf States, which is in accordance with regulatory treatment. See "Management's Financial Discussion And Analysis - Critical Accounting Estimates" herein.

The purchased power capacity variance is primarily due to higher capacity charges and new purchased power contracts in 2006. A portion of the variance is due to the amortization of deferred capacity costs and is offset in base revenues due to base rate increases implemented to recover incremental deferred and ongoing purchased power capacity charges, as discussed above.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2006 due to power uprates completed in 2005 and 2006 at certain plants and fewer refueling outages in 2006. Following are key performance measures for Non-Utility Nuclear for 2006 and 2005:

	2006	2005
Net MW in operation at December 31	4,200	4,105
Average realized price per MWh	$44.59	$42.39
Generation in GWh for the period	34,655	33,539
Capacity factor for the period	95%	93%

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased for the Utility from $1.471 billion in 2005 to $1.649 billion in 2006 primarily due to the following:

- an increase of $52 million in payroll and benefits costs;
- an increase of $20 million in nuclear costs as a result of higher NRC fees, security costs, labor-related costs, and a non-refueling plant outage at Entergy Gulf States in February 2006;
- an increase of $16 million in customer service support costs due to an increase in contract costs and an increase in customer write-offs;
- the receipt in 2005 of proceeds of $16 million from a settlement, which is discussed further in "Significant Factors and Known Trends - Central States Compact Claim;"
- an increase of $16 million in fossil operating costs due to the purchase of the Attala plant in January 2006 and the Perryville plant coming online in July 2005;
- an increase of $12 million related to storm reserves. This increase does not include costs associated with Hurricanes Katrina and Rita; and
- an increase of $12 million due to a return to normal expense patterns in 2006 versus the deferral or capitalization of storm costs in 2005.

Other operation and maintenance expenses increased for Non-Utility Nuclear from $588 million in 2005 to $637 million in 2006 primarily due to the timing of refueling outages, increased benefit and insurance costs, and increased NRC fees.

Taxes Other Than Income Taxes

Taxes other than income taxes increased for the Utility from $322 million in 2005 to $361 million in 2006 primarily due to an increase in city franchise taxes in Arkansas due to a change in 2006 in the accounting for city franchise tax revenues as directed by the APSC. The change results in an increase in taxes other than income taxes with a corresponding increase in rider revenue, resulting in no effect on net income. Also contributing to the increase was higher franchise tax expense at Entergy Gulf States as a result of higher gross revenues in 2006 and a customer refund in 2005.

Other Income

Other income increased for the Utility from $111 million in 2005 to $156 million in 2006 primarily due to carrying charges recorded on storm restoration costs.

Other income increased for Non-Utility Nuclear primarily due to miscellaneous income of $27 million ($16.6 million net-of-tax) resulting from a reduction in the decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of a plant will begin.

Other income increased for Parent & Other primarily due to a gain related to its Entergy-Koch investment of approximately $55 million (net-of-tax) in the fourth quarter of 2006. In 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. At that time, Entergy received $862 million of the sales proceeds in the form of a cash distribution by Entergy-Koch. Due to the November 2006 expiration of contingencies on the sale of Entergy-Koch's trading business, and the corresponding release to Entergy-Koch of sales proceeds held in escrow, Entergy received additional cash distributions of approximately $163 million during the fourth quarter of 2006 and recorded a gain of approximately $55 million (net-of-tax). Entergy expects future cash distributions upon liquidation of the partnership will be less than $35 million.

Interest Charges

Interest charges increased for the Utility and Parent & Other primarily due to additional borrowing to fund the significant storm restoration costs associated with Hurricanes Katrina and Rita.

Discontinued Operations

In April 2006, Entergy sold the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, and now reports this portion of the business as a discontinued operation. Earnings for 2005 were negatively affected by $44.8 million (net-of-tax) of discontinued operations due to the planned sale. This amount includes a net charge of $25.8 million (net-of-tax) related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems. Results for 2006 include an $11.1 million gain (net-of-tax) on the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas.

Income Taxes

The effective income tax rates for 2006 and 2005 were 28.1% and 37.3%, respectively. The lower effective income tax rate in 2006 is primarily due to tax benefits, net of reserves, resulting from the tax capital loss recognized in connection with the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch, LP. Also contributing to the lower rate for 2006 is an IRS audit settlement that allowed Entergy to release from its tax reserves all settled issues from 1996-1998. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

2005 Compared to 2004

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2005 to 2004 showing how much the line item increased or (decreased) in comparison to the prior period (in thousands):

	Utility	Non-Utility Nuclear	Parent & Other	Entergy
2004 Consolidated Net Income (Loss)	**$643,408**	**$245,029**	**$ 21,087**	**$909,524**
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges (credits) – net)	(168,559)	57,496	(16,384)	(127,447)
Other operation and maintenance expenses	(98,636)	(7,839)	(39,651)	(146,126)
Taxes other than income taxes	(22,400)	2,182	(896)	(21,114)
Depreciation	(39,883)	9,680	(6,994)	(37,197)
Other income	2,261	(6,314)	89,505	85,452
Interest charges	(19,643)	(2,783)	22,156	(270)
Other expenses	(886)	(8,897)	(44)	(9,827)
Provision for asset impairments	–	–	(55,000)	(55,000)
Discontinued operations (net-of-tax)	–	–	(44,753)	(44,753)
Income taxes	(1,202)	21,245	173,936	193,979
2005 Consolidated Net Income (Loss)	**$659,760**	**$282,623**	**$(44,052)**	**$898,331**

The uncertainties inherent in Entergy New Orleans' bankruptcy proceedings caused Entergy to deconsolidate Entergy New Orleans and reflect Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change did not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations for any current or prior period, but did result in Entergy New Orleans' net income for 2005 and 2006 being presented as "Equity in earnings (loss) of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for 2004. Transactions in 2005 and 2006 between Entergy New Orleans and other Entergy subsidiaries are not eliminated in consolidation as they are in 2004. The variance explanations for 2005 compared to 2004 below reflect the 2004 results of operations of Entergy New Orleans as if it were deconsolidated in 2004, consistent with the 2005 presentation as "Equity in earnings (loss) of unconsolidated equity affiliates." Entergy's as reported consolidated results for 2004 and the amounts included in those consolidated results for Entergy New Orleans, which exclude inter-company items, are set forth in the table below (in thousands):

	For the Year Ended December 31, 2004	
	Entergy Corporation and Subsidiaries (as-reported)	Amounts required to deconsolidate Entergy New Orleans in 2004*
Operating Revenues	$ 9,685,521	$(435,194)
Operating Expenses:		
Fuel, fuel-related expenses, and gas purchased for resale and purchased power	4,189,818	(206,240)
Other operation and maintenance	2,268,332	(102,451)
Taxes other than income taxes	403,635	(43,577)
Depreciation and amortization	893,574	(29,657)
Other regulatory credits – net	(90,611)	4,670
Other operating expenses	370,601	–
Total operating expenses	8,035,349	(377,255)
Other Income	125,999	(2,044)
Interest and Other Charges	501,301	(16,008)
Income from Continuing Operations Before Income Taxes and Cumulative Effect of Accounting Changes	1,274,870	(18,798)
Income Taxes	365,305	(16,868)
Consolidated Net Income	**$ 909,524**	**$ –**

* *Reflects the entry necessary to deconsolidate Entergy New Orleans for 2004. The column includes intercompany eliminations.*

Net Revenue

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing 2005 to 2004 (in millions):

2004 Net Revenue (does not include $233.6 from Entergy New Orleans)	**$4,010.3**
Price applied to unbilled sales	40.8
Rate refund provisions	36.4
Volume/weather	3.6
2004 deferrals	(15.2)
Other	(0.5)
2005 Net Revenue	**$4,075.4**

The price applied to unbilled sales variance resulted primarily from an increase in the fuel cost component included in the price applied to unbilled sales. The increase in the fuel cost component is attributable to an increase in the market prices of natural gas and purchased power. See "Critical Accounting Estimates - Unbilled Revenue" and Note 1 to the financial statements for further discussion of the accounting for unbilled revenues.

The rate refund provisions variance is due primarily to accruals recorded in 2004 for potential rate action at Entergy Gulf States and Entergy Louisiana.

The volume/weather variance includes the effect of more favorable weather in 2005 compared to 2004 substantially offset by a decrease in weather-adjusted usage due to the effects of Hurricanes Katrina and Rita and a decrease in usage during the unbilled sales period.

The 2004 deferrals variance is due to the deferrals related to Entergy's voluntary severance program, in accordance with a stipulation with the LPSC staff. The deferrals are being amortized over a four-year period effective January 2004.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2005 due to power uprates at several plants completed in 2004 and 2005 and fewer planned and unplanned outages in 2005. Following are key performance measures for Non-Utility Nuclear for 2005 and 2004:

	2005	2004
Net MW in operation at December 31	4,105	4,058
Average realized price per MWh	$42.39	$41.26
Generation in GWh for the year	33,539	32,524
Capacity factor for the year	93%	92%

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased slightly for the Utility from $1.467 billion in 2004 to $1.471 billion in 2005. The variance includes the following:

- an increase of $10 million in nuclear expenses for contract and material costs associated with maintenance outages and nuclear refueling outage pre-work;
- an increase of $10 million in miscellaneous regulatory reserves;
- an increase of $8 million in storm reserves (unrelated to Hurricanes Katrina and Rita);
- an increase of $5 million in estimated loss provisions recorded for the bankruptcy of CashPoint, which managed a network of payment agents for the Utility operating companies;
- an increase of $5 million in payroll and benefits costs which includes higher pension and post-retirement benefit costs substantially offset by incentive compensation true-ups;
- a decrease of $18 million due to a shift in labor and material costs from normal maintenance work to storm restoration work; and
- a decrease of $16 million related to proceeds received from the radwaste settlement, which is discussed further in "Significant Factors and Known Trends - Central States Compact Claim."

Taxes Other Than Income Taxes

Taxes other than income taxes increased for the Utility from $300.7 million in 2004 to $321.9 million in 2005 primarily due to higher employment taxes and higher assessed values for ad valorem tax purposes in 2005.

Other Income

Other income decreased for the Utility from $134 million in 2004 to $111.2 million in 2005 primarily due to:

- a revision in 2004 to the estimated decommissioning cost liability for River Bend in accordance with a new decommissioning cost study that reflected a life extension for the plant. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous income of $27.7 million;
- a decrease of $26.3 million in Entergy New Orleans earnings, which is now reported as an unconsolidated equity affiliate for 2005 in the "Equity in earnings (loss) of unconsolidated equity affiliates" line on the Income Statement. The decrease in Entergy New Orleans' earnings is primarily a result of the effects of Hurricane Katrina, which caused lower net revenue, partially offset by lower other operation and maintenance expenses and lower interest charges; and
- a decrease of $10.1 million at Entergy Gulf States due to a reduction in 2004 in the loss provision for an environmental clean-up site.

The decrease for the Utility was partially offset by an increase of $35.3 million in interest and dividend income due to both the proceeds from the radwaste settlement, which is discussed further in "Significant Factors and Known Trends - Central States Compact Claim," and increased interest on temporary cash investments.

Other income decreased slightly for Non-Utility Nuclear from $78 million in 2004 to $72 million in 2005. 2005 includes $15.8 million net-of-tax resulting from a reduction in the decommissioning liability for a plant, and 2004 includes $11.9 million net-of-tax resulting from a reduction in the decommissioning liability for a plant. Both of these reductions are discussed in Note 9 to the financial statements.

Other income increased for Parent & Other primarily because of a $46.4 million loss in 2004 from Entergy's investment in Entergy-Koch, primarily resulting from Entergy-Koch's trading business reporting a loss from its operations in 2004. Miscellaneous income from proceeds of $18.9 million from the sale of SO_2 allowances by the non-nuclear wholesale assets business also contributed to the increase.

Provision for Asset Impairments and Discontinued Operations

Entergy recorded a $55 million ($36 million net-of-tax) charge in 2004 as a result of an impairment of the value of the Warren Power plant, which is owned in the non-nuclear wholesale assets business. Entergy concluded that the plant's value was impaired based on valuation studies prepared in connection with the Entergy Asset Management stock sale discussed below.

Earnings for Parent & Other in 2005 were negatively affected by $44.8 million (net-of-tax) of discontinued operations due to the planned sale of the retail electric portion of Entergy's Competitive Retail Services business operating in the ERCOT region of Texas. This amount includes a net charge of $25.8 million, net-of-tax, related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems.

Income Taxes

The effective income tax rates for 2005 and 2004 were 37.3% and 28.7%, respectively. The lower effective income tax rate in 2004 is primarily due to a tax benefit resulting from the sale in December 2004 of preferred stock and less than 1% of the common stock of Entergy Asset Management, an Entergy subsidiary. An Entergy subsidiary sold the stock to a third party for $29.75 million. The sale resulted in a capital loss for tax purposes of $370 million, producing a net tax benefit of $97 million that Entergy recorded in the fourth quarter of 2004. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

LIQUIDITY AND CAPITAL RESOURCES

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

Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table. The decrease in the debt to capital percentage from 2005 to 2006 is the result of an increase in shareholders' equity, primarily due to an increase in retained earnings, partially offset by repurchases of common stock. The increase in the debt to capital percentage from 2004 to 2005 is the result of increased debt outstanding due to additional borrowings on Entergy Corporation's revolving credit

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

facility, additional debt issuances, including Entergy Corporation's equity units issuance, along with a decrease in shareholders' equity, primarily due to repurchases of common stock.

	2006	2005	2004
Net debt to net capital at the end of the year	49.4%	51.5%	45.3%
Effect of subtracting cash from debt	2.9%	1.6%	2.1%
Debt to capital at the end of the year	52.3%	53.1%	47.4%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, preferred stock with sinking fund, and long-term debt, including the currently maturing portion. Capital consists of debt, shareholders' equity, and preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition.

Long-term debt, including the currently maturing portion, makes up substantially all of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2006. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2006. The figures below include payments on the Entergy Louisiana and System Energy sale-leaseback transactions, which are included in long-term debt on the balance sheet (in millions):

Long-term Debt Maturities and Estimated Interest Payments	2007	2008	2009	2010-2011	After 2011
Utility	$453	$1,154	$ 582	$1,389	$7,219
Non-Utility Nuclear	100	36	36	71	192
Parent Company & Other Business Segments	144	410	396	1,765	–
Total	**$697**	**$1,600**	**$1,014**	**$3,225**	**$7,411**

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

In May 2005, Entergy Corporation entered into a $2 billion five-year revolving credit facility, which expires in May 2010. In December 2005, Entergy Corporation entered into a $1.5 billion three-year revolving credit facility, which expires in December 2008. Entergy Corporation also has the ability to issue letters of credit against the total borrowing capacity of both the three-year and the five-year credit facilities.

Following is a summary of the borrowings outstanding and capacity available under these facilities as of December 31, 2006 (in millions):

Facility	Capacity	Borrowings	Letters of Credit	Capacity Available
5-Year Facility	$2,000	$820	$94	$1,086
3-Year Facility	$1,500	$ –	$ –	$1,500

Entergy Corporation's credit facilities require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this debt ratio, or if Entergy or one of the Utility operating companies (other than Entergy New Orleans) default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the credit facilities' maturity dates may occur.

Capital lease obligations, including nuclear fuel leases, are a minimal part of Entergy's overall capital structure, and are discussed further in Note 10 to the financial statements. Following are Entergy's payment obligations under those leases (in millions):

	2007	2008	2009	2010-2011	After 2011
Capital lease payments, including nuclear fuel leases	$153	$186	$–	$–	$2

Notes payable includes borrowings outstanding on credit facilities with original maturities of less than one year. Entergy Arkansas, Entergy Gulf States, and Entergy Mississippi each have 364-day credit facilities available as follows (in millions):

Company	Expiration Date	Amount of Facility	Amount Drawn as of Dec. 31, 2006
Entergy Arkansas	April 2007	$85	–
Entergy Gulf States	February 2011	$50[a]	–
Entergy Mississippi	May 2007	$30[b]	–
Entergy Mississippi	May 2007	$20[b]	–

(a) The credit facility allows Entergy Gulf States to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2006, $1.4 million in letters of credit had been issued.

(b) Borrowings under the Entergy Mississippi facilities may be secured by a security interest in its accounts receivable.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition or results of operations. Following are Entergy's payment obligations as of December 31, 2006 on non-cancelable operating leases with a term over one year (in millions):

	2007	2008	2009	2010-2011	After 2011
Operating lease payments	$97	$80	$78	$123	$144

The operating leases are discussed more thoroughly in Note 10 to the financial statements.

Summary of Contractual Obligations of Consolidated Entities (in millions)

Contractual Obligations	2007	2008-2009	2010-2011	After 2011	Total
Long-term debt(1)	$ 697	$2,614	$3,225	$7,411	$13,947
Capital lease payments(2)	$ 153	$ 186	$ –	$ 2	$ 341
Operating leases(2)	$ 97	$ 158	$ 123	$ 144	$ 522
Purchase obligations(3)	$1,414	$2,127	$1,754	$3,690	$ 8,985

(1) Includes estimated interest payments. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2006. Long-term debt is discussed in Note 5 to the financial statements.

(2) Capital lease payments include nuclear fuel leases. Lease obligations are discussed in Note 10 to the financial statements.

(3) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Almost all of the total are fuel and purchased power obligations.

In addition to these contractual obligations, in 2007, Entergy expects to contribute $176 million to its pension plans, including Entergy New Orleans' contribution of $44 million, and $66 million to other postretirement plans, including Entergy New Orleans' contribution of $5 million.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, 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);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

CAPITAL EXPENDITURE PLANS AND OTHER USES OF CAPITAL

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2007 through 2009, excluding Entergy New Orleans (in millions):

	2007	2008	2009
Maintenance Capital:			
Utility	$ 776	$ 763	$ 762
Non-Utility Nuclear	97	78	82
Parent and Other	12	3	1
	885	844	845
Capital Commitments:			
Utility	406	985	482
Non-Utility Nuclear	447	172	219
	853	1,157	701
Total	**$1,738**	**$2,001**	**$1,546**

Entergy New Orleans' planned capital expenditures for the years 2007-2009 total $110 million, and in addition Entergy New Orleans expects for the years 2007-2009 to pay $109 million for capital investments related to Hurricane Katrina restoration and its gas rebuild project, of which $55 million is expected to be spent in 2007.

Maintenance Capital refers to amounts Entergy plans to spend on routine capital projects that are necessary to support reliability of its service, equipment, or systems and to support normal customer growth.

Capital Commitments refers to non-routine capital investments for which Entergy is either contractually obligated, has Board approval, or otherwise expects to make to satisfy regulatory or legal requirements. Amounts reflected in this category include the following:

- The potential construction or purchase of additional generation supply sources within the Utility's service territory through Entergy's supply plan initiative.
- The pending Palisades acquisition, which is discussed below.
- The pending $66 million Entergy Gulf States purchase of and investment in the Calcasieu plant, a 322 MW simple-cycle gas-fired power plant.
- Transmission improvements and upgrades designed to provide improved transmission flexibility in the Entergy System.
- Nuclear dry cask spent fuel storage and license renewal projects at certain nuclear sites.
- Environmental compliance spending.
- NYPA value sharing costs.

The planned construction and capital investment amounts given above include minimal amounts for initial development costs for potential new nuclear development at the Grand Gulf and River Bend sites in the Utility, including licensing and design activities. This project is in the early stages, and several issues remain to be addressed over time before significant capital would be committed to this project. From time to time, Entergy considers other capital investments as potentially being necessary or desirable in the future. Because no contractual obligation, commitment, or Board approval exists to pursue these investments, they are not included in Entergy's planned construction and capital investments. These potential investments are also subject to evaluation and approval in accordance with Entergy's policies before amounts may be spent.

In July 2006, Entergy's Non-Utility Nuclear business reached an agreement to purchase Consumers Energy Company's 798 MW Palisades nuclear energy plant located near South Haven, Michigan for $380 million. The NRC recently renewed until 2031 the Palisades' operating license. Entergy's Non-Utility Nuclear business will acquire the plant, nuclear fuel, and other assets. In the near-term, Entergy intends to finance the acquisition through borrowings under Entergy Corporation's revolving credit facilities. As part of the purchase, Entergy's Non-Utility Nuclear business also executed a 15-year purchased power agreement with Consumers Energy for 100% of the plant's output, excluding any future uprates. Entergy's Non-Utility Nuclear business will assume responsibility for eventual decommissioning of the plant. Consumers Energy will retain $200 million of the projected $566 million Palisades decommissioning trust fund balance, and Entergy may return approximately $100 million more of the trust fund to Consumers Energy depending upon a pending tax ruling. Also as part of the transaction, Consumers Energy will pay Entergy's Non-Utility Nuclear business $30 million to accept responsibility for spent fuel at the decommissioned Big Rock nuclear plant, which is located near Charlevoix, Michigan. Management expects to close the transaction in the second quarter 2007, pending the approvals of the NRC, the FERC, the Michigan Public Service Commission, and other regulatory agencies.

Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints, environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital.

The planned construction and capital investments given above do not include the costs associated with the potential interconnection between Entergy Gulf States and ERCOT that is discussed in Note 2 to the financial statements. These potential costs are currently estimated to be approximately $1 billion. The planned construction and capital investments given above also do not include the potential replacement of the Waterford 3 steam generators, which could be scheduled as early as 2011. Routine inspections of the Waterford 3 steam generators during the fall 2006 refueling outage identified degradation of certain tube spacer supports in the steam generators that required repair beyond that anticipated prior to the refueling outage inspections. Corrective measures were successfully implemented to permit continued operation of the steam generators. Future inspections of the steam generators will be scheduled to address this degradation mechanism and could result in additional planned outages, pending discussions with the NRC regarding this issue. Entergy will continue to manage steam generator component life in accordance with industry standard practices.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon Entergy's earnings, financial strength, and future investment opportunities. At its January 2007 meeting, the Board declared a dividend of $0.54 per share, which is the same quarterly dividend that Entergy has paid since the fourth quarter 2004. Entergy paid $449 million in 2006 and $454 million in 2005 in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plan, Entergy periodically grants stock options to its key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plan, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans. In addition to this authority, the Board approved a program under which Entergy was authorized to repurchase up to $1.5 billion of its common stock through 2006. Entergy completed the $1.5 billion program in the fourth quarter 2006. In 2006, Entergy repurchased 6,672,000 shares of common stock under both programs for a total purchase price of $584 million.

On January 29, 2007, the Board approved a new repurchase program under which Entergy is authorized to repurchase up to $1.5 billion of its common stock, which Entergy expects to complete over the next two years.

Debtor-in-Possession Credit Agreement

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. On December 9, 2005, the bankruptcy court issued its final order approving the DIP Credit Agreement. The credit facility provides for up to $200 million in loans. The facility enables Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. As of December 31, 2006, Entergy New Orleans had $52 million of outstanding borrowings under the DIP credit agreement.

Borrowings under the DIP credit agreement are due in full, and the agreement will terminate, at the earliest of (i) August 23, 2007, (ii) the acceleration of the loans and the termination of the DIP credit agreement in accordance with its terms, (iii) the date of the closing of a sale of all or substantially all of Entergy New Orleans' assets pursuant to either section 363 of the United States Bankruptcy Code or a confirmed plan of reorganization, or (iv) the effective date of a plan of reorganization in Entergy New Orleans' bankruptcy case.

As security for Entergy Corporation as the lender, the terms of the December 9, 2005 bankruptcy court order provide that all borrowings by Entergy New Orleans under the DIP Credit Agreement are: (i) entitled to superpriority administrative claim status pursuant to section 364(c)(1) of the Bankruptcy Code; (ii) secured by a perfected first priority lien on all property of Entergy New Orleans pursuant to sections 364(c)(2) and 364(d) of the Bankruptcy Code, except on any property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens of the lender on Entergy New Orleans' $15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition; and (iii) secured by a perfected junior lien pursuant to section 364(c)(3) of the Bankruptcy Code on all property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens in favor of the lender on Entergy New Orleans' $15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition.

The interest rate on borrowings under the DIP credit agreement will be the average interest rate of borrowings outstanding under Entergy Corporation's $2 billion revolving credit facility, which was approximately 5.7% per annum at December 31, 2006.

Sources of Capital

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

- internally generated funds;
- cash on hand ($1.02 billion as of December 31, 2006);
- securities issuances;
- bank financing under new or existing facilities; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In the following section, Entergy's cash flow activity for the previous three years is discussed.

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. As of December 31, 2006, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $396.4 million and $121.6 million, respectively. All debt and common and preferred equity issuances by the Registrant Subsidiaries require prior regulatory approval and their preferred equity and debt issuances are also subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The Registrant Subsidiaries have sufficient capacity under these tests to meet foreseeable capital needs, except for Entergy New Orleans. As stated in the conditions precedent to the effectiveness of its proposed plan of reorganization described above, Entergy New Orleans believes that it requires the receipt of CDBG funds and insurance proceeds to meet its capital requirements resulting from the effects of Hurricane Katrina.

After the repeal of PUHCA 1935, effective February 8, 2006, the FERC, under the Federal Power Act, and not the SEC, has jurisdiction over authorizing securities issuances by the Utility operating companies and System Energy (except securities with maturities longer than one year issued by (a) Entergy Arkansas, which are subject to the jurisdiction of the APSC and (b) Entergy New Orleans, which are currently subject to the jurisdiction of the bankruptcy court). Under PUHCA 2005 and the Federal Power Act, no approvals are necessary for Entergy Corporation to issue securities. Under a savings provision in PUHCA 2005, each of the Utility operating companies and System Energy may rely on the financing authority in its existing PUHCA 1935 SEC order or orders through December 31, 2007 or until the SEC authority is superseded by FERC authorization. The FERC has issued an order (FERC Short-Term Order) approving the short-term borrowing limits of the Utility operating companies (except Entergy New Orleans) and System Energy through March 31, 2008. Entergy Gulf States and Entergy Louisiana, LLC have obtained long-term financing authorization from the FERC. Entergy New Orleans may rely on existing SEC PUHCA 1935 orders for its short-term financing authority, subject to bankruptcy court approval. In addition to borrowings from commercial banks, the

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

FERC Short-Term Order authorized the Registrant Subsidiaries (except Entergy New Orleans which is authorized by an SEC PUHCA 1935 order) to continue as participants in the Entergy System money pool. The money pool is an intercompany borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short-term borrowings combined may not exceed authorized limits. As of December 31, 2006, Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was $2.0 billion, the aggregate outstanding borrowing from the money pool was $251.6 million, and Entergy's subsidiaries had no outstanding short-term borrowing from external sources. To the extent that the Registrant Subsidiaries wish to rely on SEC financing orders under PUHCA 1935, there are capitalization and investment grade ratings conditions that must be satisfied in connection with security issuances, other than money pool borrowings. See Note 4 to the financial statements for further discussion of Entergy's short-term borrowing limits.

Cash Flow Activity

As shown in Entergy's Statements of Cash Flows, cash flows for the years ended December 31, 2006, 2005, and 2004 were as follows (in millions):

	2006	2005	2004
Cash and cash equivalents at beginning of period	**$ 583**	**$ 620**	**$ 507**
Effect of deconsolidating Entergy New Orleans in 2005	–	(8)	–
Cash flow provided by (used in):			
Operating activities	3,419	1,468	2,929
Investing activities	(1,899)	(1,992)	(1,143)
Financing activities	(1,084)	496	(1,672)
Effect of exchange rates on cash and cash equivalents	(3)	(1)	(1)
Net increase (decrease) in cash and cash equivalents	433	(29)	113
Cash and cash equivalents at end of period	**$ 1,016**	**$ 583**	**$ 620**

Operating Cash Flow Activity

2006 Compared to 2005

Entergy's cash flow provided by operating activities increased by $1,952 million in 2006 compared to 2005 primarily due to the following activity:

- Utility provided $2,564 million in cash from operating activities in 2006 compared to providing $964 million in 2005 primarily due to increased recovery of fuel costs, the receipt of an income tax refund (discussed below), a decrease in storm restoration spending, and the effect in 2005 of a $90 million refund paid to customers in Louisiana, partially offset by an increase of $136 million in pension funding payments.
- Non-Utility Nuclear provided $833 million in cash from operating activities in 2006 compared to providing $551 million in 2005 primarily due to an increase in net revenue and the receipt of an income tax refund (discussed below).

Entergy Corporation received a $344 million income tax refund (including $71 million attributable to Entergy New Orleans) as a result of net operating loss carryback provisions contained in the Gulf Opportunity Zone Act of 2005. The Gulf Opportunity Zone Act was enacted in December 2005. The Act contains provisions that allow a public utility incurring a net operating loss as a result of Hurricane Katrina to carry back the casualty loss portion of the net operating loss ten years to offset previously taxed income. The Act also allows a five-year carry back of the portion of the net operating loss attributable to Hurricane Katrina repairs expense and first year depreciation deductions, including 50% bonus depreciation, on Hurricane Katrina capital expenditures. In accordance with Entergy's intercompany tax allocation agreement, $273 million of the refund was distributed to the Utility (including Entergy New Orleans) in April 2006, with the remainder distributed primarily to Non-Utility Nuclear.

2005 Compared to 2004

Entergy's cash flow provided by operating activities decreased by $1,461 million in 2005 compared to 2004 primarily due to the following activity:

- The Utility provided $964 million in cash from operating activities compared to providing $2,208 million in 2004. The decrease resulted primarily from restoration spending and lost net revenue caused by Hurricanes Katrina and Rita. Changes in the timing of fuel cost recovery compared to the prior period due to higher natural gas prices, which caused an increase in deferred fuel cost balances, also contributed to the decrease in cash from operating activities. Also contributing to the decrease in the Utility segment were increases in income tax payments and in pension plan contributions, and a $90 million refund to customers in the Louisiana jurisdiction made as a result of an LPSC-approved settlement.
- Entergy received dividends from Entergy-Koch of $529 million in 2004 and did not receive any dividends from Entergy-Koch in 2005.
- Offsetting the decreases in those two businesses, the Non-Utility Nuclear business provided $551 million in cash from operating activities compared to providing $415 million in 2004. The increase resulted primarily from lower intercompany income tax payments and increases in generation and contract pricing that led to an increase in revenues.

Investing Activities

2006 Compared to 2005

Net cash used in investing activities decreased slightly in 2006 compared to 2005 and was affected by the following activity:

- The proceeds from the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.
- Entergy Mississippi purchased the 480 MW Attala power plant in January 2006 for $88 million and Entergy Louisiana purchased the 718 MW Perryville power plant in June 2005 for $162 million.
- Liquidation of other temporary investments net of purchases provided $188 million in 2005. Entergy had no activity in other temporary investments in 2006.
- The Utility used $390 million in 2005 for other regulatory investments as a result of fuel cost under-recovery. See Note 1 to the financial statements for discussion of the accounting treatment of these fuel cost under-recoveries.

MANAGEMENT'S FINANCIAL DISCUSSION *and* **ANALYSIS** *continued*

2005 Compared to 2004

Net cash used in investing activities increased by $849 million in 2005 compared to 2004 primarily due to the following activity:

- Construction expenditures were $47 million higher in 2005 than in 2004, including an increase of $147 million in the Utility business and a decrease of $82 million in the Non-Utility Nuclear business. Utility construction expenditures in 2005 include $302 million caused by Hurricanes Katrina and Rita.
- The non-nuclear wholesale assets business realized $75 million in net proceeds from sales of portions of three of its power plants in 2004.
- Entergy Louisiana purchased the 718 MW Perryville power plant in June 2005 for $162 million.
- Entergy received net returns of invested capital from Entergy-Koch of $49 million in 2005 compared to $284 million in 2004 after the sale by Entergy-Koch of its trading and pipeline businesses. This activity is reported in the "Decrease in other investments" line in the cash flow statement.
- Approximately $60 million of the cash collateral for a letter of credit that secured the installment obligations owed to NYPA for the acquisition of the FitzPatrick and Indian Point 3 nuclear power plants was released to Entergy in 2004.
- The Utility used $390 million in 2005 and $54 million in 2004 for other regulatory investments as a result of fuel cost under-recovery. See Note 1 to the financial statements for discussion of the accounting treatment of these fuel cost under-recoveries.

Offsetting these factors was the following:

- The non-nuclear wholesale assets business received a return of invested capital of $34 million in 2005 from the Top Deer wind power joint venture after Top Deer obtained debt financing.

Financing Activities

2006 Compared to 2005

Net cash used in financing activities was $1,084 million in 2006 compared to net cash flow provided by financing activities of $496 million in 2005. Following is a description of the significant financing activity affecting this comparison:

- Entergy Louisiana Holdings, Inc. redeemed all $100.5 million of its outstanding preferred stock in June 2006.
- Entergy Corporation increased the net borrowings on its credit facilities by $35 million in 2006 and increased the net borrowings by $735 million in 2005. See Note 4 to the financial statements for a description of the Entergy Corporation credit facilities.
- Net issuances of long-term debt by the Utility provided $50 million in 2006 and provided $462 million in 2005. See Note 5 to the financial statements for the details of long-term debt.
- Entergy Corporation repurchased $584 million of its common stock in 2006 and $878 million of its common stock in 2005.

2005 Compared to 2004

Financing activities provided $496 million of cash in 2005 compared to using $1,672 million of cash in 2004 primarily due to the following activity:

- Net issuances of long-term debt by the Utility segment provided $462 million of cash in 2005 compared to retirements of long-term debt net of issuances using $345 million in 2004. See Note 5 to the financial statements for the details of long-term debt outstanding at December 31, 2005.
- Entergy Corporation increased the net borrowings on its credit facility by $735 million in 2005 compared to $50 million during 2004. See Note 4 to the financial statements for a description of the Entergy Corporation credit facility.
- Entergy Corporation repurchased $878 million of its common stock in 2005 compared to $1,018 million in 2004.
- Entergy Corporation issued $500 million of long-term notes in connection with its equity units offering in December 2005.
- Entergy Louisiana, LLC issued $100 million of preferred membership interests in December 2005.

SIGNIFICANT FACTORS AND KNOWN TRENDS

Following are discussions of significant factors and known trends affecting Entergy's business, including rate regulation and fuel-cost recovery, federal regulation, and market and credit risk sensitive instruments.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that the Utility operating companies and System Energy charge for their services significantly influence Entergy's financial position, results of operations, and liquidity. These companies are closely regulated and the rates charged to their customers are determined in regulatory proceedings. Governmental agencies, including the APSC, the City Council, the LPSC, the MPSC, the PUCT, and the FERC, are primarily responsible for approval of the rates charged to customers. The status of material retail rate proceedings is summarized below and described in more detail in Note 2 to the consolidated financial statements.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *continued*

Company	Authorized ROE	Pending Proceedings/Events
Entergy Arkansas	11.0%	■ Base rates have been in effect since 1998. Entergy Arkansas filed a rate case in August 2006 requesting a general base rate increase of $150 million (using an ROE of 11.25%), as well as recovery of FERC-allocated costs pursuant to the FERC decision on the System Agreement. Entergy Arkansas also requested a capacity management rider to recover incremental capacity costs. A procedural schedule has been established with a hearing in April 2007 with new rates expected to be effective in June 2007. ■ In December 2005, Entergy Arkansas provided notice of its intent to terminate participation in the System Agreement following a final order from the FERC establishing terms under which Entergy Arkansas may be required to make payments to other Utility operating companies to achieve rough production cost equalization. ■ Entergy Arkansas completed recovery in January 2006 of transition to competition costs through an $8.5 million transition cost recovery rider that has been in effect since October 2004.
Entergy Gulf States-Texas	10.95%	■ Base rates are currently set at rates approved by the PUCT in June 1999. ■ In June 2005, a Texas law was enacted that provides for a base rate freeze until mid-2008, but allows Entergy Gulf States to seek before then recovery of certain incremental purchased power capacity costs and recover reasonable and necessary transition to competition costs. An $18 million annual capacity rider was implemented effective December 2005. A $14.5 million annual transition cost recovery rider was implemented effective March 2006, which the PUCT approved in June 2006. The transition cost recovery rider is for a 15-year period. ■ In December 2006, the PUCT approved the recovery of $353 million (net of expected insurance proceeds of $66 million) in storm cost recovery expenses plus carrying charges. Entergy Gulf States will file a semi-annual report with the PUCT to reflect any additional insurance proceeds or other government grant money received, which would be applied against the storm cost recovery balance. In February 2007, the PUCT voted to approve securitization of the $353 million in storm cost recovery expenses, but it also offset the securitization amount by $31.6 million, which the PUCT Commissioners determined was the net present value of the accumulated deferred income tax benefits related to the storm costs. The PUCT further voted to impose certain caps on the amount of qualified transaction costs that can be included in the total securitization amount. The PUCT is expected to issue a financing order authorizing the issuance of securitization bonds by early-March 2007, and Entergy Gulf States intends to implement rates to recover revenues to pay the securitization bonds by mid-2007.
Entergy Gulf States-Louisiana	9.9%-11.4%	■ A three-year formula rate plan is in place with an ROE mid-point of 10.65% for the initial three-year term of the plan. Entergy Gulf States made its first formula rate plan filing in June 2005 for the test year ending December 31, 2004. ■ In May 2006, Entergy Gulf States made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Gulf States implemented a $17.2 million increase, subject to refund, effective September 2006 for 1) recovery of $6.7 million of LPSC-approved incremental deferred and ongoing capacity costs and 2) $10.5 million of interim storm cost recovery pursuant to an LPSC order. The filing reflects an 11.1% return on common equity which is within the authorized bandwidth. ■ In May 2006, Entergy Gulf States completed the $6 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, interim recovery of $0.85 million per month was instituted via the formula rate plan. Interim recovery will continue until a final decision is reached by the LPSC with respect to Entergy Gulf States' supplemental and amending storm cost recovery application, which was filed in July 2006. Entergy Gulf States supplemented that filing on February 28, 2007, and seeks to recover $219 million in storm-related costs and to build an $87 million storm reserve. The February 2007 filing also seeks authority to securitize the storm cost recovery and storm reserve amounts. Hearings are expected to begin in April 2007.
Entergy Louisiana	9.45%-11.05%	■ A three-year formula rate plan is in place with an ROE mid-point of 10.25% for the initial three-year term of the plan. Entergy Louisiana made its first formula rate plan filing under this plan in May 2006 based on a 2005 test year. ■ In May 2006, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Louisiana implemented a $143.4 million increase, subject to refund, effective September 2006 for 1) ongoing and deferred incremental capacity costs of $119.2 million and 2) $24.2 million of interim storm cost recovery pursuant to an LPSC order. In response to an LPSC Staff report, Entergy Louisiana subsequently reduced rates by $0.5 million annually, effective October 2006, to reflect issues and errors identified by the staff with which Entergy Louisiana agrees. The modified filing reflects a 9.56% return on common equity, which is within the authorized bandwidth and a reduction in the collection of ongoing and deferred incremental capacity costs to $118.7 million. Entergy Louisiana and the LPSC Staff are working to resolve outstanding issues. ■ In April 2006, Entergy Louisiana completed the $14 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, interim recovery of $2 million per month was instituted via the formula rate plan. Interim recovery will continue until a final decision is reached by the LPSC with respect to Entergy Louisiana's supplemental and amending storm cost recovery application, which was filed in July 2006. Entergy Louisiana supplemented that filing on February 28, 2007, and seeks to recover $561 million in storm-related costs and to build a $141 million storm reserve. The February 2007 filing also seeks authority to securitize the storm cost recovery and storm reserve amounts. Hearings are expected to begin in April 2007.
Entergy Mississippi	9.7%-12.4%	■ An annual formula rate plan is in place. In April 2006, Entergy Mississippi submitted its annual scheduled formula rate plan filing with the MPSC reflecting a return on equity of 9.35%, resulting in a deficiency. The MPSC has approved a settlement providing for a $1.8 million rate increase, which was implemented in August 2006. ■ The MPSC approved the purchase of the 480MW Attala power plant and the investment cost recovery through its power management rider. As a consequence of the events surrounding Entergy Mississippi's ongoing efforts to recover storm restoration costs associated with Hurricane Katrina, in October 2006, the MPSC approved a revision to Entergy Mississippi's power management rider. The revision has the effect of allowing Entergy Mississippi to recover the annual ownership costs of the Attala plant until such time as there has been a resolution of Entergy Mississippi's recovery of its storm restoration costs and a general rate case can be filed. ■ In October 2006, the Mississippi Development Authority approved for payment and Entergy Mississippi received $81 million in CDBG funding for Hurricane Katrina costs. The MPSC then issued a financing order authorizing the issuance of $48 million of state bonds, with $8 million for the remainder of Entergy Mississippi's certified Hurricane Katrina restoration costs not funded by CDBG and $40 million for the increase in Entergy Mississippi's storm damage reserve.
Entergy New Orleans	10.75% - Electric; 10.75% - Gas	■ In October 2006, the City Council approved a settlement agreement that calls for a phased-in rate increase to ensure Entergy New Orleans' ability to focus on restoration of electric and gas systems. When fully implemented by January 1, 2008, electric base rates will increase by $3.9 million. Recovery of all Grand Gulf costs through the fuel adjustment clause will continue. Gas base rates increased by $4.75 million in November 2006, and will increase an additional $1.5 million in March 2007 and an additional $4.75 million in November 2007. The settlement calls for Entergy New Orleans to file a base rate case by July 31, 2008. The settlement agreement discontinues the formula rate plan and the generation performance-based plan but permits Entergy New Orleans to file an application to seek authority to implement formula rate plan mechanisms no sooner than six months following the effective date of the implementation of the base rates resulting from the July 31, 2008 base rate case. Any storm costs in excess of CDBG funding and insurance proceeds will be addressed in that base rate case. The settlement also authorizes a $75 million storm reserve for damage from future storms, which will be created over a ten-year period through a storm reserve rider beginning in March 2007. ■ In October 2006, the Louisiana Recovery Authority (LRA) Board endorsed a resolution proposing to allocate $200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to provide rate relief for Entergy New Orleans customers. The action plan was approved by state lawmakers in December 2006 and by the U. S. Department of Housing and Urban Development in February 2007. In addition, the City Council must review and certify the storm costs before an application can be filed with the LRA and CDBG funds can be released to Entergy New Orleans. The City Council has stated its intent to complete its certification by March 2007.
System Energy	10.94%	■ ROE approved by July 2001 FERC order. No cases pending before FERC.

In addition to the regulatory scrutiny connected with base rate proceedings, the Utility operating companies' fuel and purchased power costs recovered from customers are subject to regulatory scrutiny. The Utility operating companies' significant fuel and purchased power cost proceedings are described in Note 2 to the financial statements.

Federal Regulation

The FERC regulates wholesale rates (including Entergy Utility 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 to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement.

System Agreement Proceedings

The Utility operating companies historically have engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which is a rate schedule that has been approved by the FERC. The LPSC has been pursuing litigation involving the System Agreement at the FERC. The proceeding includes challenges to the allocation of costs as defined by the System Agreement and raises questions of imprudence by the Utility operating companies in their execution of the System Agreement.

In June 2005, the FERC issued a decision in the System Agreement litigation, and essentially affirmed its decision in a December 2005 order on rehearing. The FERC decision concluded, among other things, that:

- The System Agreement no longer roughly equalizes total production costs among the Utility operating companies.
- In order to reach rough production cost equalization, the FERC will impose a bandwidth remedy by which each company's total annual production costs would have to be within +/- 11% of Entergy System average total annual production costs.
- In calculating the production costs for this purpose under the FERC's order, output from the Vidalia hydroelectric power plant will not reflect the actual Vidalia price for the year but is priced at that year's average price paid by Entergy Louisiana for the exchange of electric energy under Service Schedule MSS-3 of the System Agreement, thereby reducing the amount of Vidalia costs reflected in the comparison of the Utility operating companies' total production costs.
- The remedy ordered by FERC calls for no refunds and will be effective based on calendar year 2006 production costs with the first potential reallocation payments, if required, to be made in 2007.

The FERC's decision would reallocate total production costs of the Utility operating companies whose relative total production costs expressed as a percentage of Entergy System average production costs are outside an upper or lower bandwidth. This would be accomplished by payments from Utility operating companies whose production costs are more than 11% below Entergy System average production costs to Utility operating companies whose production costs are more than the Entergy System average production cost, with payments going first to those Utility operating companies whose total production costs are farthest above the Entergy System average.

An assessment of the potential effects of the FERC's decision requires assumptions regarding the future total production cost of each Utility operating company, which assumptions include the mix of solid fuel and gas-fired generation available to each company and the costs of natural gas and purchased power. Entergy Louisiana, Entergy Gulf States, and Entergy Mississippi are more dependent upon gas-fired generation sources than Entergy Arkansas or Entergy New Orleans. Of these, Entergy Arkansas is the least dependent upon gas-fired generation sources. Therefore, increases in natural gas prices likely will increase the amount by which Entergy Arkansas' total production costs are below the average total production costs of the Utility operating companies.

Considerable uncertainty exists regarding future gas prices. For purposes of the August 2006 Entergy Arkansas general base rate case filing discussed above in "State and Local Rate Regulation," an assessment of the potential effects of the FERC's June 2005 order, as amended by its December 2005 order on rehearing, was calculated on the basis of a 2006 test year, using a 2006 gas price that consisted of a non-weighted average of twelve months of gas prices calculated as follows: January through May 2006 were actual, volume-weighted monthly averages of day-ahead cash prices as reported by Energy Intelligence Natural Gas Week; the June 2006 price was the First of the Month Index price as reported by Platts Inside FERC's Gas Market Report; the July 2006 price was the 5/31/06 NYMEX Henry Hub settlement price; and August through December 2006 were 30 calendar-day rolling averages as of May 31, 2006 of forward NYMEX Henry Hub gas contracts. For example, the August 2006 price was an average of all the daily NYMEX settlement prices for the August 2006 contract for each trading day from the period 5/2/06 - 5/31/06 inclusive. A similar calculation was made using the daily settlements of the September 2006 through December 2006 NYMEX contracts to arrive at those monthly prices. This resulted in an average annual gas price of $7.49/mmBtu. If an annual average gas price of $7.49/mmBtu occurred for 2006 as assumed, the following potential annual production cost reallocation among the Utility operating companies could result (in millions):

	Annual Payment or (Receipts)
Entergy Arkansas	$ 284
Entergy Gulf States	$(197)
Entergy Louisiana	$ (59)
Entergy Mississippi	$ (28)
Entergy New Orleans	$ –

If the actual, annual, average natural gas price deviates by $1/mmBtu up or down from the price assumed above, it is expected that Entergy Arkansas' annual payments will change in the same direction by approximately $70 to $80 million.

The LPSC, APSC, MPSC, and the AEEC have appealed the FERC decision to the Court of Appeals for the D.C. Circuit. Entergy and the City of New Orleans have intervened in the various appeals. The parties to the proceeding reached agreement on a proposed briefing schedule that would result in the completion of briefing during the first half of 2007. The proposed briefing schedule has been submitted to the Court of Appeals.

Management believes that any changes in the allocation of production costs resulting from the FERC's decision and related retail proceedings should result in similar rate changes for retail customers. The timing of recovery of these costs in rates could be the subject of additional proceedings before Entergy's retail regulators. Although the outcome and timing of the FERC and other proceedings cannot be predicted at this time, Entergy does not believe that the ultimate resolution of these proceedings will have a material effect on its financial condition or results of operations.

Entergy's Utility Operating Companies' Compliance Filing

In April 2006, the Utility operating companies filed with the FERC its compliance filing to implement the provisions of the FERC's decision. The filing amends the System Agreement to provide for the calculation of production costs, average production costs, and payments/receipts among the Utility operating companies to the extent required to maintain rough production cost equalization pursuant to the FERC's decision. The FERC accepted the compliance filing in November 2006, with limited modifications. In accordance with the FERC's order, the first payments/receipts would be based on calendar year 2006 production costs, with any payments/receipts among the Utility operating companies to be made in seven monthly installments commencing in June 2007. Various parties have filed requests for rehearing of the FERC's order accepting the compliance filing. Among other things, the LPSC requests rehearing of the FERC's decision to have the first payments commence in June 2007, rather than earlier; to not require interest on the unpaid balance, and the FERC's decision with regard to the re-pricing of energy from the Vidalia hydroelectric project for purposes of calculating production cost disparities. Various Arkansas parties request rehearing of the FERC's decision (1) to require payments be made over seven months, rather than 12; (2) on the application of the +/- 11% bandwidth; and (3) the FERC's decision to reject various accounting allocations proposed by the Utility operating companies. The Utility operating companies filed a revised compliance plan on December 18, 2006 implementing the provisions of the FERC's November order.

APSC System Agreement Investigation

Citing its concerns that the benefits of its continued participation in the current form of the System Agreement have been seriously eroded, in December 2005, Entergy Arkansas submitted its notice that it will terminate its participation in the current System Agreement effective 96 months from December 19, 2005 or such earlier date as authorized by the FERC. Entergy Arkansas indicated, however, that a properly structured replacement agreement could be a viable alternative. The APSC had previously commenced an investigation, in 2004, into whether Entergy Arkansas' continued participation in the System Agreement is in the best interests of its customers. In June 2006 the APSC issued an order in its investigation requiring Entergy Arkansas President Hugh McDonald to file testimony in response to several questions involving details of what action Entergy Arkansas or Entergy has taken to ensure that Entergy Arkansas' customers are protected from additional costs including those related to the following areas: construction of new generating plants located outside of Arkansas, costs of the Entergy New Orleans bankruptcy, and costs associated with restoration of facilities damaged by Hurricanes Katrina and Rita. Mr. McDonald was also directed to describe actions taken since December 19, 2005 to encourage or persuade the FERC to authorize Entergy Arkansas to exit the Entergy System Agreement sooner than 96 months, and to describe current and future actions related to development of a replacement system agreement. Responsive testimony was filed with the APSC in July and August 2006. A public hearing for the purpose of cross-examination of Mr. McDonald on his testimony and for questioning by the APSC was also conducted in July 2006. There is no further procedural schedule set in this investigation at this time.

The APSC also commenced investigations concerning Entergy Louisiana's Vidalia purchased power contract and Entergy Louisiana's then pending acquisition of the Perryville power plant. Entergy Arkansas has provided information to the APSC in these investigations and no further activity has occurred in them.

APSC Complaint at the FERC

In June 2006, the APSC filed a complaint with the FERC against Entergy Services as the representative of Entergy Corporation and the Utility operating companies, pursuant to Sections 205, 206 and 207 of the Federal Power Act (FPA). The APSC complaint states, "the purpose of the complaint is to institute an investigation into the prudence of Entergy's practices affecting the wholesale rates that flow through its System Agreement." The complaint requests, among other things, that the FERC disallow any costs found to be imprudent, with a refund effective date to be set at the earliest possible time. Specific areas of requested investigation include:

- The Utility operating companies' transmission expansion and planning process, including the construction, or lack thereof, of economic transmission upgrades;
- The Utility operating companies' wholesale purchasing practices, including the potential savings due to integration of independent power producers into their economic dispatch;
- The Utility operating companies' alleged failure to retire their aging, inefficient gas- and oil-fired generation; and
- The alleged failure to construct or acquire coal capacity for the generation portfolio of Entergy Louisiana.

The complaint also requests that the FERC exercise its authority under Section 207 of the FPA to investigate the adequacy of Entergy's transmission system and direct it to make all necessary upgrades to ensure that its transmission facilities provide reliable, adequate and economic service.

In July 2006, the Utility operating companies submitted their answer to the APSC complaint. In their answer, the Utility operating companies acknowledge that while the FERC is the appropriate forum to consider the issues raised in the APSC's complaint, the APSC has provided no probative evidence supporting its allegations and has not met the standards under the FPA to have a matter set for hearing. Under the FPA standards, the APSC must create "serious doubt" as to the propriety of the challenged actions. As indicated in the Utility operating companies' answer, the APSC complaint does not raise a "serious doubt" but instead largely relies on unsupported assertions, many of which have been investigated in other proceedings. In those limited instances when the APSC complaint references "evidence" in an attempt to support its request for a hearing, the "evidence" to which it refers in fact does nothing to support its position but, rather, shows that the Utility operating companies have acted prudently. As further indicated in the Utility operating companies' answer, following the issuance of the FERC's System Agreement decision, all of the production costs of the Utility operating companies are now inputs to a formula rate that will result in bandwidth payments among the Utility operating companies in order to roughly equalize production costs. The Utility operating companies' answer further explains that based on well-established Supreme Court precedent, the FERC has exclusive jurisdiction over all inputs that will be included in the System Agreement bandwidth formula rates filed in compliance with the FERC's System Agreement decision and retail regulators are preempted from taking any action that disturbs the FERC's findings with respect to these production cost inputs and the FERC-determined allocation of production costs among the Utility operating companies. The Utility operating companies believe that their conduct with respect to these issues has been prudent and will vigorously defend such conduct.

Several parties have intervened in the proceeding, including the MPSC, the LPSC, and the City Council. The LPSC's answer and comments in response to the APSC complaint ask the FERC to investigate whether Entergy Arkansas' withdrawal from the System Agreement is fair, just, and reasonable. In September 2006, the Utility operating companies, the APSC, and other intervenors in the proceeding filed responses to the answers and comments submitted by the various intervenors in July 2006. In their responses, the APSC and the LPSC, among others, argue that the FERC need not address at this time its jurisdiction over the matters raised by the complaint and further that the retail regulators are not preempted from exercising jurisdiction over those same production costs that are being considered in the proceeding. In October 2006, the Utility operating companies filed an answer to the other parties' September 2006 comments. In the October 2006 answer, the Utility operating companies explain, among other things, that the FERC must address the jurisdictional issues raised by the parties to the proceeding and that the LPSC's and APSC's view concerning jurisdiction and preemption are inconsistent with federal law and regulation.

LPSC System Agreement Complaint at the FERC

On December 18, 2006, the LPSC filed a complaint requesting the FERC "immediately institute a proceeding to determine whether, and on what terms, [Entergy Arkansas] may withdraw" from the System Agreement. The complaint alleges that "safeguards must be adopted to ensure that the remaining operating companies and their customers are protected from adverse effects of the termination attempt of [Entergy Arkansas]." The LPSC requests that the FERC (1) investigate the effect that Entergy Arkansas' notice of termination will have on the rates, charges, and billings under the System Agreement and the capacity and production costs of the remaining Utility operating companies and adopt remedies that are just and reasonable; and (2) provide for the continuation of the bandwidth payments by Entergy Arkansas, require Entergy Arkansas provide "generating capacity or wholesale power contracts to Entergy Louisiana and Entergy Gulf States-Louisiana sufficient to satisfy the rough production cost equalization requirements established in the System Agreement orders, or require "hold harmless protection be put in place to prevent any harm to [Entergy Louisiana] and [Entergy Gulf States-Louisiana] as a result of the impact of [Entergy Arkansas'] termination." The LPSC complaint further urges the FERC to find that "Entergy controls the actions of [Entergy Arkansas] and is responsible for and liable for any damages caused and remedies required due to [Entergy Arkansas'] termination." The Utility operating companies filed a response to the LPSC complaint on January 31, 2007 explaining that the System Agreement explicitly provides each Utility operating company the unilateral right to terminate its participation in the System Agreement upon 96 months written notice to the other Utility operating companies. This right is absolute and unambiguous and is not conditioned or limited in any way, as the LPSC's complaint would suggest. The unilateral right to terminate has been in the System Agreement at least since 1973 and the agreement has been litigated before the FERC by the LPSC on numerous occasions. At no point has the LPSC raised this issue nor has the FERC determined the termination provision to be unjust or unreasonable.

MPSC System Agreement Inquiry

In response to an inquiry from the MPSC, Entergy Mississippi advised the MPSC of its view that it would be premature to decide at this time whether to terminate Entergy Mississippi's participation in the current System Agreement. Entergy Mississippi indicated that it would report to the MPSC during the first quarter of 2007 regarding its continuing evaluation of the issues concerning Entergy Mississippi's participation in the current System Agreement.

Independent Coordinator of Transmission

In 2000, the FERC issued an order encouraging utilities to voluntarily place their transmission facilities under the control of independent RTOs (regional transmission organizations) by December 15, 2001. The FERC issued this order after previously requiring that utilities file an open access transmission tariff to implement the federal mandate to offer unused transmission capacity to the wholesale power marketplace on a nondiscriminatory basis. Delays in implementing the FERC RTO order have occurred due to a variety of reasons, including the fact that utility companies, other stakeholders, and federal and state regulators continue to work to resolve various issues related to the establishment of such RTOs.

In November 2006, after years of filings, orders, technical conferences, and proceedings at the FERC, the Utility operating companies installed the Southwest Power Pool (SPP) as their Independent Coordinator of Transmission (ICT). The installation does not transfer control of Entergy's transmission system to the ICT, but rather vests with the ICT responsibility for:

- granting or denying transmission service on the Utility operating companies' transmission system.
- administering the Utility operating companies' OASIS node for purposes of processing and evaluating transmission service requests and ensuring compliance with the Utility operating companies' obligation to post transmission-related information.
- developing a base plan for the Utility operating companies' transmission system that will result in the ICT making the determination on whether costs of transmission upgrades should be rolled into the Utility operating companies' transmission rates or directly assigned to the customer requesting or causing an upgrade to be constructed. This should result in a transmission pricing structure that ensures that the Utility operating companies' retail native load customers are required to pay for only those upgrades necessary to reliably serve their needs.
- serving as the reliability coordinator for the Entergy transmission system.
- overseeing the operation of the weekly procurement process (WPP).
- evaluating interconnection-related investments already made on the Entergy System for purposes of determining the future allocation of the uncredited portion of these investments, pursuant to a detailed methodology. The ICT agreement also clarifies the rights that customers receive when they fund a supplemental upgrade.

The initial term of the ICT is four years, and Entergy is precluded from terminating the ICT prior to the end of the four-year period. A transmission users group has been established that will provide input directly to the ICT. If there is a dispute between the ICT and Entergy concerning transmission service requests, transmission planning, and interconnection requests, the ICT's position will prevail during the pendency of the dispute resolution. In its April 2006 order approving Entergy's ICT proposal, the FERC stated that the WPP must be operational within approximately 14 months of the FERC order or the FERC may reevaluate all approvals to proceed with the ICT.

After the FERC issued its April 2006 order approving the ICT proposal, the Utility operating companies made their compliance filing with the FERC in May 2006, including the executed ICT agreement with SPP. Several parties filed protests regarding the compliance filing. In October 2006, the FERC accepted the Utility operating companies' compliance filing, with modification, and directed the Utility operating companies to install SPP as the ICT within 30 days of the order. As stated above, SPP was installed as the ICT in November 2006. The Utility operating companies filed a request for clarification with respect to two provisions of the FERC order accepting the compliance filing and several other parties have filed for rehearing of the FERC's order. The Utility operating companies submitted a revised compliance filing implementing the provisions of the FERC's October 2006 order. In addition to the requests for rehearing on the FERC's order accepting the compliance filing, certain parties have submitted requests for rehearing of the various FERC orders approving the ICT proposal. These requests for rehearing are also pending before the FERC.

On October 30, 2006, the Utility operating companies filed revisions to their Open Access Transmission Tariff ("OATT") with the FERC to establish a mechanism to recover from their wholesale transmission customers the (1) costs incurred to develop or join an RTO and to develop the ICT; and (2) the on-going costs that will be incurred under the ICT agreement. Several parties intervened opposing the proposed tariff revisions. On December 22, 2006 the FERC accepted for filing Entergy's proposed tariff revisions, and set them for hearing and settlement procedures. In its Order, the FERC concluded that the Utility operating companies "should be allowed the opportunity to recover its start up costs associated with its formation of the ICT and its participation in prior failed attempts to form an RTO," but that the proposed tariffs raised issues of fact that are more properly addressed through hearing and settlement procedures. Settlement discussions with the intervenors are currently ongoing.

In March 2004, the APSC initiated a proceeding to review Entergy's proposal and compare the benefits of such a proposal to the alternative of Entergy joining the Southwest Power Pool RTO. The APSC sought comments from all interested parties on this issue. Various parties, including the APSC General Staff, filed comments opposing the ICT proposal. A public hearing has not been scheduled by the APSC at this time, although Entergy Arkansas has responded to various APSC data requests. In May 2004, Entergy Mississippi filed a petition for review with the MPSC requesting MPSC support for the ICT proposal. A hearing in that proceeding was held in August 2004. Entergy New Orleans appeared before the Utility Committee of the City Council in June 2005 to provide information on the ICT proposal. Entergy Louisiana and Entergy Gulf States filed an application with the LPSC requesting that the LPSC find that the ICT proposal is a prudent and appropriate course of action. A hearing in the LPSC proceeding on the ICT proposal was held in October 2005, and the LPSC voted to approve the ICT proposal in July 2006.

Available Flowgate Capacity (AFC) Proceeding

On March 22, 2005, the FERC issued an order that holds Entergy's AFC hearing in abeyance pending action on Entergy's ICT filing. The order holding the hearing in abeyance further indicated that it would cancel the hearing when the ICT begins to perform its functions. On December 18, 2006, the Utility operating companies filed with the FERC a request to cancel the AFC hearing now that the ICT had been installed and assumed its responsibilities. One intervenor opposed the cancellation of the AFC hearing and other intervenors filed requesting that the FERC clarify that if the motion to cancel the hearing is granted, that such cancellation "does not affect the continuing obligation of Entergy to provide transmission meeting the standard of good utility practice."

FERC Investigations

In 2005, the Utility operating companies notified the FERC's Office of Market Oversight and Investigations (FERC enforcement) that certain historic data related to the hourly AFC models was inadvertently lost due to errors in the implementation of a data archiving process. The data at issue is hourly AFC data for the nine-month period April 27, 2004 through January 31, 2005. Subsequently, the Utility operating companies notified FERC enforcement that: (1) Entergy had identified certain instances in which transmission service either was granted when there was insufficient transmission capacity or was not granted when there was sufficient transmission capacity; and (2) Entergy had failed to timely post to Entergy's OASIS site certain curtailment and schedule information. Entergy cooperated fully and timely in the investigation of these instances. In January 2007, the FERC approved a settlement agreement between the Utility operating companies and the FERC enforcement staff resolving all issues arising out of or related to these issues. The Order accepting the Stipulation and Consent Agreement indicates that the matters "were generally the result of low-level employees' inadvertent actions, done without the knowledge or acquiescence of senior management. The matters did not reflect undue preference or undue discrimination and resulted in little or no quantifiable harm." Pursuant to the Stipulation and Consent Agreement, Entergy agreed to pay a $2 million civil penalty and to make a $1 million payment to the Nike/Entergy Green Schools for New Orleans Partnership. Additionally, the Stipulation and Consent Agreement required the establishment of a compliance plan that includes independent auditing provisions.

Following the notification of the potential loss by the Utility operating companies of AFC data, a separate, non-public investigation was initiated by the FERC to review the Utility operating companies' record retention policies and practices. In October 2006, FERC enforcement issued an audit report addressing the Utility operating companies' compliance with the FERC's records retention regulations. The audit report notes the following: (i) one instance where the Utility operating companies' treatment of a contract failed to comply with a FERC-imposed record retention period and notification requirement; (ii) one instance where the Utility operating companies temporarily lost an individual record but were subsequently able to reproduce it; (iii) four instances where records were retained for the full period required by the FERC, but may have been inadvertently lost prior to a retention period required by a different agency or the Utility operating companies' internal retention requirements; and (iv) a limited number of instances where the Utility operating companies' internal policies could be improved. The findings and recommendations in the audit report, which were agreed to by the Utility operating companies, represent a consensual resolution of the audit. Although these findings are not indicative of any significant areas of non-compliance, the Utility operating companies believe that the audit staff's recommendations will improve the records retention program and therefore agreed to implement the audit staff's recommendations.

The FERC is currently reviewing certain wholesale sales and purchases involving EPMC that occurred during the 1998-2001 time period. EPMC was an Entergy subsidiary engaged in non-regulated wholesale marketing and trading activities prior to the formation of Entergy-Koch. Entergy is working with the FERC investigation staff to provide information regarding these transactions.

Interconnection Orders

The Utility operating companies (except Entergy New Orleans) have been parties to several proceedings before the FERC in which independent generation entities (GenCos) are seeking a refund of monies that the GenCos had previously paid to the Entergy companies for facilities necessary to connect their generation facilities to Entergy's transmission system. In some of these cases the Utility operating companies filed rehearing requests that challenged the FERC's decision to grant the GenCos a refund of such amounts. Recently, the FERC issued orders that denied the Utility operating companies' rehearing requests, thereby upholding the refund of monies to the GenCos that was previously directed by the FERC. These recent findings retained Entergy's obligation to refund approximately $124.0 million, including interest, in expenses and tax obligations previously paid by the GenCos, including $35.7 million for Entergy Arkansas, $32.5 million for Entergy Gulf States, $32.6 million for Entergy Louisiana, and $23.2 million for Entergy Mississippi. $56.4 million of this amount has been refunded to date, including approximately $22.3 million for Entergy Arkansas, $3.3 million for Entergy Gulf States, $21.9 million for Entergy Louisiana, and $8.9 million for Entergy Mississippi.

The FERC has also recently denied rehearing of an order that directed Entergy Mississippi to refund to SMEPA the expense it incurred in constructing certain facilities necessary for the interconnection of its Silver Creek generating unit to Entergy' transmission system. Although Entergy Mississippi does not yet know the total expense and tax obligation associated with these SMEPA facilities, such amount is estimated at approximately $10 million.

The FERC has also recently issued an order granting one of the complaints that have been pending before the FERC concerning other GenCos' requests that they receive refunds for certain facilities necessary for their interconnections with the Utility operating companies. The order requires Entergy Gulf States to refund approximately $5.4 million to the GenCo. This refund, along with those referenced above, has been and will continue to be primarily provided in the form of credits against transmission charges over time as the GenCos take transmission service from Entergy.

The Utility operating companies (except Entergy New Orleans) continue to be subject to several pending, but not acted upon, complaints where GenCos are seeking additional refunds from the Utility operating companies. While these matters concern the same issues addressed by the FERC in the cases described above, the FERC has not yet acted in these dockets, in which approximately $49.4 million in expenses previously paid by the GenCos is in dispute, including $26.8 million for Entergy Arkansas, $6.2 million for Entergy Gulf States, $8.0 million for Entergy Louisiana, and $8.4 million for Entergy Mississippi.

To the extent the Utility operating companies have been ordered to provide refunds, or may in the future be ordered to provide additional refunds, the majority of these costs will qualify for inclusion in the Utility operating companies' rates. The recovery of these costs is not automatic, however, especially at the retail level, where the majority of the cost recovery would occur. With respect to the facilities for which FERC has ordered refunds, the Utility operating companies intend to request the ICT to evaluate the classification of facilities that have produced the refunds. Any reclassification by the ICT could reduce the amount of refunds not yet credited against transmission charges.

Market-based Rate Authority

On May 5, 2005, the FERC instituted a proceeding under Section 206 of the FPA to investigate whether Entergy satisfies the FERC's transmission market power and affiliate abuse/reciprocal dealing standards for the granting of market-based rate authority, and established a refund effective date pursuant to the provisions of Section 206, for purposes of the additional issues set for hearing. However, the FERC decided to hold that investigation in abeyance pending the outcomes of the ICT proceeding and Entergy's affiliate purchased power agreements proceeding. On June 6, 2005, Entergy sought rehearing of the May 5 Order and that request for rehearing is pending.

On July 22, 2005, Entergy notified the FERC that it was withdrawing its request for market-based rate authority for sales within its control area. Instead, the Utility operating companies and their affiliates will transact at cost-based rates for wholesale sales within the Entergy control area. On November 1, 2005, Entergy submitted proposed cost-based rates for both the Utility operating companies and Entergy's non-regulated entities that sell at wholesale within the Entergy control area. The Utility operating companies' cost-based rates were accepted for filing by the FERC, however, the non-regulated entities' cost-based rate filing was set for hearing and settlement procedures. A settlement in principle has been reached between the non-regulated entities and the FERC Staff concerning this issue. Separately, the FERC accepted for filing Entergy Gulf States' proposed cost-based rates for wholesale sales to three separate municipalities. Additionally, Entergy reserves its right to request market-based rate authority for sales within its control area in the future. The relinquishment of market-based rates for sales within the Entergy control area is not expected to have a material effect on the financial results of Entergy.

Energy Policy Act of 2005

The Energy Policy Act of 2005 became law in August 2005. The legislation contains electricity provisions that, among other things:

- Repealed PUHCA 1935, through enactment of PUHCA 2005, effective February 8, 2006; PUHCA 2005 and/or related amendments to Section 203(a) of the Federal Power Act (a) remove various limitations on Entergy Corporation as a registered holding company under PUHCA 1935; (b) require the maintenance and retention of books and records by certain holding company system companies for inspection by the FERC and state commissions, as appropriate; and (c) effectively leave to the jurisdiction of the FERC (or state or local regulatory bodies, as appropriate) (i) the issuance by an electric utility of securities; (ii) (A) the disposition of jurisdictional FERC electric facilities by an electric utility; (B) the acquisition by an electric utility of securities of an electric utility; (C) the acquisition by an electric utility of electric generating facilities (in each of the cases in (A), (B) and (C) only in transactions in excess of $10 million); (iv) electric public utility mergers; and (v) the acquisition by an electric public utility holding company of securities of an electric public utility company or its holding company in excess of $10 million or the merger of electric public utility holding company systems. PUHCA 2005 and the related FERC rule-making also provide a savings provision which permits continued reliance on certain PUHCA 1935 rules and orders after the repeal of PUHCA 1935.
- Codifies the concept of participant funding or cost causation, a form of cost allocation for transmission interconnections and upgrades, and allows the FERC to apply participant funding in all regions of the country. Participant funding helps ensure that a utility's native load customers only bear the costs that are necessary to provide reliable transmission service to them and not bear costs imposed by generators (the participants) who seek to deliver power to other regions.
- Provides financing benefits, including loan guarantees and production tax credits, for new nuclear plant construction, and reauthorizes the Price-Anderson Act, the law that provides an umbrella of insurance protection for the payment of public liability claims in the event of a major nuclear power plant incident.
- Revises current tax law treatment of nuclear decommissioning trust funds by allowing regulated and non-regulated taxpayers to make deductible contributions to fund the entire amount of estimated future decommissioning costs.
- Provides a more rapid tax depreciation schedule for transmission assets to encourage investment.
- Creates mandatory electricity reliability guidelines with enforceable penalties to help ensure that the nation's power transmission grid is kept in good repair and that disruptions in the electricity system are minimized. Entergy already voluntarily complies with National Electricity Reliability Council standards, which are similar to the guidelines mandated by the Energy Policy Act of 2005.

- Establishes conditions for the elimination of the Public Utility Regulatory Policy Act's (PURPA) mandatory purchase obligation from qualifying facilities.
- Significantly increased the FERC's authorization to impose criminal and civil penalties for violations of the provisions of the Federal Power Act.

Market and Credit Risk Sensitive Instruments

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

- The commodity price risk associated with Entergy's Non-Utility Nuclear business.
- The interest rate and equity price risk associated with Entergy's investments in decommissioning trust funds, particularly in the Non-Utility Nuclear business. See Note 17 to the financial statements for details regarding Entergy's decommissioning trust funds.
- The interest rate risk associated with changes in interest rates as a result of Entergy's issuances of debt. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

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

Commodity Price Risk

Power Generation

The sale of electricity from the power generation plants owned by Entergy's Non-Utility Nuclear business, unless otherwise contracted, is subject to the fluctuation of market power prices. Entergy's Non-Utility Nuclear business has entered into PPAs and other contracts to sell the power produced by its power plants at prices established in the PPAs. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new PPAs with other parties. Following is a summary of the amount of the Non-Utility Nuclear business' output that is currently sold forward under physical or financial contracts:

	2007	2008	2009	2010	2011
Non-Utility Nuclear (including pending Palisades acquisition):					
Percent of planned generation sold forward:					
Unit-contingent	43%	45%	36%	23%	23%
Unit-contingent with guarantees of availability[(a)]	45%	36%	28%	22%	7%
Firm liquidated damages	7%	4%	–%	–%	–%
Total	95%	85%	64%	45%	30%
Planned generation (TWh)	38	41	41	41	41
Average contracted price per MWh	$49	$53	$57	$53	$47

(a) A sale of power on a unit contingent basis coupled with a guarantee of availability provides for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.

The Vermont Yankee acquisition included a 10-year PPA under which the former owners will buy most of the power produced by the plant, which is through the expiration in 2012 of the current operating license for the plant. The PPA includes an adjustment clause under which the prices specified in the PPA will be adjusted downward monthly, beginning in November 2005, if power market prices drop below PPA prices, which has not happened thus far and is not expected in the foreseeable future.

Non-Utility Nuclear's purchase of the Fitzpatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. Under the value sharing agreements, to the extent that the average annual price of the energy sales from each of the two plants exceeds specified strike prices, the Non-Utility Nuclear business will pay 50% of the amount exceeding the strike prices to NYPA. These payments, if required, will be recorded as adjustments to the purchase price of the plants. The annual energy sales subject to the value sharing agreements are limited to the lesser of actual generation or generation assuming an 85% capacity factor based on the plants' capacities at the time of the purchase. The value sharing agreements are effective through 2014. The strike prices for Fitzpatrick range from $37.51/MWh in 2005 increasing by approximately 3.5% each year to $51.30/MWh in 2014, and the strike prices for Indian Point 3 range from $42.26/MWh in 2005 increasing by approximately 3.5% each year to $57.77/MWh in 2014.

Non-Utility Nuclear calculated that no payment was owed to NYPA under the value sharing agreements for 2005. On November 1, 2006, NYPA filed a demand for arbitration claiming that $90.5 million was due to NYPA under these agreements for 2005. Non-Utility Nuclear has filed a motion in New York State court to determine whether NYPA's claim should be decided by a court as opposed to by an arbitrator. Regardless of whether a court or an arbitrator decides NYPA's claim, Non-Utility Nuclear disagrees with NYPA's interpretation of the value sharing agreements, believes it has meritorious defenses to NYPA's claims, and intends to litigate those claims vigorously.

Some of the agreements to sell the power produced by Entergy's Non-Utility Nuclear power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary will be required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Non-Utility Nuclear sells power. The primary form of collateral to satisfy these requirements would be an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At December 31, 2006, based on power prices at that time, Entergy had in place as collateral $810 million of Entergy Corporation guarantees for wholesale transactions, including $88 million of guarantees that support letters of credit. The assurance requirement associated with Non-Utility Nuclear is estimated to increase by an amount up to $303 million if gas prices increase $1 per MMBtu in both the short- and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, Entergy will be required to replace Entergy Corporation guarantees with cash or letters of credit under some of the agreements.

In addition to selling the power produced by its plants, the Non-Utility Nuclear business sells installed capacity to load-serving distribution companies in order for those companies to meet requirements placed on them by the ISO in their area. Following is a summary of the amount of the Non-Utility Nuclear business' installed capacity that is currently sold forward, and the blended amount of the

Non-Utility Nuclear business' planned generation output and installed capacity that is currently sold forward:

	2007	2008	2009	2010	2011
Non-Utility Nuclear (including pending Palisades acquisition):					
Percent of capacity sold forward:					
Bundled capacity and energy contracts	21%	27%	27%	27%	26%
Capacity contracts	66%	39%	26%	9%	3%
Total	87%	66%	53%	36%	29%
Planned net MW in operation	4,732	4,998	4,998	4,998	4,998
Average capacity contract price per kW per month	$1.7	$1.4	$1.3	$1.7	$2.0
Blended Capacity and Energy (based on revenues):					
% of planned generation and capacity sold forward	93%	80%	60%	39%	23%
Average contract revenue per MWh	$50	$54	$58	$53	$47

As of December 31, 2006, approximately 97% of Non-Utility Nuclear's counterparty exposure from energy and capacity contracts is with counterparties with investment grade credit ratings.

Entergy continually monitors industry trends in order to determine whether asset impairments or other losses could result from a decline in value, or cancellation, of merchant power projects, and records provisions for impairments and losses accordingly. As discussed in "Results of Operations" above, in 2004 Entergy determined that the value of the Warren Power plant owned by the non-nuclear wholesale assets business was impaired, and recorded the appropriate provision for the loss.

Central States Compact Claim

The Low-Level Radioactive Waste Policy Act of 1980 holds each state responsible for disposal of low-level radioactive waste originating in that state, but allows states to participate in regional compacts to fulfill their responsibilities jointly. Arkansas and Louisiana participate in the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact or Compact). Commencing in early 1988, Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana made a series of contributions to the Central States Compact to fund the Central States Compact's development of a low-level radioactive waste disposal facility to be located in Boyd County, Nebraska. In December 1998, Nebraska, the host state for the proposed Central States Compact disposal facility, denied the compact's license application for the proposed disposal facility. Several parties, including the commission that governs the compact (the Compact Commission), filed a lawsuit against Nebraska seeking damages resulting from Nebraska's denial of the proposed facility's license. After a trial, the U.S. District Court concluded that Nebraska violated its good faith obligations regarding the proposed waste disposal facility and rendered a judgment against Nebraska in the amount of $151 million. In August 2004, Nebraska agreed to pay the Compact $141 million in settlement of the judgment. In July 2005, the Compact Commission decided to distribute a substantial portion of the proceeds from the settlement to the nuclear power generators that had contributed funding for the Boyd County facility, including Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana. On August 1, 2005, Nebraska paid $145 million, including interest, to the Compact, and the Compact distributed from the settlement proceeds $23.6 million to Entergy Arkansas, $19.9 million to Entergy Gulf States, and $19.4 million to Entergy Louisiana. The proceeds caused an increase in pre-tax earnings of $28.7 million.

CRITICAL ACCOUNTING ESTIMATES

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

Nuclear Decommissioning Costs

Entergy owns a significant number of nuclear generation facilities in both its Utility and Non-Utility Nuclear business units. Regulations require Entergy to decommission its nuclear power plants after each facility is taken out of service, and money is collected and deposited in trust funds during the facilities' operating lives in order to provide for this obligation. Entergy conducts periodic decommissioning cost studies to estimate the costs that will be incurred to decommission the facilities. The following key assumptions have a significant effect on these estimates:

- **COST ESCALATION FACTORS** – Entergy's decommissioning revenue requirement studies include an assumption that decommissioning costs will escalate over present cost levels by annual factors ranging from approximately CPI-U to 5.5%. A 50 basis point change in this assumption could change the ultimate cost of decommissioning a facility by as much as 11%.
- **TIMING** – In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated. The expiration of the plant's operating license is typically used for this purpose, but the assumption may be made that the plant will be relicensed and operate for some time beyond the original license term. Second, an assumption must be made whether decommissioning will begin immediately upon plant retirement, or whether the plant will be held in "safestore" status for later decommissioning, as permitted by applicable regulations. While the effect of these assumptions cannot be determined with precision, assuming either license extension or use of a "safestore" status can possibly change the present value of these obligations. Future revisions to appropriately reflect changes needed to the estimate of decommissioning costs will affect net income, only to the extent that the estimate of any reduction in the liability exceeds the amount of the undepreciated asset retirement cost at the date of the revision, for unregulated portions of Entergy's business. Any increases in the liability recorded due to such changes are capitalized and depreciated over the asset's remaining economic life in accordance with SFAS 143.
- **SPENT FUEL DISPOSAL** – Federal regulations require the DOE to provide a permanent repository for the storage of spent nuclear fuel, and legislation has been passed by Congress to develop this repository at Yucca Mountain, Nevada. Until this site is available, however, nuclear plant operators must provide for interim spent

fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities can have a significant effect (as much as 16% of estimated decommissioning costs). Entergy's decommissioning studies may include cost estimates for spent fuel storage. However, these estimates could change in the future based on the timing of the opening of the Yucca Mountain facility, the schedule for shipments to that facility when it is opened, or other factors.

- **TECHNOLOGY AND REGULATION** – To date, there is limited practical experience in the United States with actual decommissioning of large nuclear facilities. As experience is gained and technology changes, cost estimates could also change. If regulations regarding nuclear decommissioning were to change, this could have a potentially significant effect on cost estimates. The effect of these potential changes is not presently determinable. Entergy's decommissioning cost studies assume current technologies and regulations.

In the third quarter of 2004, Entergy Gulf States recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for River Bend that reflected an expected life extension for the plant. The revised estimate resulted in a $116.8 million reduction in decommissioning liability, along with a $31.3 million reduction in utility plant, a $40.1 million reduction in the related regulatory asset, and a regulatory liability of $17.7 million. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous income of $27.7 million ($17 million net-of-tax).

In the third quarter of 2004, Entergy's Non-Utility Nuclear business recorded a reduction of $20.3 million in its decommissioning cost liability to reflect changes in assumptions regarding the timing of when the decommissioning of a plant will begin. Entergy considered the assumptions as part of recent studies evaluating the economic effect of the plant in its region. The revised estimate resulted in miscellaneous income of $20.3 million ($11.9 million net-of-tax).

In the first quarter of 2005, Entergy's Non-Utility Nuclear business recorded a reduction of $26.0 million in its decommissioning cost liability in conjunction with a new decommissioning cost study as a result of revised decommissioning costs and changes in assumptions regarding the timing of the decommissioning of a plant. The revised estimate resulted in miscellaneous income of $26.0 million ($15.8 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated assets.

In the second quarter of 2005, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Waterford 3 that reflected an expected life extension for the plant. The revised estimate resulted in a $153.6 million reduction in its decommissioning liability, along with a $49.2 million reduction in utility plant and a $104.4 million reduction in the related regulatory asset.

In the third quarter of 2005, Entergy Arkansas recorded a revision to its estimated decommissioning cost liability for ANO 2 in accordance with the receipt of approval by the NRC of Entergy Arkansas' application for a life extension for the unit. The revised estimate resulted in an $87.2 million reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

In the third quarter of 2005, System Energy recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Grand Gulf. The revised estimate resulted in a $41.4 million reduction in the decommissioning cost liability for Grand Gulf, along with a $39.7 million reduction in utility plant and a $1.7 million reduction in the related regulatory asset.

In the third quarter of 2006, Entergy's Non-Utility Nuclear business recorded a reduction of $27 million in decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of the plant will begin. The revised estimate resulted in miscellaneous income of $27 million ($16.6 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated asset retirement cost recorded at the time of adoption of SFAS 143.

Unbilled Revenue

As discussed in Note 1 to the consolidated financial statements, Entergy records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month, including fuel price. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period and fuel price fluctuations, in addition to changes in certain components of the calculation. Effective January 1, 2006, Entergy Louisiana and the Louisiana portion of Entergy Gulf States reclassified the fuel component of unbilled accounts receivable to deferred fuel and will no longer include the fuel component in the unbilled calculation, which is in accordance with regulatory treatment.

Impairment of Long-lived Assets

Entergy has significant investments in long-lived assets in all of its segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment whenever there are indications that impairments may exist. This evaluation involves a significant degree of estimation and uncertainty, and these estimates are particularly important in Entergy's Utility business and the non-nuclear wholesale assets business. In the Utility business, portions of River Bend and Grand Gulf are not included in rate base, which could reduce the revenue that would otherwise be recovered for the applicable portions of those units' generation. In the non-nuclear wholesale assets business, Entergy's investments in merchant generation assets are subject to impairment if adverse market conditions arise.

In order to determine if Entergy should recognize an impairment of a long-lived asset that is to be held and used, accounting standards require that the sum of the expected undiscounted future cash flows from the asset be compared to the asset's carrying value. If the expected undiscounted future cash flows exceed the carrying value, no impairment is recorded; if such cash flows are less than the carrying value, Entergy is required to record an impairment charge to write the asset down to its fair value. If an asset is held for sale, an impairment is required to be recognized if the fair value (less costs to sell) of the asset is less than its carrying value.

These estimates are based on a number of key assumptions, including:

- **FUTURE POWER AND FUEL PRICES** – Electricity and gas prices have been very volatile in recent years, and this volatility is expected to continue. This volatility necessarily increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.
- **MARKET VALUE OF GENERATION ASSETS** – Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, the market for such assets is volatile and the value of individual assets is impacted by factors unique to those assets.

- **FUTURE OPERATING COSTS** – Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant impact on operations could cause a significant change in these assumptions.

In the fourth quarter of 2005, Entergy recorded a charge of $39.8 million ($25.8 million net-of-tax) as a result of the impairment of the Competitive Retail Services business' information technology systems. Entergy decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and, in connection with that decision, management evaluated the carrying amount of the Competitive Retail Services business' information technology systems and determined that an impairment provision should be recorded.

In the fourth quarter of 2004, Entergy recorded a charge of approximately $55 million ($36 million net-of-tax) as a result of an impairment of the value of the Warren Power plant. Entergy concluded that the value of the plant, which is owned in the non-nuclear wholesale assets business, was impaired. Entergy reached this conclusion based on valuation studies prepared in connection with the Entergy Asset Management stock sale discussed above in "Results of Operations."

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified, defined benefit pension plans which cover substantially all employees. Additionally, Entergy currently provides postretirement health care and life insurance benefits for substantially all employees who reach retirement age while still working for Entergy. Entergy's reported costs of providing these benefits, as described in Note 11 to the consolidated financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate for the Utility and Non-Utility Nuclear segments.

Assumptions

Key actuarial assumptions utilized in determining these costs include:

- Discount rates used in determining the future benefit obligations;
- Projected health care cost trend rates;
- Expected long-term rate of return on plan assets; and
- Rate of increase in future compensation levels.

Entergy reviews these assumptions on an annual basis and adjusts them as necessary. The falling interest rate environment and worse-than-expected performance of the financial equity markets in previous years have impacted Entergy's funding and reported costs for these benefits. In addition, these trends have caused Entergy to make a number of adjustments to its assumptions.

In selecting an assumed discount rate to calculate benefit obligations, Entergy reviews market yields on high-quality corporate debt and matches these rates with Entergy's projected stream of benefit payments. Based on recent market trends, Entergy increased its discount rate used to calculate benefit obligations from 5.9% in 2005 to 6.00% in 2006. Entergy's assumed discount rate used to calculate the 2004 benefit obligations was 6.00%. Entergy reviews actual recent cost trends and projected future trends in establishing health care cost trend rates. Based on this review, Entergy's health care cost trend rate assumption used in calculating the December 31, 2006 accumulated postretirement benefit obligation was a 10% increase in health care costs in 2007 gradually decreasing each successive year, until it reaches a 4.5% annual increase in health care costs in 2012 and beyond.

In determining its expected long-term rate of return on plan assets, Entergy reviews past long-term performance, asset allocations, and long-term inflation assumptions. Entergy targets an asset allocation for its pension plan assets of roughly 65% equity securities, 31% fixed-income securities and 4% other investments. The target allocation for Entergy's other postretirement benefit assets is 51% equity securities and 49% fixed-income securities. Entergy's expected long-term rate of return on plan assets used to calculate benefit obligations was 8.5% in 2006, 2005 and 2004. The assumed rate of increase in future compensation levels used to calculate benefit obligations was 3.25% in 2006, 2005 and 2004.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2006 Qualified Pension Cost	Impact on Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$11,746	$110,087
Rate of return on plan assets	(0.25%)	$ 5,311	–
Rate of increase in compensation	0.25%	$ 6,034	$ 33,326

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

Actuarial Assumption	Change in Assumption	Impact on 2006 Postretirement Benefit Cost	Impact on Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Health care cost trend	0.25%	$5,294	$25,774
Discount rate	(0.25%)	$3,510	$31,008

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

Accounting Mechanisms

In September 2006, FASB issued SFAS 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132(R)," to be effective December 31, 2006. SFAS 158 requires an employer to recognize in its balance sheet the funded status of its benefit plans. Refer to Note 11 to the financial statements for a further discussion of SFAS 158 and Entergy's funded status.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into expense only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees.

Additionally, Entergy accounts for the effect of asset performance on pension expense over a twenty-quarter phase-in period through a "market-related" value of assets calculation. Since the market-related value of assets recognizes investment gains or losses over a twenty-quarter period, the future value of assets will be impacted as previously deferred gains or losses are recognized.

Entergy's qualified pension accumulated benefit obligation at December 31, 2005 exceeded plan assets. As a result, Entergy was required to recognize an additional minimum pension liability as prescribed by SFAS 87. At December 31, 2005, Entergy's qualified pension plans' additional minimum pension liability was $406 million ($382 million net of related pension assets). Other comprehensive income was $15 million at December 31, 2005, after reductions for the unrecognized prior service cost, amounts recoverable in rates, and taxes. Net income for 2005 and 2004 was not affected. In accordance with SFAS 158, the additional minimum pension liability has been replaced in 2006 with the recording of the funded status of the defined benefit and other postretirement benefit plans.

MANAGEMENT'S FINANCIAL DISCUSSION *and* ANALYSIS *concluded*

Costs and Funding

In 2006, Entergy's total qualified pension cost was $131 million. Entergy anticipates 2007 qualified pension cost to decrease to $128 million (including Entergy New Orleans' cost of $2.8 million) due to an increase in the discount rate (from 5.90% to 6.00%) and 2006 actual return on plan assets greater than 8.5%. Pension funding was $318 million for 2006, including the 2005 contribution of $107 million that was delayed until 2006 as a result of the Katrina Emergency Tax Relief Act. Entergy's contributions to the pension trusts are projected to be $176 million in 2007, including Entergy New Orleans' contribution of $44 million.

The Pension Protection Act of 2006 was signed by the President on August 17, 2006. The intent of the legislation is to require companies to fund 100% of their pension liability; and then for companies to fund, on a going-forward basis, an amount generally estimated to be the amount that the pension liability increases each year due to an additional year of service by the employees eligible for pension benefits. The legislation requires that funding shortfalls be eliminated by companies over a seven-year period, beginning in 2008. The Pension Protection Act also extended the provisions of the Pension Funding Equity Act that would have expired in 2006 had the Pension Protection Act not been enacted, which increased the allowed discount rate used to calculate the pension funding liability.

Total postretirement health care and life insurance benefit costs for Entergy in 2006 were $90 million, including $28 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy expects 2007 postretirement health care and life insurance benefit costs to be $88 million (including Entergy New Orleans' costs of $5 million). This includes a projected $26 million in savings due to the estimated effect of future Medicare Part D subsidies. The decrease in postretirement health care and life insurance benefit costs is due to the increase in the discount rate (from 5.9% to 6.00%) and plan amendments in the Non-Utility Nuclear plans.

OTHER CONTINGENCIES

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

Environmental

Entergy must comply with environmental laws and regulations applicable to the handling and disposal of hazardous waste. Under these various laws and regulations, Entergy could incur substantial costs to restore properties consistent with the various standards. Entergy conducts studies to determine the extent of any required remediation and has recorded reserves based upon its evaluation of the likelihood of loss and expected dollar amount for each issue. Additional sites could be identified which require environmental remediation for which Entergy could be liable. The amounts of environmental reserves recorded can be significantly affected by the following external events or conditions:

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

Litigation

Entergy has been named as defendant in a number of lawsuits involving employment, ratepayer, and injuries and damages issues, among other matters. Entergy periodically reviews the cases in which it has been named as defendant and assesses the likelihood of loss in each case as probable, reasonably estimable, or remote and records reserves for cases which have a probable likelihood of loss and can be estimated. Notes 2 and 8 to the financial statements include more detail on ratepayer and other lawsuits and management's assessment of the adequacy of reserves recorded for these matters. Given the environment in which Entergy operates, and the unpredictable nature of many of the cases in which Entergy is named as a defendant, however, the ultimate outcome of the litigation Entergy is exposed to has the potential to materially affect the results of operations of Entergy, or its operating company subsidiaries.

Sales Warranty and Tax Reserves

Entergy's operations, including acquisitions and divestitures, require Entergy to evaluate risks such as the potential tax effects of a transaction, or warranties made in connection with such a transaction. Entergy believes that it has adequately assessed and provided for these types of risks, where applicable. Any reserves recorded for these types of issues, however, could be significantly affected by events such as claims made by third parties under warranties, additional transactions contemplated by Entergy, or completion of reviews of the tax treatment of certain transactions or issues by taxing authorities. Tax reserves not expected to reverse within the next year are reflected as non-current taxes accrued in the financial statements. Entergy does not expect a material adverse effect on earnings from these matters.

NEW ACCOUNTING PRONOUNCEMENTS

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006 and is effective for Entergy in the first quarter of 2007. FIN 48 establishes a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. Additional disclosure in the footnotes to the financial statements will also be required for such liabilities. Entergy does not expect that the adoption of FIN 48 will materially affect its financial position, results of operations, or cash flows. Entergy expects that the cumulative effect of the adoption of FIN 48 will result in a reduction to consolidated retained earnings at January 1, 2007 in the range of $3 million to $5 million.

In September 2006 the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157) which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 generally does not require any new fair value measurements. However, in some cases, the application of SFAS 157 in the future may change Entergy's practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Entergy in the first quarter of 2008 and will be applied prospectively. Entergy is currently evaluating SFAS 157 and its potential future impacts on its financial position, results of operations, and cash flows.

In February 2007 the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for Entergy in the first quarter 2008, and because SFAS 159 was recently issued Entergy's evaluation is in its initial stages.

REPORT *of* MANAGEMENT

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

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

Entergy Corporation and its subsidiaries' independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on Entergy management's assessment of the effectiveness of Entergy's internal control over financial reporting as of December 31, 2006, which is included herein on page 49.

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

Based on management's assessment of internal controls using the COSO criteria, management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2006. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

J. WAYNE LEONARD
Chairman and
Chief Executive Officer

LEO P. DENAULT
Executive Vice President
and Chief Financial Officer

REPORT *of* INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Entergy Corporation:

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the "Corporation") as of December 31, 2006 and 2005, and the related consolidated statements of income; of retained earnings, comprehensive income, and paid-in capital; and of cash flows for each of the three years in the period ended December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of Entergy Corporation and Subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the consolidated financial statements, in 2006 the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
New Orleans, Louisiana
February 26, 2007

REPORT *of* INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited management's assessment, included in the accompanying Controls and Procedures - Internal Control over Financial Reporting, that Entergy Corporation and Subsidiaries (the "Corporation") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2006 of the Corporation and our report dated February 26, 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding their change in the method of accounting for defined benefit pension and other postretirement plans.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
New Orleans, Louisiana
February 26, 2007

INTERNAL CONTROL *over* FINANCIAL REPORTING

The management of Entergy Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for Entergy. Entergy's internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of its financial statements presented in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Entergy management assessed the effectiveness of its internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Based on management's assessment and the criteria set forth by COSO, management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2006.

Entergy's registered public accounting firm has issued an attestation report on management's assessment of its internal control over financial reporting.

CONSOLIDATED STATEMENTS *of* INCOME

In thousands, except share data, for the years ended December 31,	2006	2005	2004
OPERATING REVENUES:			
Domestic electric	$ 9,063,135	$8,446,830	$7,932,577
Natural gas	84,230	77,660	208,499
Competitive businesses	1,784,793	1,581,757	1,544,445
Total	10,932,158	10,106,247	9,685,521
OPERATING EXPENSES:			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	3,144,073	2,176,015	2,488,208
Purchased power	2,138,237	2,521,247	1,701,610
Nuclear refueling outage expenses	169,567	162,653	166,072
Provision for asset impairments and restructuring charges	–	–	55,000
Other operation and maintenance	2,335,364	2,122,206	2,268,332
Decommissioning	145,884	143,121	149,529
Taxes other than income taxes	428,561	382,521	403,635
Depreciation and amortization	887,792	856,377	893,574
Other regulatory credits – net	(122,680)	(49,882)	(90,611)
Total	9,126,798	8,314,258	8,035,349
OPERATING INCOME	1,805,360	1,791,989	1,650,172
OTHER INCOME:			
Allowance for equity funds used during construction	39,894	45,736	39,582
Interest and dividend income	198,835	150,479	109,635
Equity in earnings (loss) of unconsolidated equity affiliates	93,744	985	(78,727)
Miscellaneous – net	16,114	14,251	55,509
Total	348,587	211,451	125,999
INTEREST AND OTHER CHARGES:			
Interest on long-term debt	498,451	440,334	463,384
Other interest – net	75,502	64,646	40,133
Allowance for borrowed funds used during construction	(23,931)	(29,376)	(25,741)
Preferred dividend requirements and other	27,783	25,427	23,525
Total	577,805	501,031	501,301
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	1,576,142	1,502,409	1,274,870
Income taxes	443,044	559,284	365,305
INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	1,133,098	943,125	909,565
LOSS FROM DISCONTINUED OPERATIONS (net of income tax expense (benefit) of $67, $(24,051), and $603, respectively)	(496)	(44,794)	(41)
CONSOLIDATED NET INCOME	$1,132,602	$ 898,331	$ 909,524
Basic earnings (loss) per average common share:			
Continuing operations	$5.46	$ 4.49	$4.01
Discontinued operations	–	$(0.21)	–
Basic earnings per average common share	$5.46	$ 4.27	$4.01
Diluted earnings (loss) per average common share:			
Continuing operations	$5.36	$ 4.40	$3.93
Discontinued operations	–	$(0.21)	–
Diluted earnings per average common share	$5.36	$ 4.19	$3.93
Dividends declared per common share	$2.16	$ 2.16	$1.89
Basic average number of common shares outstanding	207,456,838	210,141,887	226,863,758
Diluted average number of common shares outstanding	211,452,455	214,441,362	231,193,686

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS *of* RETAINED EARNINGS, COMPREHENSIVE INCOME *and* PAID-IN CAPITAL

In thousands, for the years ended December 31,	2006		2005		2004	
RETAINED EARNINGS						
Retained Earnings – Beginning of period	$5,433,931		$4,989,826		$4,502,508	
Add:						
Consolidated net income	1,132,602	$1,132,602	898,331	$898,331	909,524	$ 909,524
Adjustment for change in accounting method	–		–		5,524	
Total	1,132,602		898,331		915,048	
Deduct:						
Dividends declared on common stock	448,572		453,657		427,740	
Capital stock and other expenses	4,919		569		(10)	
Total	453,491		454,226		427,730	
Retained Earnings – End of period	$6,113,042		$5,433,931		$4,989,826	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (NET OF TAXES)						
Balance at beginning of period:						
Accumulated derivative instrument fair value changes	$ (392,614)		$ (141,411)		$ (25,811)	
Other accumulated comprehensive income (loss) items	48,795		47,958		18,016	
Total	(343,819)		(93,453)		(7,795)	
Net derivative instrument fair value changes arising during the period (net of tax (benefit) of $187,462, $(159,236), and $(74,082))	287,036	287,036	(251,203)	(251,203)	(115,600)	(115,600)
Foreign currency translation (net of tax expense of $1,122, $211, and $659)	3,207	3,207	602	602	1,882	1,882
Minimum pension liability (net of tax expense (benefit) of $(5,911), $(9,176), and $1,875)	(7,759)	(7,759)	(15,773)	(15,773)	2,762	2,762
Pension and other postretirement liabilities (net of tax expense (benefit) of ($92,419))	(75,805)		–		–	
Net unrealized investment gains (net of tax expense of $28,428, $10,573, and $16,599)	36,628	36,628	16,008	16,008	25,298	25,298
Balance at end of period:						
Accumulated derivative instrument fair value changes	(105,578)		(392,614)		(141,411)	
Other accumulated comprehensive income items	5,066		48,795		47,958	
Total	$ (100,512)		$ (343,819)		$ (93,453)	
Comprehensive Income		$1,451,714		$ 647,965		$ 823,866
PAID-IN CAPITAL						
Paid-in Capital – Beginning of period	$4,817,637		$4,835,375		$4,767,615	
Add (Deduct):						
Issuance of equity units	–		(39,904)		–	
Common stock issuances related to stock plans	9,628		22,166		67,760	
Paid-in Capital – End of period	$4,827,265		$4,817,637		$4,835,375	

See Notes to Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, as of December 31,	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents:		
Cash	$ 117,379	$ 221,773
Temporary cash investments – at cost, which approximates market	898,773	361,047
Total cash and cash equivalents	1,016,152	582,820
Note receivable – Entergy New Orleans DIP loan	51,934	90,000
Notes receivable	699	3,227
Accounts receivable:		
Customer	410,512	629,717
Allowance for doubtful accounts	(19,348)	(30,805)
Other	487,264	459,152
Accrued unbilled revenues	249,165	477,570
Total receivables	1,127,593	1,535,634
Deferred fuel costs	–	543,927
Accumulated deferred income taxes	11,680	–
Fuel inventory – at average cost	193,098	206,195
Materials and supplies – at average cost	604,998	610,932
Deferred nuclear refueling outage costs	147,521	164,152
Prepayments and other	171,759	325,795
Total	3,325,434	4,062,682
OTHER PROPERTY AND INVESTMENTS:		
Investment in affiliates – at equity	229,089	296,784
Decommissioning trust funds	2,858,523	2,606,765
Non-utility property – at cost (less accumulated depreciation)	212,726	228,833
Other	47,115	81,535
Total	3,347,453	3,213,917
PROPERTY, PLANT AND EQUIPMENT:		
Electric	30,713,284	29,161,027
Property under capital lease	730,182	727,565
Natural gas	92,787	86,794
Construction work in progress	786,147	1,524,085
Nuclear fuel under capital lease	269,485	271,615
Nuclear fuel	561,291	436,646
Total property, plant and equipment	33,153,176	32,207,732
Less – accumulated depreciation and amortization	13,715,099	13,010,687
Property, plant and equipment – net	19,438,077	19,197,045
DEFERRED DEBITS AND OTHER ASSETS:		
Regulatory assets:		
SFAS 109 regulatory asset – net	740,110	735,221
Other regulatory assets	2,768,352	2,133,724
Deferred fuel costs	168,122	120,489
Long-term receivables	19,349	25,572
Goodwill	377,172	377,172
Other	898,662	991,835
Total	4,971,767	4,384,013
TOTAL ASSETS	$31,082,731	$30,857,657

See Notes to Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, as of December 31,	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Currently maturing long-term debt	$ 181,576	$ 103,517
Notes payable	25,039	40,041
Accounts payable	1,122,596	1,655,787
Customer deposits	248,031	222,206
Taxes accrued	187,324	188,159
Accumulated deferred income taxes	–	143,409
Interest accrued	160,831	154,855
Deferred fuel costs	73,031	–
Obligations under capital leases	153,246	130,882
Pension and other postretirement liabilities	41,912	–
Other	271,544	473,510
Total	2,465,130	3,112,366
NON-CURRENT LIABILITIES:		
Accumulated deferred income taxes and taxes accrued	5,820,700	5,282,759
Accumulated deferred investment tax credits	358,550	376,550
Obligations under capital leases	188,033	175,005
Other regulatory liabilities	449,237	408,667
Decommissioning and retirement cost liabilities	2,023,846	1,923,971
Transition to competition	79,098	79,101
Regulatory reserves	219	18,624
Accumulated provisions	88,902	144,880
Pension and other postretirement liabilities	1,410,433	1,118,964
Long-term debt	8,798,087	8,824,493
Preferred stock with sinking fund	10,500	13,950
Other	847,196	1,184,082
Total	20,074,801	19,551,046
Commitments and Contingencies		
Preferred stock without sinking fund	344,913	445,974
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 248,174,087 shares in 2006 and in 2005	2,482	2,482
Paid-in capital	4,827,265	4,817,637
Retained earnings	6,113,042	5,433,931
Accumulated other comprehensive loss	(100,512)	(343,819)
Less – treasury stock, at cost (45,506,311 shares in 2006 and 40,644,602 shares in 2005)	2,644,390	2,161,960
Total	8,197,887	7,748,271
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$31,082,731	$30,857,657

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS *of* CASH FLOWS

In thousands, for the years ended December 31,	2006	2005	2004
OPERATING ACTIVITIES:			
Consolidated net income	$ 1,132,602	$ 898,331	$ 909,524
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:			
Reserve for regulatory adjustments	36,352	(82,033)	33,533
Other regulatory credits – net	(122,680)	(49,882)	(90,611)
Depreciation, amortization, and decommissioning	1,035,153	1,001,852	1,045,122
Deferred income taxes, investment tax credits, and non-current taxes accrued	738,643	487,804	352,094
Equity in earnings (loss) of unconsolidated equity affiliates – net of dividends	4,436	4,315	608,141
Provision for asset impairments and restructuring charges	–	39,767	55,000
Changes in working capital:			
Receivables	408,042	(367,351)	(210,419)
Fuel inventory	13,097	(83,125)	(16,769)
Accounts payable	(83,884)	303,194	95,306
Taxes accrued	(835)	(33,306)	(1,581)
Interest accrued	5,975	15,133	5,269
Deferred fuel	582,947	(236,801)	213,627
Other working capital accounts	64,479	(45,653)	41,008
Provision for estimated losses and reserves	39,822	(3,704)	(18,041)
Changes in other regulatory assets	(127,305)	(311,934)	48,626
Other	(307,429)	(68,799)	(140,510)
Net cash flow provided by operating activities	3,419,415	1,467,808	2,929,319
INVESTING ACTIVITIES:			
Construction/capital expenditures	(1,586,016)	(1,458,086)	(1,410,610)
Allowance for equity funds used during construction	39,894	45,736	39,582
Nuclear fuel purchases	(326,248)	(314,414)	(238,170)
Proceeds from sale/leaseback of nuclear fuel	135,190	184,403	109,988
Proceeds from sale of assets and businesses	77,159	–	75,430
Payment for purchase of plant	(88,199)	(162,075)	–
Investment in non-utility properties	–	–	(6,420)
Decrease in other investments	(6,353)	9,905	383,498
Purchases of other temporary investments	–	(1,591,025)	(1,629,500)
Liquidation of other temporary investments	–	1,778,975	1,676,350
Proceeds from nuclear decommissioning trust fund sales	777,584	944,253	679,466
Investment in nuclear decommissioning trust funds	(884,123)	(1,039,824)	(769,273)
Other regulatory investments	(38,037)	(390,456)	(53,566)
Net cash flow used in investing activities	(1,899,149)	(1,992,608)	(1,143,225)

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS *of* CASH FLOWS

In thousands, for the years ended December 31,	2006	2005	2004
FINANCING ACTIVITIES:			
Proceeds from the issuance of:			
Long-term debt	1,837,713	4,302,570	3,653,478
Preferred stock	73,354	127,995	–
Common stock and treasury stock	70,455	106,068	170,237
Retirement of long-term debt	(1,804,373)	(2,689,206)	(4,022,548)
Repurchase of common stock	(584,193)	(878,188)	(1,017,996)
Redemption of preferred stock	(183,881)	(33,719)	(3,450)
Changes in credit line borrowings – net	(15,000)	39,850	(154)
Dividends paid:			
Common stock	(448,954)	(453,508)	(427,901)
Preferred stock	(28,848)	(25,472)	(23,525)
Net cash flow provided by (used in) financing activities	(1,083,727)	496,390	(1,671,859)
Effect of exchange rates on cash and cash equivalents	(3,207)	(602)	(1,882)
Net increase (decrease) in cash and cash equivalents	433,332	(29,012)	112,353
Cash and cash equivalents at beginning of period	582,820	619,786	507,433
Effect of the deconsolidation of Entergy New Orleans on cash and cash equivalents	–	(7,954)	–
Cash and cash equivalents at end of period	$1,016,152	$ 582,820	$ 619,786
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest – net of amount capitalized	$ 526,424	$ 461,345	$ 477,768
Income taxes	$ (147,435)	$ 116,072	$ 28,241

See Notes to Financial Statements.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries. As required by generally accepted accounting principles, all significant intercompany transactions have been eliminated in the consolidated financial statements. The Registrant Subsidiaries and many other Entergy 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

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

REVENUES AND FUEL COSTS

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electric power primarily to retail customers in Texas and Louisiana. Entergy Gulf States also distributes gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electric power and gas to retail customers in the City of New Orleans, except for Algiers, where Entergy Louisiana is the electric power supplier. Entergy's Non-Utility Nuclear segment derives almost all of its revenue from sales of electric power generated by plants owned by the Non-Utility Nuclear segment.

Entergy recognizes revenue from electric power and gas sales when power or gas is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies accrue an estimate of the revenues for energy delivered since the latest billings. The Utility operating companies calculate the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and prices in effect in Entergy's Utility operating companies' various jurisdictions. Changes are made to the inputs in the estimate as needed to reflect changes in billing practices. Each month the estimated unbilled revenue amounts are recorded as revenue and unbilled accounts receivable, and the prior month's estimate is reversed. Therefore, changes in price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the next, and may result in variability in reported revenues from one period to the next as prior estimates are reversed and new estimates recorded.

Entergy's Utility operating companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Because the fuel adjustment clause mechanism allows monthly adjustments to recover fuel costs, Entergy New Orleans and, prior to 2006, Entergy Louisiana and the Louisiana portion of Entergy Gulf States include a component of fuel cost recovery in their unbilled revenue calculations. Effective January 1, 2006, however, for Entergy Louisiana and the Louisiana portion of Entergy Gulf States this fuel component of unbilled accounts receivable was reclassified to a deferred fuel asset and is no longer included in the unbilled revenue calculations, which is in accordance with regulatory treatment. Where the fuel component of revenues is billed based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. Entergy Mississippi's fuel factor includes an energy cost rider that is adjusted quarterly. In the case of Entergy Arkansas and the Texas portion of Entergy Gulf States, a portion of their fuel under-recoveries are treated in the cash flow statements as regulatory investments because those companies are allowed by their regulatory jurisdictions to recover the fuel cost regulatory asset over longer than a twelve-month period, and the companies earn a carrying charge on the under-recovered balances.

System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is stated at original cost. Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. For the Registrant Subsidiaries, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the Registrant Subsidiaries' plant is subject to mortgage liens.

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

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Net property, plant, and equipment for Entergy (including property under capital lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2006 and 2005, is shown below (in millions):

2006	Entergy	Utility	Non-Utility Nuclear	All Other
Production:				
Nuclear	$ 7,558	$ 5,835	$ 1,723	$ –
Other	1,610	1,373	–	237
Transmission	2,500	2,500	–	–
Distribution	5,041	5,041	–	–
Other	1,113	1,111	–	2
Construction work in progress	786	602	175	9
Nuclear fuel (leased and owned)	830	476	354	–
Property, plant, and equipment – net	**$19,438**	**$16,938**	**$2,252**	**$248**

2005	Entergy	Utility	Non-Utility Nuclear	All Other
Production:				
Nuclear	$ 7,390	$ 5,955	$ 1,435	$ –
Other	1,590	1,321	–	269
Transmission	2,394	2,394	–	–
Distribution	4,599	4,599	–	–
Other	992	989	–	3
Construction work in progress	1,524	1,268	232	24
Nuclear fuel (leased and owned)	708	373	335	–
Property, plant, and equipment – net	**$19,197**	**$16,899**	**$2,002**	**$296**

Depreciation rates on average depreciable property for Entergy approximated 2.7% in 2006, 2.7% in 2005, and 2.8% in 2004. Included in these rates are the depreciation rates on average depreciable utility property of 2.6% in 2006, 2.6% in 2005, and 2.7% in 2004 and the depreciation rates on average depreciable non-utility property of 3.6% in 2006, 3.2% in 2005, and 3.8% in 2004.

"Non-utility property - at cost (less accumulated depreciation)" for Entergy is reported net of accumulated depreciation of $167.5 million and $162.2 million as of December 31, 2006 and 2005, respectively.

JOINTLY-OWNED GENERATING STATIONS

Certain Entergy subsidiaries jointly own electric generating facilities with third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2006, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows ($ in millions):

Generating Stations		Fuel-Type	Total Megawatt Capability(1)	Ownership	Investment	Accumulated Depreciation
Utility:						
Entergy Arkansas:						
Independence	Unit 1	Coal	815	31.50%	$ 119	$ 82
	Common Facilities	Coal		15.75%	$ 31	$ 20
White Bluff	Units 1 and 2	Coal	1,635	57.00%	$ 440	$ 293
Entergy Gulf States:						
Roy S. Nelson	Unit 6	Coal	550	70.00%	$ 405	$ 258
Big Cajun 2	Unit 3	Coal	575	42.00%	$ 233	$ 140
Entergy Mississippi:						
Independence	Units 1 and 2 and Common Facilities	Coal	1,630	25.00%	$ 235	$ 125
System Energy:						
Grand Gulf	Unit 1	Nuclear	1,270	90.00%(2)	$3,824	$2,000
Non-Nuclear Wholesale Assets:						
Harrison County		Gas	550	60.90%	$ 210	$ 15
Warren		Gas	300	75.00%	$ 21	$ 7

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

(2) Includes an 11.5% leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 10 to the consolidated financial statements.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Nuclear Refueling Outage Costs

Nuclear refueling outage costs are deferred during the outage and amortized over the period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Prior to 2006, River Bend's costs were accrued in advance of the outage and included in the cost of service used to establish retail rates. Entergy Gulf States relieved the accrued liability when it incurred costs during the next River Bend outage. In 2006, Entergy Gulf States adopted FSP No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities," for its River Bend nuclear refueling outage costs and now accounts for these costs in the same manner as Entergy's other subsidiaries. Adoption of FSP No. AUG AIR-1 resulted in an immaterial retrospective adjustment to Entergy's and Entergy Gulf States' retained earnings balance.

Allowance for Funds Used During Construction (AFUDC)

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

Income Taxes

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. Entergy Louisiana, formed December 31, 2005, is not a member of the consolidated group and files a separate federal income tax return. Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. 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 in the period in which the tax or rate was enacted.

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

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share (EPS) calculation included on the consolidated income statement (in millions, except per share data):

For the years ended December 31,	2006		2005		2004	
		$/share		$/share		$/share
Income from continuing operations	$1,133.1		$943.1		$909.6	
Average number of common shares outstanding – basic	207.5	$5.46	210.1	$4.49	226.9	$4.01
Average dilutive effect of:						
Stock Options(1)	3.8	(0.098)	4.0	(0.085)	4.1	(0.071)
Deferred Units	0.2	(0.005)	0.3	(0.006)	0.2	(0.004)
Average number of common shares outstanding – diluted	211.5	$5.36	214.4	$4.40	231.2	$3.93
Consolidated net income	$1,132.6		$898.3		$909.5	
Average number of common shares outstanding – basic	207.5	$5.46	210.1	$4.27	226.9	$4.01
Average dilutive effect of:						
Stock Options(1)	3.8	(0.098)	4.0	(0.081)	4.1	(0.071)
Deferred Units	0.2	(0.005)	0.3	(0.005)	0.2	(0.004)
Average number of common shares outstanding – diluted	211.5	$5.36	214.4	$4.19	231.2	$3.93

(1) Options to purchase approximately 1,727,579 common stock shares in 2005 and 3,319 common stock shares in 2004 at various prices were outstanding at the end of those years that were not included in the computation of diluted earnings per share because the exercise prices were greater than the common share average market price at the end of each of the years presented. All options to purchase common stock shares in 2006 were included in the computation of diluted earnings per share because the common share average market price at the end of 2006 was greater than the exercise prices.

Entergy has 10,000,000 equity units outstanding as of December 31, 2006 that obligate the holders to purchase a certain number of shares of Entergy common stock for a stated price no later than February 17, 2009. Each contract executed prior to February 17, 2009 would be equal to 0.5705 common stock shares. The equity units were not included in the calculation at December 31, 2006 and 2005 because Entergy's average stock price for the year was less than the threshold appreciation price of the equity units.

Stock-based Compensation Plans

Entergy grants stock options to key employees of the Entergy subsidiaries, which is described more fully in Note 12 to the financial statements. Effective January 1, 2003, Entergy prospectively adopted the fair value based method of accounting for stock options prescribed by SFAS 123, "Accounting for Stock-Based Compensation." Awards under Entergy's plans vest over three years. Therefore, the cost related to stock-based employee compensation included in the determination of net income for 2004 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS 123. There is no pro forma effect for 2006 and 2005 because all non-vested awards are accounted for at fair value. Stock-based compensation expense included in consolidated net income, net of related tax effects, for 2006 is $6.8 million and for 2005 is $7.8 million. The following table illustrates the effect on net income and earnings per share for 2004 if Entergy would have historically applied the fair value based method of accounting to stock-based employee compensation (in thousands, except per share data):

For the year ended December 31, 2004	
Consolidated Net Income	**$909,524**
Add back: Stock-based compensation expense included in earnings applicable to common stock, net of related tax effects	5,141
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	16,668
Pro Forma Consolidated Net Income	**$897,997**
Earnings per average common share:	
Basic	$4.01
Basic – pro forma	$3.96
Diluted	$3.93
Diluted – pro forma	$3.88

APPLICATION OF SFAS 71

Entergy's Utility operating 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 a body empowered to set rates that bind customers (its 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 capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. A significant majority of Entergy's regulatory assets, net of related regulatory and deferred tax liabilities, earn a return on investment during their recovery periods, or Entergy expects that they will earn a return. SFAS 71 requires that rate-regulated enterprises continue to assess the probability of recovering their regulatory assets. 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 may exist that could require further write-offs of plant assets.

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

See Note 2 to the financial statements for discussion of transition to competition activity in the retail regulatory jurisdictions served by Entergy's Utility operating companies.

CASH AND CASH EQUIVALENTS

Entergy considers all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at date of purchase to be cash equivalents. Investments with original maturities of more than three months are classified as other temporary investments on the balance sheet.

INVESTMENTS

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy records the decommissioning trust funds at their fair value on the consolidated balance sheet. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated portion of River Bend, Entergy Gulf States has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. Decommissioning trust funds for Pilgrim, Indian Point 2, and Vermont Yankee do not receive regulatory treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. The assessment of whether an investment has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value and, then, whether it is expected that the investment will recover its value within a reasonable period of time. See Note 17 to the financial statements for details on the decommissioning trust funds.

EQUITY METHOD INVESTEES

Entergy owns investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of earnings or losses of the investee based on the change during the period in the estimated liquidation value of the investment, assuming that the investee's assets were to be liquidated at book value. In accordance with this method, earnings are allocated to owners or members based on what each partner would receive from its capital account if, hypothetically, liquidation were to occur at the balance sheet date and amounts distributed were based on recorded book values. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount for an investee plus any advances made or commitments to provide additional financial support. See Note 14 to the financial statements for additional information regarding Entergy's equity method investments.

Derivative Financial Instruments and Commodity Derivatives

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, at fair value, unless they meet the normal purchase, normal sales criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

Contracts for commodities that will be delivered in quantities expected to be used or sold in the ordinary course of business, including certain purchases and sales of power and fuel, are not classified as derivatives. These contracts are exempted under the normal purchase, normal sales criteria of SFAS 133. Revenues and expenses from these contracts are reported on a gross basis in the appropriate revenue and expense categories as the commodities are received or delivered.

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of all hedges are recognized in current-period earnings.

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of stockholders. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

Impairment of Long-Lived Assets

Entergy periodically reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such operations and assets. Projected net cash flows depend on the 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. See Note 13 to the financial statements for a discussion of asset impairments recognized by Entergy in 2005 and 2004.

Transition to Competition Liabilities

In conjunction with electric utility industry restructuring activity in Texas, regulatory mechanisms were established to mitigate potential stranded costs. Texas restructuring legislation allowed depreciation on transmission and distribution assets to be directed toward generation assets. The liability recorded by Entergy Gulf States as a result of this mechanism is classified as "transition to competition" deferred credits on the balance sheet. Entergy Gulf States has also recorded a corresponding regulatory asset.

Reacquired Debt

The premiums and costs associated with reacquired debt of Entergy's Utility operating companies and System Energy (except that portion allocable to the deregulated operations of Entergy Gulf States) are included in regulatory assets and are being amortized over the life of the related new issuances, in accordance with ratemaking treatment.

New Accounting Pronouncements

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006 and is effective for Entergy in the first quarter of 2007. FIN 48 establishes a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. Additional disclosure in the footnotes to the financial statements will also be required for such liabilities. Entergy does not expect that the adoption of FIN 48 will materially affect its financial position, results of operations, or cash flows. Entergy expects that the cumulative effect of the adoption of FIN 48 will result in a reduction to consolidated retained earnings at January 1, 2007 in the range of $3 million to $5 million.

In September 2006 the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157) which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 generally does not require any new fair value measurements. However, in some cases, the application of SFAS 157 in the future may change Entergy's practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Entergy in the first quarter of 2008 and will be applied prospectively. Entergy is currently evaluating SFAS 157 and its potential future impacts on its financial position, results of operations, and cash flows.

In February 2007 the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for Entergy in the first quarter 2008, and because of SFAS 159's recent issuance Entergy's evaluation is in its initial stages.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

NOTE 2. RATE AND REGULATORY MATTERS

Regulatory Assets

Other Regulatory Assets

The Utility business is subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. In addition to the regulatory assets that are specifically disclosed on the face of the balance sheets, the table below provides detail of "Other regulatory assets" that are included on Entergy's balance sheets as of December 31, 2006 and 2005 (in millions):

	2006	2005
Asset Retirement Obligation – recovery dependent upon timing of decommissioning (Note 9)	$ 303.2	$ 271.7
Deferred capacity – recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2)	127.5	93.8
Deferred fuel – non-current – recovered through rate riders when rates are redetermined periodically (Note 2)	30.9	6.1
Depreciation re-direct – recovery begins at start of retail open access (Note 1)	79.1	79.1
U.S. Department of Energy (DOE) Decommissioning and Decontamination Fees – recovered through fuel rates until December 2007 (Note 9)	9.1	17.5
Gas hedging costs – recovered through fuel rates	47.6	–
Certain Hurricane Rita costs – recovered through securitization (until 2021) and insurance proceeds (Note 2)[(a)]	405.6	–
Pension & postretirement costs (Note 11)	700.7	396.1
Postretirement benefits – recovered through 2012 (Note 11)	14.4	16.8
Provision for storm damages – recovered through cost of service[(a)]	421.8	695.8
Removal costs – recovered through depreciation rates (Note 9)	113.2	140.4
River Bend AFUDC – recovered through August 2025 (Note 1)	33.7	35.6
Sale-leaseback deferral – recovered through June 2014 (Note 10)	114.0	121.4
Spindletop gas storage facility – recovered through December 2032	39.0	40.6
Transition to competition – recovered through February 2021 (Note 2)	117.8	–
Unamortized loss on reacquired debt – recovered over term of debt	150.1	165.1
Other	60.7	53.7
Total	**$2,768.4**	**$2,133.7**

(a) As a result of Hurricane Katrina and Hurricane Rita that hit Entergy's Utility service territories in August and September 2005, the Utility operating companies recorded accruals for the estimated storm restoration costs and recorded some of these costs as regulatory assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. Entergy is pursuing a broad range of initiatives to recover storm restoration costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for Hurricanes Katrina and Rita including Community Development Block Grants (CDBG), pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies, and securitization. The cost recovery mechanisms and approvals are discussed below.

Deferred Fuel Costs

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is recorded as "Deferred fuel costs" on the Utility operating companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2006 and 2005 that Entergy expects to recover or (refund) through fuel mechanisms, subject to subsequent regulatory review (in millions):

	2006	2005
Entergy Arkansas	$ 2.2	$204.2
Entergy Gulf States[(a)]	$ 73.9	$324.4
Entergy Louisiana[(a)]	$114.3	$ 21.9
Entergy Mississippi	$ (95.2)	$114.0
Entergy New Orleans[(b)]	$ 19.0	$ 30.6

(a) Includes fuel, purchased power and capacity costs that are expected to be recovered over a period greater than twelve months.

(b) Not included as "Deferred Fuel Costs" on Entergy's financial statements due to the deconsolidation of Entergy New Orleans effective in 2005.

Entergy Arkansas

In March 2005, Entergy Arkansas filed with the APSC its energy cost recovery rider for the period April 2005 through March 2006. The filed energy cost rate, which accounts for 15 percent of a typical residential customer's bill using 1,000 kWh per month, increased 31 percent primarily attributable to a true-up adjustment for an under-recovery balance of $11.2 million and a nuclear refueling adjustment resulting from outages scheduled in 2005 at ANO 1 and 2 and Grand Gulf.

In September 2005, Entergy Arkansas filed with the APSC an interim energy cost rate per the energy cost recovery rider that provides for an interim adjustment should the cumulative over- or under-recovery for the energy period exceed 10 percent of the energy costs for that period. As of the end of July 2005, the cumulative under-recovery of fuel and purchased power expenses had exceeded the 10 percent threshold due to increases in purchased power expenditures resulting from higher natural gas prices. The interim cost rate of $0.01900 per kWh became effective the first billing cycle in October 2005.

In early October 2005, the APSC initiated an investigation into Entergy Arkansas' interim rate. The investigation is focused on Entergy Arkansas' 1) gas contracting, portfolio, and hedging practices; 2) wholesale purchases during the period; 3) management of the coal inventory at its coal generation plants; and 4) response to the contractual failure of the railroads to provide coal deliveries. In March 2006, the APSC extended its investigation to cover the costs included in Entergy Arkansas' March 2006 filing requesting an energy cost rate of $0.02827 per kWh, which is discussed below. On April 7, 2006, the APSC issued a show cause order in the investigation proceeding that ordered Entergy Arkansas to file a cost of service study by June 8, 2006. The order also directed Entergy Arkansas to file testimony to support the cost of service study, to support the $0.02827 per kWh cost rate, and to address the general topic of elimination of the energy cost recovery rider.

On June 7, 2006, Entergy Arkansas filed a cost of service study and testimony supporting the redetermined energy cost rate and testimony addressing the prospective elimination of the energy cost recovery rider as ordered by the APSC. A hearing was held in the APSC energy cost recovery investigation on October 12, 2006 and post-hearing briefs were filed by Entergy Arkansas, the APSC General Staff, the Arkansas Attorney General, and the Arkansas Electric Energy Consumers. No party recommended termination of the energy cost recovery rider. In the January 16, 2007 order referenced below, the APSC stated the issue of whether Entergy Arkansas' energy cost recovery rider should be terminated, modified, or continued will be deferred and addressed in Entergy Arkansas' pending rate case.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

As discussed above, in March 2006, Entergy Arkansas filed with the APSC its annual redetermination of the energy cost rate for application to the period April 2006 through March 2007. The filed energy cost rate of $0.02827 per kWh was proposed to replace the interim rate of $0.01900 per kWh that had been in place since October 2005, as discussed above. The increase in the energy cost rate was due to increases in the cost of purchased power primarily due to the natural gas cost increase and the effect that Hurricanes Katrina and Rita had on market conditions, increased demand for purchased power during the ANO 1 refueling and steam generator replacement outage in the fall of 2005, and coal plant generation curtailments during off-peak periods due to railroad delivery problems. On March 31, 2006, the APSC suspended implementation of the $0.02827 per kWh energy cost rate, and ordered that the $0.01900 per kWh interim rate remain in effect pending the APSC proceedings on the energy cost recovery filings discussed above. In June 2006, Entergy Arkansas filed a motion with the APSC seeking again to implement the redetermined energy cost rate of $0.02827 per kWh. After a hearing, the APSC approved Entergy Arkansas' request and the redetermined rate was implemented in July 2006, subject to refund pending the outcome of the APSC energy cost recovery investigation.

On January 16, 2007, the APSC issued an order in its review of Entergy Arkansas' interim rate, mentioned above. The APSC found that Entergy Arkansas failed to maintain an adequate coal inventory level going into the summer of 2005 and that Entergy Arkansas should be responsible for any incremental energy costs resulting from two outages caused by employee and contractor error. As stated above, the coal plant generation curtailments were caused by railroad delivery problems. The APSC staff was directed to perform an analysis with Entergy Arkansas' assistance to determine the additional fuel and purchased energy costs associated with these findings and file the analysis within 60 days of the order. After a final determination of the costs is made by the APSC, Entergy Arkansas would be directed to refund that amount with interest to its customers as a credit on the energy cost recovery rider that collects fuel and purchased energy costs. The order also stated that the APSC would address any additional issues regarding the energy cost recovery rider in the pending Entergy Arkansas rate case. Entergy Arkansas has requested rehearing of the order.

Entergy Gulf States (Texas)

In the Texas jurisdiction, Entergy Gulf States' rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including carrying charges, not recovered in base rates. The fixed fuel factor formula was revised and approved by a PUCT order in August 2006. The new formula was implemented in September 2006. Under the new methodology, semi-annual revisions of the fixed fuel factor will continue to be made in March and September based on the market price of natural gas and changes in fuel mix. Entergy Gulf States will likely continue to use this methodology until the start of retail open access, which has been delayed. The amounts collected under Entergy Gulf States' fixed fuel factor and any interim surcharge implemented until the date retail open access commences are subject to fuel reconciliation proceedings before the PUCT.

Entergy Gulf States filed with the PUCT in July 2005 a request for implementation of an incremental purchased capacity recovery rider, consistent with the Texas legislation discussed below under "Electric Industry Restructuring and the Continued Application of SFAS 71." Through this rider Entergy Gulf States sought to recover $23.1 million annually in incremental revenues on a Texas retail basis which represents the incremental purchased capacity costs, including Entergy Gulf States' obligation to purchase power from Entergy Louisiana's recently acquired Perryville plant, over what is already in Entergy Gulf States' base rates. Entergy Gulf States reached an initial agreement with parties that the date upon which cost recovery and cost reconciliation would begin is September 1, 2005. A further non-unanimous settlement was reached with most of the parties that allowed for the implementation of the $18 million annual rider effective December 1, 2005. The settlement also provided for a fuel reconciliation to be filed by Entergy Gulf States by May 15, 2006, which has been filed as discussed below, that would resolve the remaining issues in the case with the exception of the amount of purchased power in current base rates and the costs to which load growth is attributed, both of which were settled. The hearing with respect to the non-unanimous settlement, which was opposed by the Office of Public Utility Counsel, was conducted on October 19, 2005 before the ALJ, who issued a Proposal for Decision supporting the settlement. In December 2005, the PUCT approved the settlement. The amounts collected by the purchased capacity recovery rider are subject to reconciliation.

In May 2006, Entergy Gulf States filed with the PUCT a fuel and purchased power reconciliation case covering the period September 2003 through December 2005 for costs recoverable through the Texas fixed fuel factor rate and the incremental purchased capacity recovery rider. Entergy Gulf States is reconciling $1.6 billion of fuel and purchased power costs on a Texas retail basis. Hearings are scheduled for April 2007 and a PUCT decision is expected by the third quarter of 2007.

In January 2006, Entergy Gulf States implemented a $46.1 million interim fuel surcharge, including interest, to collect under-recovered fuel and purchased power expenses incurred from August 2004 through July 2005 as approved by the PUCT. The surcharge was to be collected over a twelve-month period. In addition, in March 2006, Entergy Gulf States filed with the PUCT an application to implement an interim fuel surcharge in connection with the under-recovery of $97 million, including interest, of eligible fuel costs for the period August 2005 through January 2006. Entergy Gulf States entered into a unanimous settlement that reduced the requested surcharge for actual over-collections from the months of February and March 2006, resulting in a surcharge of $78.8 million to be implemented over a twelve-month period beginning in June 2006. The PUCT approved the surcharge in June 2006. Subsequently, as a result of over-recoveries in the months following the implementation of the June 2006 surcharge, Entergy Gulf States entered into a joint agreement with several parties, which was approved by the PUCT, to remove the first interim fuel surcharge (the January 2006 surcharge) effective with the first billing cycle in November 2006. Additionally, Entergy Gulf States requested that the PUCT remove the second interim surcharge (the June 2006 surcharge) as of November 2006 as well, which the PUCT has approved. Amounts collected through the interim fuel surcharges are subject to final reconciliation in a future fuel reconciliation proceeding.

In March 2004, Entergy Gulf States filed with the PUCT a fuel reconciliation case covering the period September 2000 through August 2003 reconciling $1.43 billion of fuel and purchased power costs on a Texas retail basis. This amount included $8.6 million of under-recovered costs that Entergy Gulf States asked to reconcile and roll into its fuel over/under-recovery balance to be addressed in the next appropriate fuel proceeding. This case involved imputed capacity and River Bend payment issues similar to those decided adversely in the January 2001 proceeding, which is discussed below. On January 31, 2005, the ALJ issued a Proposal for Decision that recommended disallowing $10.7 million (excluding interest) related to these two issues. In April 2005, the PUCT issued an order reversing in part the ALJ's Proposal for Decision and allowing Entergy Gulf States to recover a part of its request related to the imputed capacity and River Bend payment issues. The PUCT's order reduced the disallowance in the case to $8.3 million. Both Entergy Gulf States and certain cities served by Entergy Gulf States filed motions for rehearing on these issues which were denied by the PUCT. Entergy Gulf States and certain cities filed appeals to the Travis County District Court. Based on the Texas Supreme Court decision described below covering these issues for previous periods, Entergy Gulf States is withdrawing its appeal of this decision.

In January 2001, Entergy Gulf States filed with the PUCT a fuel reconciliation case covering the period from March 1999 through August 2000. Entergy Gulf States was reconciling approximately $583 million of fuel and purchased power costs. As part of this filing, Entergy Gulf States requested authority to collect $28 million, plus interest, of under-recovered fuel and purchased power costs. In August 2002, the PUCT reduced Entergy Gulf States' request to approximately $6.3 million, including interest through July 31, 2002. Approximately $4.7 million of the total reduction to the requested surcharge relates to nuclear fuel costs that the PUCT deferred ruling on at that time. In October 2002, Entergy Gulf States appealed the PUCT's final order in Texas District Court. In its appeal, Entergy Gulf States challenged the PUCT's disallowance of approximately $4.2 million related to imputed capacity costs and its disallowance related to costs for energy delivered from the 30% non-regulated share of River Bend. The case was argued before the Travis County District Court in August 2003 and the Travis County District Court judge affirmed the PUCT's order. In October 2003, Entergy Gulf States appealed this decision to the Court of Appeals. Oral argument before the appellate court occurred in September 2004, and the Court denied Entergy Gulf States' appeal. In October 2005, Entergy Gulf States filed a petition for review by the Texas Supreme Court, and in December 2005, the Texas Supreme Court requested that responses be filed to Entergy Gulf States' petition as part of its ongoing consideration of whether to exercise its discretion to grant review of this matter. Those responses and Entergy Gulf States' reply to those responses were filed in January 2006. In September 2006, the Texas Supreme Court denied the appeal. Entergy Gulf States has decided not to continue to pursue this appeal. Entergy Gulf States recorded reserves for the amounts at issue in this appeal and the appeal of the subsequent case with identical issues and they have been written off.

Entergy Gulf States (Louisiana) and Entergy Louisiana

In Louisiana, Entergy Gulf States and Entergy Louisiana recover electric fuel and purchased power costs for the upcoming month based upon the level of such costs from the prior month. In Louisiana, Entergy Gulf States' purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit for deferred fuel expense arising from monthly reconciliations of actual fuel costs incurred with fuel cost revenues billed to customers.

In August 2000, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Louisiana pursuant to a November 1997 LPSC general order. The time period that is the subject of the audit is January 1, 2000 through December 31, 2001. In September 2003, the LPSC staff issued its audit report and recommended a disallowance with regard to an alleged failure to uprate Waterford 3 in a timely manner. This issue was resolved with the March 2005 global settlement. Subsequent to the issuance of the audit report, the scope of this docket was expanded to include a review of annual reports on fuel and purchased power transactions with affiliates and a prudence review of transmission planning issues and to include the years 2002 through 2004. Hearings were held in November 2006 and post-hearing briefs were filed in January and February 2007.

In January 2003, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States and its affiliates pursuant to a November 1997 LPSC general order. The audit will include a review of the reasonableness of charges flowed by Entergy Gulf States through its fuel adjustment clause in Louisiana for the period January 1, 1995 through December 31, 2002. Discovery is underway, but a detailed procedural schedule extending beyond the discovery stage has not yet been established, and the LPSC staff has not yet issued its audit report. In June 2005, the LPSC expanded the audit to include the years through 2004.

In November 2005, the LPSC authorized its staff to initiate an expedited proceeding to audit the fuel and power procurement activities of Entergy Louisiana and Entergy Gulf States for the period January 1, 2005 through October 31, 2005. In April 2006, the LPSC accepted the LPSC Staff's audit report finding that the prices paid for natural gas and purchased power were reasonable and that given the market conditions surrounding Hurricanes Katrina and Rita, Entergy Louisiana and Entergy Gulf States acted reasonably and prudently in response to an extremely difficult environment.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider which is adjusted quarterly to reflect accumulated over- or under-recoveries from the second prior quarter. In January 2005, the MPSC approved a change in Entergy Mississippi's energy cost recovery rider. Entergy Mississippi's fuel over-recoveries for the third quarter of 2004 of $21.3 million were deferred from the first quarter 2005 energy cost recovery rider adjustment calculation. The deferred amount of $21.3 million plus carrying charges was refunded through the energy cost recovery rider in the second and third quarters of 2005.

Entergy New Orleans

In June and November 2004, the City Council passed resolutions implementing a package of measures developed by Entergy New Orleans and the Council Advisors to protect customers from potential gas price spikes during the 2004 - 2005 winter heating season. These measures include: maintaining Entergy New Orleans' financial hedging plan for its purchase of wholesale gas, and deferral of collection of up to $6.2 million of gas costs associated with a cap on the purchased gas adjustment in November and December 2004 and in the event that the average residential customer's gas bill were to exceed a threshold level. The deferral of $1.7 million resulting from these caps was recovered over a seven-month period that began in April 2005.

In November 2004, the City Council directed Entergy New Orleans to confer with the Council Advisors regarding possible modification of the gas cost collection mechanism in order to address concerns regarding its fluctuations, particularly during the winter heating season. In June 2005, Entergy New Orleans filed a new purchased gas adjustment tariff (PGA tariff) with the City Council. The City Council approved the PGA tariff which became effective with billings in October 2005. In October 2005, the City Council approved modifications to the PGA tariff that became effective in November 2005. The modifications are intended to minimize fluctuations in PGA rates during the winter months.

Storm Cost Recovery Filings with Retail Regulators

Entergy Gulf States – Texas

In July 2006, Entergy Gulf States filed an application with the PUCT with respect to the $393.2 million of Hurricane Rita reconstruction costs incurred in its Texas retail jurisdiction through March 31, 2006. The filing asked the PUCT to determine that $393.2 million is the amount of reasonable and necessary hurricane reconstruction costs eligible for securitization and recovery, approve the recovery of carrying costs, and approve the manner in which Entergy Gulf States allocates those costs among its Texas retail customer classes. This was the first of two filings authorized by a law passed earlier in 2006 in a special session of the Texas Legislature. In December 2006, the PUCT approved $381 million of reasonable and necessary hurricane reconstruction costs incurred through March 31, 2006, plus carrying costs, as eligible for recovery. After netting expected insurance proceeds, the amount is $353 million. In February 2007, the PUCT voted to approve securitization of the $353 million in storm cost recovery expenses, but it also offset the securitization amount by $31.6 million, which the PUCT Commissioners determined was the net present value of the accumulated deferred income tax benefits related to the storm costs. The PUCT also voted to impose certain caps on the amount of qualified transaction costs that can be included in the total securitization amount. The PUCT is expected to issue a financing order authorizing the issuance of securitization bonds by early-March 2007, and Entergy Gulf States intends to implement rates to recover revenues to pay the securitization bonds by mid-2007. Entergy Gulf States will file a semi-annual report with the PUCT to reflect any additional insurance proceeds or other government grant money received, which would be applied against the storm cost recovery balance.

Entergy Gulf States – Louisiana and Entergy Louisiana

In May 2006, Entergy Gulf States completed the $6 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, Entergy Gulf States' interim storm cost recovery of $0.85 million per month was instituted via the formula rate plan. Interim recovery will continue until a final decision is reached by the LPSC with respect to Entergy Gulf States' supplemental and amending storm cost recovery application, which is discussed below.

In April 2006, Entergy Louisiana completed the $14 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, Entergy Louisiana's interim storm cost recovery of $2 million per month was instituted via the formula rate plan. Interim recovery will continue until a final decision is reached by the LPSC with respect to Entergy Louisiana's supplemental and amending storm cost recovery application, which is discussed below.

On July 31, 2006, Entergy Louisiana and Entergy Gulf States filed a supplemental and amending storm cost recovery application with the LPSC, in which Entergy Louisiana and Entergy Gulf States requested that the LPSC (1) review Entergy Louisiana's and Entergy Gulf States' testimony and exhibits relating to the costs associated with Hurricanes Katrina and Rita, and declare that those verified, actual storm-related costs through May 31, 2006 are $466.8 million for Entergy Louisiana and $200.3 million for Entergy Gulf States in the Louisiana jurisdiction and that those costs were prudently incurred; (2) declare that the annual revenue requirements associated with the recovery of those costs, including carrying costs, based on a ten-year levelized rate, are $54.4 million for Entergy Louisiana and $26.2 million for Entergy Gulf States; (3) authorize Entergy Louisiana and Entergy Gulf States to recover the costs through Securitized Storm Cost Recovery Riders (SSCRRs) proposed by Entergy Louisiana and Entergy Gulf States; (4) declare that the storm costs incurred subsequent to May 31, 2006 are to be filed by Entergy Louisiana and Entergy Gulf States with the LPSC on an annual basis in connection with their annual formula rate plan (FRP) filings, and that the SSCRRs be adjusted annually (or semi-annually if needed) to reflect such costs and any insurance proceeds or CDBG funds actually received, with the adjusted amounts to be collected through the SSCRRs to take effect contemporaneous with the effective date of rate changes under the FRP; (5) declare that the storm-related costs incurred by Entergy Louisiana and Entergy Gulf States meet the conditions set forth in the FRP for exclusion from the sharing provisions in those FRPs and authorize the permanent recovery of storm costs outside of the FRPs adopted by the LPSC for Entergy Louisiana and Entergy Gulf States; and (6) authorize the funding of a storm reserve through securitization sufficient to fund a storm cost reserve of $132 million for Entergy Louisiana and $81 million for Entergy Gulf States.

On February 28, 2007, Entergy Louisiana and Entergy Gulf States filed rebuttal testimony and filed a second supplemental and amending application by which they seek authority from the LPSC to securitize their storm cost recovery and storm reserve amounts, together with certain debt retirement costs and upfront and ongoing costs of the securitized debt issued. The filing updates actual storm-related costs through January 2007 and estimated future costs, declaring that Entergy Louisiana's costs are $561 million and Entergy Gulf States' costs are $219 million. The filing also updates the requested storm reserve amounts, requesting $141 million for Entergy Louisiana and $87 million for Entergy Gulf States. Securitization is authorized by a law signed by the Governor of Louisiana in May 2006. Hearings are scheduled for April 2007.

Entergy Mississippi

In March 2006, the Governor of Mississippi signed a law that established a mechanism by which the MPSC could authorize and certify an electric utility financing order and the state could issue bonds to finance the costs of repairing damage caused by Hurricane Katrina to the systems of investor-owned electric utilities. Because of the passage of this law and the possibility of Entergy Mississippi obtaining CDBG funds for Hurricane Katrina storm restoration costs, in March 2006, the MPSC issued an order approving a Joint Stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provided for a review of Entergy Mississippi's total storm restoration costs in an Application for an Accounting Order proceeding. The Stipulation stated that the procedural schedule of Entergy Mississippi's December 2005 filing seeking recovery of hurricane costs through an existing Entergy Mississippi storm damage rider should be suspended until the MPSC issues a final order in the Application for an Accounting Order proceeding.

In June 2006, the MPSC issued an order certifying Entergy Mississippi's Hurricane Katrina restoration costs incurred through March 31, 2006 of $89 million, net of estimated insurance proceeds. Two days later, Entergy Mississippi filed a request with the Mississippi Development Authority for $89 million of CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs. Entergy Mississippi also filed a Petition for Financing Order with the MPSC for authorization of state bond financing of $169 million for Hurricane Katrina restoration costs and future storm costs. The $169 million amount included the $89 million of Hurricane Katrina restoration costs plus $80 million to build Entergy Mississippi's storm damage reserve for the future. Entergy Mississippi's filing stated that the amount actually financed through the state bonds would be net of any CDBG funds that Entergy Mississippi received.

In October 2006, the Mississippi Development Authority approved for payment and Entergy Mississippi received $81 million in CDBG funding for Hurricane Katrina costs. The MPSC then issued a financing order authorizing the issuance of $48 million of state bonds, with $8 million for the remainder of Entergy Mississippi's certified Hurricane Katrina restoration costs and $40 million for the increase in Entergy Mississippi's storm damage reserve. $30 million of the storm reserve will be set aside in a restricted account. Entergy Mississippi forwarded the financing order to the state bond commission, as per the March 2006 law, and expects to receive the proceeds from the state bond issuance in the second quarter of 2007.

Entergy New Orleans

In March 2006, Entergy New Orleans provided a justification statement to state and local officials in connection with its pursuit of CDBG funds to mitigate costs that otherwise would be borne by ratepayers. The statement included all the estimated costs of Hurricane Katrina damage, as well as a lost customer base component intended to help offset the need for storm-related rate increases. The statement included justification for a request for $718 million in CDBG funding. In September 2006, Entergy New Orleans presented a revised CDBG request to the Louisiana Recovery Authority's Infrastructure Committee. The updated request of $592 million takes into account the sale of output of Entergy New Orleans' share of Grand Gulf nuclear power into the wholesale market for a period of time longer than originally anticipated, lower operation and maintenance expenses, and the cessation of interest payments on long-term debt for an agreed-upon period of one year. In October 2006, the Louisiana Recovery Authority (LRA) Board endorsed a resolution proposing to allocate $200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to provide rate relief for Entergy New Orleans customers. The proposal was developed as an action plan amendment and published for public comment. State lawmakers approved the action plan in December 2006, and the U.S. Department of Housing and Urban Development approved it in February 2007. In addition, the City Council must review and certify the amount of Entergy New Orleans' eligible storm costs before an application can be filed with the LRA and CDBG funding can be released to Entergy New Orleans. Entergy New Orleans filed applications seeking City Council certification of $210 million in storm-related costs incurred through December 2006. Entergy New Orleans has supplemented this request to include the estimated future cost of the gas system rebuild. In January 2007, the City Council passed a resolution in which it stated its intent to render a decision in the certification proceeding by March 2007.

In the first quarter 2006, Entergy New Orleans reduced its accrued accounts payable for storm restoration costs by $97.4 million, with corresponding reductions of $88.7 million in construction work in progress and $8.7 million in regulatory assets, based on a reassessment of the nature and timing of expected restoration and rebuilding costs and the obligations associated with restoring service. Although Entergy New Orleans reduced its accrual for restoration spending by these amounts, it continues to expect to incur the related costs over time and Entergy New Orleans still expects its storm restoration and business continuity costs to total approximately $275 million, including $80 million related to the gas rebuild project discussed below.

The estimated storm restoration costs do not include the longer-term accelerated rebuilding of the gas system in New Orleans that Entergy New Orleans expects will be necessary due to the massive salt water intrusion into the system caused by the flooding in New Orleans. The salt water intrusion is expected to shorten the life of the gas system, making it necessary to rebuild that system over time, earlier than otherwise would be expected. Entergy New Orleans currently expects the additional longer-term cost to rebuild the gas system to be $385 million, with the project extending many years into the future.

Retail Rate Proceedings

Filings with the APSC

Retail Rates

In August 2006, Entergy Arkansas filed with the APSC a request for a change in base rates. Entergy Arkansas requested a general base rate increase of $150 million (using an ROE of 11.25%), as well as recovery of FERC-allocated costs pursuant to the FERC decision on the System Agreement. Entergy Arkansas also requested a capacity management rider to recover incremental capacity costs. In February 2007, the APSC Staff and intervenors filed testimony in the case indicating that the parties generally favor recovery of the FERC-allocated System Agreement costs through a new rider. Moreover, the parties commenting on the energy cost recovery rider supported retention of the energy cost recovery rider to recover fuel and purchased energy expense. Regarding the level of base rates, the APSC staff found a revenue requirement excess of $13.5 million. The parties generally opposed recovering incremental capacity purchase charges through the proposed capacity management rider, although the APSC staff indicated such a rider might be appropriate for a proposed power plant acquisition once more facts were known. EAI rebuttal testimony is scheduled to be filed in March 2007. The procedural schedule calls for hearings to begin in April 2007.

In November 2006, Entergy Arkansas filed with the APSC a request to approve Entergy Arkansas' need for load-following generation resources. In January 2007, the APSC staff recommended that the APSC issue an order declaring that Entergy Arkansas has demonstrated a need to acquire capacity for load-following generation. Upon completion of negotiations with the final selected bidder, which is expected in third quarter 2007, Entergy Arkansas will file with the APSC a request to approve the specific capacity acquisition. Cost recovery for the new resource is being addressed in the general rate case.

See Entergy Corporation and Subsidiaries' "Management's Financial Discussion And Analysis - Significant Factors and Known Trends - Federal Regulation - System Agreement Litigation" for a discussion of Entergy's compliance filing in that proceeding. If the FERC approves the compliance tariff as filed, then payments under that tariff will be classified as energy costs, which would then be included in setting the retail energy cost rate as part of the normal working of the energy cost recovery rider. As noted above under "Deferred fuel costs," the APSC has given notice that it is considering the prospective elimination of the energy cost recovery rider. Therefore, Entergy Arkansas proposed in the August 2006 base rate case an alternative to the energy cost recovery rider for recovery of the costs allocated to it as a result of the System Agreement litigation should the energy cost recovery rider be lawfully terminated by the APSC. A separate exact recovery rider, similar to the energy cost recovery rider, would ensure that Entergy Arkansas customers pay only the amount allocated by the FERC.

Filings with the PUCT and Texas Cities

Retail Rates

Entergy Gulf States is operating in Texas under a base rate freeze that has remained in effect during the delay in the implementation of retail open access in Entergy Gulf States' Texas service territory. As discussed in "Electric Industry Restructuring and the Continued Application of SFAS 71" below, a Texas law was enacted in June 2005 which includes provisions in the Texas legislation regarding Entergy Gulf States' ability to file a general rate case and to file for recovery of transition to competition costs. As authorized by the legislation, in August 2005, Entergy Gulf States filed with the PUCT an application for recovery of its transition to competition costs. Entergy Gulf States requested recovery of $189 million in transition to competition costs through implementation of a 15-year rider to be effective no later than March 1, 2006. The $189 million represents transition to competition costs Entergy Gulf States incurred from June 1, 1999 through June 17, 2005 in preparing for competition in its Texas service area, including attendant AFUDC, and all carrying costs projected to be incurred on the transition to competition costs through February 28, 2006. The $189 million is before any gross-up for taxes or carrying costs over the 15-year recovery period. Entergy Gulf States reached a unanimous settlement agreement, which the PUCT approved in June 2006, on all issues with the active parties in the transition to competition cost recovery case. The agreement allows Entergy Gulf States to recover $14.5 million per year in transition to competition costs over a 15-year period. Entergy Gulf States implemented rates based on this revenue level on March 1, 2006. The formal settlement agreement was approved by the PUCT in June 2006.

The Texas law enacted also allowed Entergy Gulf States to file with the PUCT for recovery of certain incremental purchased capacity costs which was implemented effective December 1, 2005. This proceeding is discussed above under "Deferred Fuel Costs."

Filings with the LPSC

Global Settlement (Entergy Gulf States and Entergy Louisiana)

In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues for Entergy Gulf States and Entergy Louisiana. The settlement resulted in credits totaling $76 million for retail electricity customers in Entergy Gulf States' Louisiana service territory and credits totaling $14 million for retail electricity customers of Entergy Louisiana. The net income effect of $48.6 million for Entergy Gulf States and $8.6 million for Entergy Louisiana was recognized primarily in 2004 when Entergy Gulf States and Entergy Louisiana recorded provisions for the expected outcome of the proceeding. The settlement dismissed Entergy Gulf States' fourth, fifth, sixth, seventh, and eighth annual earnings reviews, Entergy Gulf States' ninth post-merger earnings review and revenue requirement analysis, the continuation of a fuel review for Entergy Gulf States, dockets established to consider issues concerning power purchases for Entergy Gulf States and Entergy Louisiana for the summers of 2001, 2002, 2003, and 2004, all prudence issues associated with decisions made through May 2005 related to the nuclear plant uprates at issue in these cases, and an LPSC docket concerning retail issues arising under the System Agreement. The settlement does not include the System Agreement case at FERC. In addition, Entergy Gulf States agreed not to seek recovery from customers of $2 million of excess refund amounts associated with the fourth through the eighth annual earnings reviews and Entergy Louisiana agreed to forgo recovery of $3.5 million of deferred 2003 capacity costs associated with certain power purchase agreements. The credits were issued to customers in connection with April 2005 billings.

The settlement includes the establishment of a three-year formula rate plan for Entergy Gulf States that, among other provisions, establishes an ROE mid-point of 10.65% for the initial three-year term of the plan and permits Entergy Gulf States to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed range of 9.9% to 11.4% will be allocated 60% to customers and 40% to Entergy Gulf States. Entergy Gulf States made its initial formula rate plan filing in June 2005, as discussed below. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Gulf States.

Retail Rates – Electric (Entergy Louisiana)

Entergy Louisiana made a rate filing with the LPSC requesting a base rate increase in January 2004. In March 2005, the LPSC staff and Entergy Louisiana filed a proposed settlement that included an annual base rate increase of approximately $18.3 million that was implemented, subject to refund, effective with May 2005 billings. In May 2005, the LPSC approved a modified settlement which, among other things, reduces depreciation and decommissioning expense due to assuming a life extension of Waterford 3 and results in no change in rates. Subsequently, in June 2005, Entergy Louisiana made a revised compliance filing with the LPSC supporting a revised depreciation rate for Waterford 3, which reflects the removal of interim additions, and a rate increase from the purchase of the Perryville power plant, which results in a net $0.8 million annual rate reduction. Entergy Louisiana reduced rates effective with the first billing cycle in July 2005 and refunded excess revenue collected during May 2005, including interest, in August 2005.

The May 2005 rate settlement includes the adoption of a three-year formula rate plan, the terms of which include an ROE mid-point of 10.25% for the initial three-year term of the plan and permit Entergy Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed regulatory range of 9.45% to 11.05% will be allocated 60% to customers and 40% to Entergy Louisiana. The initial formula rate plan filing was made in May 2006 as discussed below. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Louisiana.

In May 2006, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Louisiana modified the filing in August 2006 to reflect a 9.45% return on equity which is within the allowed bandwidth. The modified filing includes an increase of $24.2 million for interim recovery of storm costs from Hurricanes Katrina and Rita and a $119.2 million rate increase to recover LPSC-approved incremental deferred and ongoing capacity costs. The filing requested recovery of approximately $50 million for the amortization of capacity deferrals over a three-year period, including carrying charges, and approximately $70 million for ongoing capacity costs. The increase was implemented, subject to refund, with the first billing cycle of September 2006. Entergy Louisiana subsequently updated its formula rate plan rider to reflect adjustments proposed by the LPSC Staff with which it agrees. The adjusted return on equity of 9.56% remains within the allowed bandwidth. Ongoing and deferred incremental capacity costs were reduced to $118.7 million. The updated formula rate plan rider was implemented, subject to refund, with the first billing cycle of October 2006.

Retail Rates – Electric (Entergy Gulf States)

In June 2005, Entergy Gulf States made its formula rate plan filing with the LPSC for the test year ending December 31, 2004. The filing shows a net revenue deficiency of $2.58 million indicating that no refund liability exists. The filing also indicates that a prospective rate increase of $23.8 million is required in order for Entergy Gulf States to earn the authorized ROE mid-point of 10.65%. A revision to the filing was made in September 2005 resulting in a $37.2 million base rate increase effective with the first billing cycle of October 2005, subject to refund. The base rate increase consists of two components. The first is a base rate increase of approximately $21.1 million due to the formula rate plan 2004 test year revenue requirement. The second component of the increase is the recovery of the annual revenue requirement of $16.1 million associated with the purchase of power from the Perryville generating station, which purchase was approved by the LPSC. In March 2006, the LPSC approved an uncontested stipulated settlement that includes a revenue requirement increase of $36.8 million and calls for Entergy Gulf States to apply a refund liability of $744 thousand to capacity deferrals. The refund liability pertained to the periods 2004-2005 as well as the interim period in which a $37.2 million revenue increase was in place.

In May 2006, Entergy Gulf States made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Gulf States modified the filing in August 2006 to reflect an 11.1% return on equity which is within the allowed bandwidth. The modified filing includes a formula rate plan increase of $17.2 million annually which provides for 1) interim recovery of $10.5 million of storm costs from Hurricanes Katrina and Rita and 2) recovery of $6.7 million of LPSC-approved incremental deferred and ongoing capacity costs. The increase was implemented, subject to refund, with the first billing cycle of September 2006.

Retail Rates – Gas (Entergy Gulf States)

In July 2004, Entergy Gulf States filed with the LPSC an application for a change in its rates and charges seeking an increase of $9.1 million in gas base rates in order to allow Entergy Gulf States an opportunity to earn a fair and reasonable rate of return. In June 2005, the LPSC unanimously approved Entergy Gulf States' proposed settlement that included a $5.8 million gas base rate increase effective the first billing cycle of July 2005 and a rate stabilization plan with an ROE mid-point of 10.5%.

In January 2006, Entergy Gulf States filed with the LPSC its gas rate stabilization plan. The filing showed a revenue deficiency of $4.1 million based on an ROE mid-point of 10.5%. In May 2006, Entergy Gulf States implemented a $3.5 million rate increase pursuant to an uncontested agreement with the LPSC Staff.

In January 2007, Entergy Gulf States filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2006. The filing showed a revenue deficiency of $3.5 million based on an ROE mid-point of 10.5%. A decision by the LPSC and implementation is not expected until the second quarter of 2007.

Filings with the MPSC

Formula Rate Plan Filings

In March 2006, Entergy Mississippi made its annual scheduled formula rate plan filing with the MPSC. The filing was amended by an April 2006 filing. The amended filing showed that an increase of $3.1 million in electric revenues is warranted. The MPSC has approved a settlement providing for a $1.8 million rate increase, which was implemented in August 2006.

Power Management Rider

In November 2005, the MPSC approved the purchase of the 480MW Attala power plant. In December 2005, the MPSC issued an order approving the investment cost recovery through its power management rider and limited the recovery to a period that begins with the closing date of the purchase and ends the earlier of the date costs are incorporated into base rates or December 31, 2006. As a consequence of the events surrounding Entergy Mississippi's ongoing efforts to recover storm restoration costs associated with Hurricane Katrina, in October 2006, the MPSC approved a revision to Entergy Mississippi's power management rider. The revision has the effect of allowing Entergy Mississippi to recover the annual ownership costs of the Attala plant until such time as there has been a resolution of Entergy Mississippi's recovery of its storm restoration costs and a general rate case can be filed.

Filings with the City Council

Formula Rate Plans and Storm-related Riders

In June 2006, Entergy New Orleans made its annual formula rate plan filings with the City Council. The filings presented various alternatives to reflect the effect of Entergy New Orleans' lost customers and decreased revenue following Hurricane Katrina. The alternative that Entergy New Orleans recommended adjusts for lost customers and assumes that the City Council's June 2006 decision to allow recovery of all Grand Gulf costs through the fuel adjustment clause stays in place during the rate-effective period (a significant portion of Grand Gulf costs was previously recovered through base rates).

At the same time as it made its formula rate plan filings, Entergy New Orleans also filed with the City Council a request to implement two storm-related riders. With the first rider, Entergy New Orleans sought to recover the electric and gas restoration costs that it had actually spent through March 31, 2006. Entergy New Orleans also proposed semiannual filings to update the rider for additional restoration spending and also to consider the receipt of CDBG funds or insurance proceeds that it may receive. With the second rider, Entergy New Orleans sought to establish a storm reserve to provide for the risk of another storm.

In October 2006, the City Council approved a settlement agreement that resolves Entergy New Orleans' rate and storm-related rider filings by providing for phased-in rate increases, while taking into account with respect to storm restoration costs the anticipated receipt of CDBG funding as recommended by the Louisiana Recovery Authority. The settlement provides for a 0% increase in electric base rates through December 2007, with a $3.9 million increase implemented in January 2008. Recovery of all Grand Gulf costs through the fuel adjustment clause will continue. Gas base rates increased by $4.75 million in November 2006 and will increase by additional $1.5 million in March 2007 and an additional $4.75 million in November 2007. The settlement calls for Entergy New Orleans to file a base rate case by July 31, 2008. The settlement agreement discontinues the formula rate plan and the generation performance-based plan but permits Entergy New Orleans to file an application to seek authority to implement formula rate plan mechanisms no sooner than six months following the effective date of the implementation of the base rates resulting from the July 31, 2008 base rate case. Any storm costs in excess of CDBG funding and insurance proceeds will be addressed in that base rate case. The settlement also authorizes a $75 million storm reserve for damage from future storms, which will be created over a ten-year period through a storm reserve rider beginning in March 2007. These storm reserve funds will be held in a restricted escrow account.

Fuel Adjustment Clause Litigation

In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the City Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorneys' fees. Entergy filed exceptions to the plaintiffs' allegations, asserting, among other things, that jurisdiction over these issues rests with the City Council and the FERC. In March 2004, the plaintiffs supplemented and amended their petition. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. The suit in state court has been stayed by stipulation of the parties pending review of the decision by the City Council in the proceeding discussed in the next paragraph.

Plaintiffs also filed a corresponding complaint with the City Council in order to initiate a review by the City Council of the plaintiffs' allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Testimony was filed on behalf of the plaintiffs in this proceeding asserting, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices and included costs in Entergy New Orleans' fuel adjustment that could have resulted in Entergy New Orleans customers being overcharged by more than $100 million over a period of years. Hearings were held in February and March 2002. In February 2004, the City Council approved a resolution that resulted in a refund to customers of $11.3 million, including interest, during the months of June through September 2004. The resolution concludes, among other things, that the record does not support an allegation that Entergy New Orleans' actions or inactions, either alone or in concert with Entergy or any of its affiliates, constituted a misrepresentation or a suppression of the truth made in order to obtain an unjust advantage of Entergy New Orleans, or to cause loss, inconvenience or harm to its ratepayers. Management believes that it has adequately provided for the liability associated with this proceeding. The plaintiffs appealed the City Council resolution to the state courts. On May 26, 2005, the Civil District Court for the Parish of Orleans affirmed the City Council resolution that resulted in a refund to customers of $11.3 million, including interest, during the months of June through September 2004, finding no support for the plaintiffs' claim that the refund amount should be higher.

In June 2005, the plaintiffs appealed the Civil District Court decision to the Louisiana Fourth Circuit Court of Appeal. Subsequent to Entergy New Orleans' filing of a bankruptcy petition in the Eastern District of Louisiana, Entergy New Orleans filed a Notice of Stay with the Court of Appeal. The Bankruptcy Court lifted the stay with respect to the plaintiffs' appeal of the Civil District Court decision, but the class action lawsuit remains stayed. In February 2006, Entergy New Orleans filed a notice removing the class action lawsuit from the Civil District Court to the U.S. District Court for the Eastern District of Louisiana. Additionally, in the Entergy New Orleans bankruptcy proceeding, the named plaintiffs in the Entergy New Orleans fuel adjustment clause lawsuit, together with the named plaintiffs in the Entergy New Orleans rate of return lawsuit, filed a Complaint for Declaratory Judgment asking the court to declare that Entergy New Orleans, Entergy Corporation, and Entergy Services are a single business enterprise, and as such, are liable in solido with Entergy New Orleans for any claims asserted in the Entergy New Orleans fuel adjustment clause lawsuit and the Entergy New Orleans rate of return lawsuit, and alternatively, that the automatic stay be lifted to permit the movants to pursue the same relief in state court. The bankruptcy court dismissed the action on April 26, 2006. The matter was appealed to the U.S. District Court for the Eastern District of Louisiana, and the district court affirmed the dismissal in October 2006, but on different grounds, concluding that the lawsuit was premature. In addition, in April 2006, proofs of claim were filed by the plaintiffs in the Entergy New Orleans rate of return lawsuit and by the plaintiffs in the Entergy New Orleans fuel adjustment clause litigation relating to both the City Council and class action proceedings. The plaintiffs in the Entergy New Orleans rate of return lawsuit and the plaintiffs in the Entergy New Orleans fuel adjustment clause litigation also filed for class certification. In July 2006, the bankruptcy court denied the request for class certification. The individual claims of the approximately 14 individual named plaintiffs remain pending in the bankruptcy proceeding, and it is uncertain whether the bankruptcy judge will re-open the bar date for other ratepayers to file individual proofs of claim based on the allegations in the two lawsuits.

Electric Industry Restructuring

Texas

(Entergy Gulf States)

In June 2005, a Texas law was enacted which provides that:

- Entergy Gulf States is authorized by law to proceed with a jurisdictional separation into two vertically integrated utilities, one subject solely to the retail jurisdiction of the LPSC and one subject solely to the retail jurisdiction of the PUCT;
- the portions of all prior PUCT orders requiring Entergy Gulf States to comply with any provisions of Texas law governing transition to retail competition are void;
- Entergy Gulf States must file a plan by January 1, 2006, identifying the power region(s) to be considered for certification and the steps and schedule to achieve certification (additional discussion below);
- Entergy Gulf States must file a transition to competition plan no later than January 1, 2007 (additional discussion below), that would address how Entergy Gulf States intends to mitigate market power and achieve full customer choice, including potential construction of additional transmission facilities, generation auctions, generation capacity divestiture, reinstatement of a customer choice pilot project, establishment of a price to beat, and other measures;
- Entergy Gulf States' rates are subject to cost-of-service regulation until retail customer choice is implemented;
- Entergy Gulf States may not file a general base rate case in Texas before June 30, 2007, with rates effective no earlier than June 30, 2008, but may seek before then the recovery of certain incremental purchased power capacity costs, adjusted for load growth, not in excess of five percent of its annual base rate revenues (as discussed above in "Deferred Fuel Costs," in December 2005 Entergy Gulf States implemented a PUCT-approved annual incremental purchased capacity recovery rider); and
- Entergy Gulf States may recover over a period not to exceed 15 years reasonable and necessary transition to competition costs incurred before the effective date of the legislation and not previously recovered, with appropriate carrying charges (as discussed above in "Filings with the PUCT and Texas Cities," in March 2006, Entergy Gulf States implemented PUCT-approved rates for recovery of its transition to competition costs).

Entergy Gulf States made the January 2006 filing regarding the identification of power region(s) required by the 2005 legislation, and based on the statutory requirements for the certification of a qualified power region (QPR), previous PUCT rulings, and Entergy Gulf States' geographical location, Entergy Gulf States identified three potential power regions:

1. Electric Reliability Council of Texas (ERCOT) as the power region and Independent Organization (IO);
2. Southwest Power Pool (SPP) as the power region and IO; and
3. the Entergy market as the power region and the Independent Coordinator of Transmission (ICT) as the IO.

Based on previous rulings of the PUCT, and absent reconsideration of those rulings, Entergy Gulf States believes that the third alternative, an ICT operating in Entergy's market area, is not likely to be a viable QPR alternative at this time. Accordingly, while noting this alternative, Entergy Gulf States' January 2006 filing focused on the first two alternatives, which were expected to meet the statutory requirements for certification so long as certain key implementation issues could be resolved. Entergy Gulf States' filing enumerated and discussed the corresponding steps and included a high-level schedule associated with certifying either of these two power regions.

Entergy Gulf States' filing did not make a recommendation between ERCOT and the SPP as a power region. Rather, the filing discussed the major issues that must be resolved for either of those alternatives to be implemented. In the case of ERCOT, the major issue is the cost and time related to the construction of facilities to interconnect Entergy Gulf States' Texas operations with ERCOT, while addressing the interest of Entergy Gulf States' retail customers and certain wholesale customers in access to generation outside of Texas. With respect to the SPP, the major issue is the development of protocols that would ultimately be necessary to implement retail open access. Entergy Gulf States recommended that the PUCT open a project for the purpose of involving stakeholders in the selection of the single power region that Entergy Gulf States should request for certification. In August 2006, the PUCT staff recommended that Entergy Gulf States be required to provide additional information on both the ERCOT option and the SPP option. The PUCT accepted the PUCT staff's recommendation and stated the need for a "robust record" to make a decision on the applicable power region.

As required by the June 2005 legislation, Entergy Gulf States filed its proposed transition to competition plan in December 2006 and maintained that to achieve full customer choice, Entergy Gulf States should join ERCOT since it already has all of the prerequisites for retail choice. The plan contains several conditions, including cost recovery mechanisms, that must be met before Entergy Gulf States could proceed with the plan, and identifies several legislative requirements needed to accomplish the required infrastructure improvements. Assuming that these conditions can be met, retail open access could commence in 2013. Entergy Gulf States' filing includes an estimate that construction costs for facilities to interconnect Entergy Gulf States' Texas operations with ERCOT could be approximately $1 billion. The PUCT has 180 days to accept, reject, or modify the plan. The Texas Legislature began its session on January 9, 2007.

In December 2006, the PUCT asked for parties to brief the effects of the 2005 legislation on the competition dockets of Entergy Gulf States, most notably, the settlement that the parties entered with respect to the unbundling of Entergy Gulf States for retail open access. Finding that the 2005 legislation now provides the mechanism by which Entergy Gulf States will transition to competition, the PUCT, on February 1, 2007, dismissed Entergy Gulf States' unbundled cost of service proceeding.

Co-Owner-Initiated Proceeding at the FERC

In September 2004, East Texas Electric Cooperative (ETEC) filed a complaint at the FERC against Entergy Arkansas relating to a contract dispute over the pricing of substitute energy at the co-owned Independence coal unit. In October 2004, Arkansas Electric Cooperative (AECC) filed a similar complaint at the FERC against Entergy Arkansas, addressing the same issue with respect to Independence and another co-owned coal unit, White Bluff. FERC consolidated these cases, ordered a hearing in the consolidated proceeding, and established refund effective dates. The main issue in the consolidated case relates to the consequences under the governing contracts when the dispatch of the coal units is constrained due to system operating conditions. In August 2005, Entergy Arkansas and ETEC filed a settlement at the FERC that resolved all issues in dispute between ETEC and Entergy Arkansas. As part of the settlement, ETEC dismissed its complaint. A hearing was held on the AECC complaint and an ALJ Initial Decision was issued in January 2006 in which the ALJ found AECC's claims to be without merit. On October 25, 2006, the FERC issued its order in the proceeding. In the order, the FERC reversed the ALJ's findings. Specifically, the FERC found that the governing contracts do not recognize the effects of dispatch constraints on the co-owned units. The FERC explained that for over twenty-three years the course of conduct of the parties was such that AECC received its full entitlement to the two coal units, regardless of any reduced output caused by system operating constraints. Based on the order, Entergy Arkansas is required to refund to AECC all excess amounts billed to AECC as a result of the system operating constraints. Entergy Arkansas estimates currently that this will result in a refund to AECC of approximately $26 million, although Entergy Arkansas is still refining the estimate. In November 2006 Entergy Arkansas filed with the FERC a request for rehearing.

NOTE 3. INCOME TAXES

Income tax expenses from continuing operations for 2006, 2005, and 2004 for Entergy Corporation and subsidiaries consist of the following (in thousands):

	2006	2005	2004
Current:			
Federal	$(266,464)	$(306,524)	$ 67,924
Foreign	64	13,290	(2,231)
State	(74,319)	(27,212)	38,324
Total	(340,719)	(320,446)	104,017
Deferred – net	801,745	898,384	282,275
Investment tax credit adjustments – net	(17,982)	(18,654)	(20,987)
Income tax expense from continuing operations	**$ 443,044**	**$ 559,284**	**$365,305**

Total income taxes from continuing operations for Entergy Corporation and subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2006, 2005, and 2004 are (in thousands):

	2006	2005	2004
Computed at statutory rate (35%)	$551,650	$525,843	$446,205
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	44,230	44,282	36,149
Regulatory differences – utility plant items	50,211	28,983	41,240
Amortization of investment tax credits	(17,460)	(18,691)	(20,596)
Capital loss	(79,427)	(792)	(86,426)
Flow-through/permanent differences	(52,866)	(23,618)	(34,804)
Tax reserves	(53,610)	–	(9,600)
Valuation allowance	22,300	–	–
Other – net	(21,984)	3,277	(6,863)
Total income taxes from continuing operations	**$443,044**	**$559,284**	**$365,305**
Effective income tax rate	28.1%	37.2%	28.7%

The capital loss for 2006 includes a loss for tax purposes recorded in the fourth quarter 2006 resulting from the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch, LP. The $79.4 million tax benefit is net of other capital gains. The capital loss for 2004 is a tax benefit resulting from the sale of preferred stock and less than 1% of the common stock of Entergy Asset Management, an Entergy subsidiary. In December 2004, an Entergy subsidiary sold the stock to a third party for $29.75 million. The sale resulted in a capital loss for tax purposes of $370 million, producing a federal and state net tax benefit of $97 million that Entergy recorded in the fourth quarter of 2004. Entergy has established a contingency provision in its financial statements that management believes will sufficiently cover the risk associated with these issues.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Significant components of net deferred and noncurrent accrued tax liabilities for Entergy Corporation and subsidiaries as of December 31, 2006 and 2005 are as follows (in thousands):

	2006	2005
Deferred and Non-current		
Accrued Tax Liabilities:		
Net regulatory assets/liabilities	$ (1,334,341)	$ (1,150,210)
Plant-related basis differences	(5,992,434)	(5,487,161)
Power purchase agreements	(1,755,345)	(2,422,967)
Nuclear decommissioning trusts	(915,380)	(859,712)
Other	(615,371)	(643,793)
Total	(10,612,871)	(10,563,843)
Deferred Tax Assets:		
Accumulated deferred investment tax credit	118,990	125,521
Capital losses	256,089	119,003
Net operating loss carryforwards	2,002,541	2,788,864
Sale and leaseback	242,630	238,557
Unbilled/deferred revenues	39,566	25,455
Pension-related items	790,383	406,346
Reserve for regulatory adjustments	114,451	120,792
Customer deposits	77,166	70,222
Nuclear decommissioning liabilities	790,052	720,464
Other	405,490	561,242
Valuation allowance	(33,507)	(38,791)
Total	4,803,851	5,137,675
Net deferred and non-current accrued tax liability	**$ (5,809,020)**	**$ (5,426,168)**

At December 31, 2006, Entergy had $713.1 million in net realized federal capital loss carryforwards that will expire as follows: $75.9 million in 2007, $0.8 million in 2008, $230.2 million in 2009, and $406.2 million in 2011.

At December 31, 2006, Entergy had estimated federal net operating loss carryforwards of $4.8 billion primarily resulting from changes in tax accounting methods relating to (a) the Registrant Subsidiaries' calculation of cost of goods sold and (b) Non-Utility Nuclear's 2005 mark-to-market tax accounting election, and (c) losses due to Hurricane Rita. Both tax accounting method changes produce temporary book tax differences, which will reverse in the future. Approximately $2.0 billion of the net operating loss, attributable to the two tax accounting method changes, is expected to reverse within two years. The timing of the reversal depends on several variables, including the price of power. If the federal net operating loss carryforwards are not utilized, they will expire in the years 2023 through 2026.

At December 31, 2006, Entergy had estimated state net operating loss carryforwards of $4.8 billion, primarily resulting from Entergy Louisiana Holdings' mark-to-market tax election, the Utility companies' change in method of accounting for tax purposes related to cost of goods sold, and Non-Utility Nuclear's 2005 mark-to-market tax accounting election. If the state net operating loss carryforwards are not utilized, they will expire in the years 2008 through 2021.

For 2006 and 2005, valuation allowances are provided against UK capital loss and UK net operating loss carryforwards, federal and state capital loss carryforwards, and certain state net operating loss carryforwards.

On October 22, 2004, the American Jobs Creation Act of 2004 (the Act) was enacted. The Act promotes domestic production and investing activities by providing a number of tax incentives including a temporary incentive to repatriate accumulated foreign earnings, subject to certain limitations, by providing an 85% dividends received deduction for certain repatriated earnings and also providing a tax deduction of up to 9% of qualifying production activities. In 2004, Entergy repatriated $59.1 million of accumulated foreign earnings, which resulted in approximately $11.0 million of tax benefit. At December 31, 2006 and December 31, 2005, Entergy had no undistributed earnings from subsidiary companies outside the United States that are being considered for repatriation. In accordance with FSP 109-1, which was issued by the FASB to address the accounting for the impacts of the Act, the allowable production tax credit will be treated as a special deduction in the period in which it is deducted rather than treated as a tax rate change during 2004. The adoption of FSP 109-1 and FSP 109-2, also issued by the FASB to address the accounting for the repatriation provisions of the Act, did not have a material effect on Entergy's financial statements.

Income Tax Audits

Entergy is currently under audit by the IRS with respect to tax returns for tax periods 1999 through 2003, and is subject to audit by the IRS and other taxing authorities for subsequent tax periods. The amount and timing of any tax assessments resulting from these audits are uncertain, and could have a material effect on Entergy's financial position and results of operations. Entergy believes that the contingency provisions established in its financial statements will sufficiently cover the liabilities that are reasonably estimable associated with tax matters. Certain material audit matters as to which management believes there is a reasonable possibility of a future tax payment are discussed below.

Depreciable Property Lives

In October 2006, Entergy Arkansas, Entergy Louisiana Holdings, Entergy Mississippi Entergy New Orleans, and System Energy satisfied their tax liabilities related to the 1996 - 1998 IRS audit cycle. The most significant issue in the audit involved the classification of certain depreciable property using shortened lives for tax purposes. Entergy Arkansas, Entergy Louisiana Holdings, Entergy Mississippi, and Entergy New Orleans partially conceded accelerated tax depreciation associated with these assets. Entergy Gulf States was not part of the settlement and did not change its accounting method for these certain assets until 1999. Also in October 2006, Entergy concluded settlement discussions with IRS Appeals related to the 1999 - 2001 audit cycle. The settlement was substantially similar to the settlement that was reached for the 1996 - 1998 audit cycle. The total cash concession related to these deductions for all years subsequent to 1998 is $38 million plus interest of $9 million.

Because this issue relates to the timing of when depreciation expense is deducted, the conceded amount will be recovered in future periods.

Mark-to-Market of Certain Power Contracts

In 2001, Entergy Louisiana Holdings changed its method of accounting for income tax purposes related to its wholesale electric power contracts. The most significant of these is the contract to purchase power from the Vidalia hydroelectric project. On audit of Entergy Louisiana Holdings' 2001 tax return, the IRS made an adjustment reducing the amount of the deduction associated with this method change. The adjustment had no material effect on Entergy Louisiana Holdings' earnings and required no additional payment of 2001 income tax. The Vidalia contract method change has resulted in estimated cumulative cash flow tax benefits of approximately $655 million through December 31, 2006. This benefit could reverse in the years 2007 through 2031 depending on several variables, including the price of power. The tax accounting election has had no effect on total book income tax expense.

Income Tax Litigation

On November 16, 2006, the IRS issued a Notice of Deficiency to Entergy for the tax years 1997 and 1998. The Notice asserts that Entergy owes additional tax of $17.3 million for 1997 and $61.7 million for 1998. Entergy and the IRS have settled all issues for 1997 and 1998 except for those raised in the Notice which are described as follows: 1) The IRS believes that U.K. Windfall Tax paid by London Electricity, a former subsidiary of Entergy, was not an eligible tax under the foreign tax credit provisions of the Internal Revenue Code. Entergy believes that it properly claimed a foreign tax credit for the tax year 1998 attributable to the Windfall Tax paid by London Electricity. This issue accounts for $59.7 million of the 1998 deficiency and results in interest exposure of $49.1 million. 2) The IRS denied Entergy's change in method of accounting for street lighting assets and the related increase in depreciation deductions for 1997 and 1998. Entergy believes that street lighting assets are a separate line of business not subject to the same 20-year depreciable life as distribution assets, but rather are properly classified as having a 7-year depreciable life. This issue accounts for all of the 1997 deficiency of $17.3 million and $2 million of the 1998 deficiency and results in interest exposure of $13.5 million. On December 6, 2006, Entergy filed a petition in the U.S. Tax Court requesting a redetermination of these issues and the resulting deficiencies.

FASB Interpretation No. 48

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006 and is effective for Entergy in the first quarter of 2007. FIN 48 establishes a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. Additional disclosure in the footnotes to the financial statements will also be required for such liabilities. Entergy does not expect that the adoption of FIN 48 will materially affect its financial position, results of operations, or cash flows. Entergy expects that the cumulative effect of the adoption of FIN 48 will result in a reduction to consolidated retained earnings at January 1, 2007 in the range of $3 million to $5 million.

NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT AND SHORT-TERM BORROWINGS

Entergy Corporation has in place two separate revolving credit facilities, a five-year credit facility and a three-year credit facility. The five-year credit facility, which expires in May 2010, has a borrowing capacity of $2 billion and the three-year facility, which expires in December 2008, has a borrowing capacity of $1.5 billion. Entergy also has the ability to issue letters of credit against the total borrowing capacity of both credit facilities. The commitment fee for these facilities is currently 0.13% per annum of the unused amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior debt ratings of the Utility operating companies. Following is a summary of the borrowings outstanding and capacity available under these facilities as of December 31, 2006 (in millions):

Facility	Capacity	Borrowings	Letters of Credit	Capacity Available
5-Year Facility	$2,000	$820	$94	$1,086
3-Year Facility	$1,500	$ –	$ –	$1,500

Entergy Corporation's facilities require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this ratio, or if Entergy or the Utility operating companies (except Entergy New Orleans) and System Energy default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the facilities' maturity dates may occur.

Entergy Arkansas, Entergy Gulf States, and Entergy Mississippi each has credit facilities available as of December 31, 2006 as follows (in millions):

	Expiration Date	Amount of Facility	Amount Drawn as of Dec. 31, 2006
Entergy Arkansas	April 2007	$85	–
Entergy Gulf States	February 2011	$50[(a)]	–
Entergy Mississippi	May 2007	$30[(b)]	–
Entergy Mississippi	May 2007	$20[(b)]	–

(a) The credit facility allows Entergy Gulf States to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2006, $1.4 million in letters of credit had been issued.

(b) Borrowings under the Entergy Mississippi facilities may be secured by a security interest in its accounts receivable.

The credit facilities have variable interest rates and the average commitment fee is 0.13%. The Entergy Arkansas credit facility requires that it maintain total shareholders' equity of at least 25% of its total assets.

The short-term borrowings of the Registrant Subsidiaries (other than Entergy New Orleans) and certain other Entergy subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2008. In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the FERC authorized limits. As of December 31, 2006, Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was $2.0 billion, the aggregate outstanding borrowing from the money pool was $251.6 million, and Entergy's subsidiaries' had no outstanding short-term borrowing from external sources.

The following are the FERC-authorized limits for short-term borrowings effective February 8, 2006 and the outstanding short-term borrowings from the money pool for the Registrant Subsidiaries (other than Entergy New Orleans) as of December 31, 2006 (in millions):

	Authorized	Borrowings
Entergy Arkansas	$250	–
Entergy Gulf States	$350	–
Entergy Louisiana	$250	$54.1
Entergy Mississippi	$175	–
System Energy	$200	–

Under a savings provision in PUHCA 2005, which repealed PUHCA 1935, Entergy New Orleans may continue to be a participant in the money pool to the extent authorized by its SEC PUHCA 1935 order. However, Entergy New Orleans has not, and does not expect to make, any additional money pool borrowings while it is in bankruptcy proceedings. Entergy New Orleans had $37.2 million in borrowings outstanding from the money pool as of its bankruptcy filing date, September 23, 2005.

The credit facilities have variable interest rates and the average commitment fee is 0.13%. The Entergy Arkansas credit facility requires that it maintain total shareholders' equity of at least 25% of its total assets.

Entergy New Orleans Debtor-in-Possession Credit Agreement

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. On December 9, 2005, the bankruptcy court issued its final order approving the DIP Credit Agreement. The credit facility provides for up to $200 million in loans. The facility enables Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. As of December 31, 2006, Entergy New Orleans had $52 million of outstanding borrowings under the DIP credit agreement.

Borrowings under the DIP credit agreement are due in full, and the agreement will terminate, at the earliest of (i) August 23, 2007, (ii) the acceleration of the loans and the termination of the DIP credit agreement in accordance with its terms, (iii) the date of the closing of a sale of all or substantially all of Entergy New Orleans' assets pursuant to either section 363 of the United States Bankruptcy Code or a confirmed plan of reorganization, or (iv) the effective date of a plan of reorganization in Entergy New Orleans' bankruptcy case.

As security for Entergy Corporation as the lender, the terms of the December 9, 2005 bankruptcy court order provide that all borrowings by Entergy New Orleans under the DIP Credit Agreement are: (i) entitled to superpriority administrative claim status pursuant to section 364(c)(1) of the Bankruptcy Code; (ii) secured by a perfected first priority lien on all property of Entergy New Orleans pursuant to sections 364(c)(2) and 364(d) of the Bankruptcy Code, except on any property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens of the lender on Entergy New Orleans' $15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition; and (iii) secured by a perfected junior lien pursuant to section 364(c)(3) of the Bankruptcy Code on all property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens in favor of the lender on Entergy New Orleans' $15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition.

The interest rate on borrowings under the DIP credit agreement will be the average interest rate of borrowings outstanding under Entergy Corporation's $2 billion revolving credit facility, which was approximately 5.7% per annum at December 31, 2006.

The lien granted by the bankruptcy court under sections 364(c)(2) and 364(d) primes the liens that secure Entergy New Orleans' obligations under its mortgage bond indenture that existed as of the date Entergy New Orleans filed its bankruptcy petition. To secure Entergy New Orleans' obligations under its mortgage bond indenture, the bankruptcy court's December 9, 2005 order grants in favor of the bond trustee, for the benefit of itself and the bondholders, a lien on all Entergy New Orleans property that secures its obligations under the DIP Credit Agreement. The lien in favor of the bond trustee is senior to all other liens except for the liens in favor of Entergy Corporation and the lender on Entergy New Orleans' $15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition.

Events of default under the DIP credit agreement include: failure to make payment of any installment of principal or interest when due and payable; the occurrence of a change of control of Entergy New Orleans; failure by either Entergy New Orleans or Entergy Corporation to receive other necessary governmental approvals and consents; the occurrence of an event having a materially adverse effect on Entergy New Orleans or its prospects; and customary bankruptcy-related defaults, including, without limitation, appointment of a trustee, "responsible person," or examiner with expanded powers, conversion of Entergy New Orleans' chapter 11 case to a case under chapter 7 of the Bankruptcy Code, and the interim or final orders approving the DIP Credit Agreement being stayed or modified or ceasing to be in full force and effect.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

NOTE 5. LONG-TERM DEBT

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2006 and 2005 consisted of (in thousands):

		Maturity Date	2006	2005
Mortgage Bonds:				
4.875% Series	System Energy	October 2007	$ 70,000	$ 70,000
4.35% Series	Entergy Mississippi	April 2008	100,000	100,000
3.6% Series	Entergy Gulf States	June 2008	325,000	325,000
Libor + 0.75% Series	Entergy Gulf States	December 2008	350,000	350,000
Libor + 0.40% Series	Entergy Gulf States	December 2009	225,000	225,000
4.5% Series	Entergy Arkansas	June 2010	100,000	100,000
4.67% Series	Entergy Louisiana	June 2010	55,000	55,000
5.12% Series	Entergy Gulf States	August 2010	100,000	100,000
5.83% Series	Entergy Louisiana	November 2010	150,000	150,000
4.65% Series	Entergy Mississippi	May 2011	80,000	80,000
4.875% Series	Entergy Gulf States	November 2011	200,000	200,000
6.0% Series	Entergy Gulf States	December 2012	140,000	140,000
5.15% Series	Entergy Mississippi	February 2013	100,000	100,000
5.09% Series	Entergy Louisiana	November 2014	115,000	115,000
5.6% Series	Entergy Gulf States	December 2014	50,000	50,000
5.25% Series	Entergy Gulf States	August 2015	200,000	200,000
5.70% Series	Entergy Gulf States	June 2015	200,000	200,000
5.56% Series	Entergy Louisiana	September 2015	100,000	100,000
5.92% Series	Entergy Mississippi	Feburary 2016	100,000	–
5.4% Series	Entergy Arkansas	May 2018	150,000	150,000
4.95% Series	Entergy Mississippi	June 2018	95,000	95,000
5.0% Series	Entergy Arkansas	July 2018	115,000	115,000
5.5% Series	Entergy Louisiana	April 2019	100,000	100,000
5.66% Series	Entergy Arkansas	February 2025	175,000	175,000
6.7% Series	Entergy Arkansas	April 2032	100,000	100,000
7.6% Series	Entergy Louisiana	April 2032	150,000	150,000
6.0% Series	Entergy Arkansas	November 2032	100,000	100,000
6.0% Series	Entergy Mississippi	November 2032	75,000	75,000
7.25% Series	Entergy Mississippi	December 2032	100,000	100,000
5.9% Series	Entergy Arkansas	June 2033	100,000	100,000
6.20% Series	Entergy Gulf States	July 2033	240,000	240,000
6.25% Series	Entergy Mississippi	April 2034	100,000	100,000
6.4% Series	Entergy Louisiana	October 2034	70,000	70,000
6.38% Series	Entergy Arkansas	November 2034	60,000	60,000
6.18% Series	Entergy Gulf States	March 2035	85,000	85,000
6.30% Series	Entergy Louisiana	September 2035	100,000	100,000
Total Mortgage Bonds			**$4,675,000**	**$4,575,000**

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

		Maturity Date	2006	2005
Governmental Bonds[a]:				
5.45% Series	Calcasieu Parish – Louisiana	2010	$ 22,095	$ 22,095
6.75% Series	Calcasieu Parish – Louisiana	2012	48,285	48,285
6.7% Series	Pointe Coupee Parish – Louisiana	2013	17,450	17,450
5.7% Series	Iberville Parish – Louisiana	2014	21,600	21,600
5.8% Series	West Feliciana Parish – Louisiana	2015	28,400	28,400
7.0% Series	West Feliciana Parish – Louisiana	2015	39,000	39,000
5.8% Series	West Feliciana Parish – Louisiana	2016	20,000	20,000
6.3% Series	Pope County – Arkansas[b]	2016	19,500	19,500
4.6% Series	Jefferson County – Arkansas[b]	2017	54,700	–
5.6% Series	Jefferson County – Arkansas	2017	–	45,500
6.3% Series	Jefferson County – Arkansas[b]	2018	–	9,200
6.3% Series	Pope County – Arkansas	2020	120,000	120,000
5.0% Series	Independence County – Arkansas	2021	45,000	45,000
5.875% Series	Mississippi Business Finance Corp.	2022	216,000	216,000
5.9% Series	Mississippi Business Finance Corp.	2022	102,975	102,975
Auction Rate	Independence County – Mississippi[b]	2022	30,000	30,000
4.6% Series	Mississippi Business Finance Corp.[b]	2022	16,030	16,030
5.95% Series	St. Charles Parish – Louisiana[b]	2023	–	25,000
6.2% Series	Claiborne County – Mississippi	2026	90,000	90,000
6.6% Series	West Feliciana Parish – Louisiana	2028	40,000	40,000
Auction Rate	St. Charles Parish – Louisiana[b]	2030	60,000	60,000
Total Governmental Bonds			**$ 991,035**	**$1,016,035**
Other Long-Term Debt:				
Note Payable to NYPA, non-interest bearing, 4.8% implicit rate			$ 297,289	$ 373,186
5 year Bank Credit Facility, weighted avg rate 5.30% (Note 4)			820,000	785,000
Bank term loan, Entergy Corporation, avg rate 2.98%, due 2010			60,000	60,000
Bank term loan, Entergy Corporation, avg rate 3.08%, due 2008			35,000	35,000
6.17% Notes due March 2008, Entergy Corporation			72,000	72,000
6.23% Notes due March 2008, Entergy Corporation			15,000	15,000
6.13% Notes due September 2008, Entergy Corporation			150,000	150,000
7.75% Notes due December 2009, Entergy Corporation			267,000	267,000
6.58% Notes due May 2010, Entergy Corporation			75,000	75,000
6.9% Notes due November 2010, Entergy Corporation			140,000	140,000
7.625% Notes initially due February 2011, Entergy Corporation[c]			500,000	500,000
7.06% Notes due March 2011, Entergy Corporation			86,000	86,000
Long-term DOE Obligation[d]			168,723	161,048
Waterford 3 Lease Obligation 7.45% (Note 10)			247,725	247,725
Grand Gulf Lease Obligation 5.62% (Note 10)			345,340	364,806
Unamortized Premium and Discount – Net			(5,991)	(6,886)
Other			40,542	12,096
Total Long-Term Debt			**$8,979,663**	**$8,928,010**
Less Amount Due Within One Year			181,576	103,517
Long-Term Debt Excluding Amount Due Within One Year			**$8,798,087**	**$8,824,493**
Fair Value of Long-Term Debt[e]			$ 8,106,540	$ 8,009,388

(a) Consists of pollution control revenue bonds and environmental revenue bonds.

(b) The bonds are secured by a series of collateral first mortgage bonds.

(c) In December 2005, Entergy Corporation sold 10 million equity units with a stated amount of $50 each. An equity unit consists of (1) a note, initially due February 2011 and initially bearing interest at an annual rate of 5.75%, and (2) a purchase contract that obligates the holder of the equity unit to purchase for $50 between 0.5705 and 0.7074 shares of Entergy Corporation common stock on or before February 17, 2009. Entergy will pay the holders quarterly contract adjustment payments of 1.875% per year on the stated amount of $50 per equity unit. Under the terms of the purchase contracts, Entergy Corporation will issue between 5,705,000 and 7,074,000 shares of common stock in the settlement of the purchase contracts (subject to adjustment under certain circumstances).

(d) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.

(e) The fair value excludes lease obligations and long-term DOE obligations, and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

The annual long-term debt maturities (excluding lease obligations) for debt outstanding as of December 31, 2006, for the next five years are as follows (in thousands):

2007	$ 158,241
2008	$1,071,413
2009	$ 517,659
2010	$1,488,537
2011	$ 893,747

In November 2000, Entergy's Non-Utility Nuclear business purchased the FitzPatrick and Indian Point 3 power plants in a seller-financed transaction. Entergy issued notes to NYPA with seven annual installments of approximately $108 million commencing one year from the date of the closing, and eight annual installments of $20 million commencing eight years from the date of the closing. These notes do not have a stated interest rate, but have an implicit interest rate of 4.8%. In accordance with the purchase agreement with NYPA, the purchase of Indian Point 2 in 2001 resulted in Entergy's Non-Utility Nuclear business becoming liable to NYPA for an additional $10 million per year for 10 years, beginning in September 2003. This liability was recorded upon the purchase of Indian Point 2 in September 2001, and is included in the note payable to NYPA balance above. In July 2003, a payment of $102 million was made prior to maturity on the note payable to NYPA. Under a provision in a letter of credit supporting these notes, if certain of the Utility operating companies or System Energy were to default on other indebtedness, Entergy could be required to post collateral to support the letter of credit.

Covenants in the Entergy Corporation notes require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy's debt ratio exceeds this limit, or if Entergy or certain of the Utility operating companies default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the notes' maturity dates may occur.

The long-term securities issuances of Entergy Mississippi and System Energy are limited to amounts authorized by the SEC under PUHCA 1935. After the repeal of PUHCA 1935 on February 8, 2006, the FERC, under the Federal Power Act, has jurisdiction over the securities issuances of these companies. Under a savings provision in the PUHCA 1935 repeal legislation, these companies can rely on the authority of their existing SEC orders until each obtains new orders from the FERC. The SEC PUHCA 1935 financing order of Entergy Mississippi limits securities issuances unless certain capitalization and investment grade ratings conditions are met. Entergy Gulf States and Entergy Louisiana have received FERC long-term financing orders that do not have such conditions. The long-term securities issuances of Entergy Arkansas are limited to amounts authorized by the APSC.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, 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);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

NOTE 6. PREFERRED EQUITY

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and interest for Entergy Corporation subsidiaries as of December 31, 2006 and 2005 are presented below. Only the Entergy Gulf States series "with sinking fund" contains mandatory redemption requirements. All other series of the Utility preferred stock are redeemable at Entergy's option ($ in thousands):

	Shares Authorized		Shares Outstanding			
	2006	2005	2006	2005	2006	2005
Entergy Corporation						
Utility:						
Preferred Stock without sinking fund:						
Entergy Arkansas, 4.32% – 7.88% Series	3,413,500	1,613,500	3,413,500	1,613,500	$116,350	$116,350
Entergy Gulf States, 4.20% – 7.56% Series	473,268	473,268	473,268	473,268	47,327	47,327
Entergy Louisiana Holdings, 4.16% – 8.00% Series	–	2,115,000	–	2,115,000	–	100,500
Entergy Louisiana LLC, 6.95% Series	1,000,000	1,000,000	1,000,000	1,000,000	100,000	100,000
Entergy Mississippi, 4.36% – 6.25% Series	1.403,807	1,403,807	1,403,807	1,403,807	50,381	50,381
Total	6,290,575	6,605,575	6,290,575	6,605,575	$314,058	$414,558
Energy Commodity Services:						
Preferred Stock without sinking fund:						
Entergy Asset Management, 11.50% Rate	1,000,000	1,000,000	297,376	297,376	29,738	29,738
Other	–	–	–	–	1,117	1,678
Total Preferred Stock without sinking fund	**7,290,575**	**7,605,575**	**6,587,951**	**6,902,951**	**$344,913**	**$445,974**
Utility:						
Preferred Stock with sinking fund:						
Entergy Gulf States, Adjustable Rate 7.0%[(a)]	105,000	139,500	105,000	139,500	$ 10,500	$ 13,950
Total Preferred Stock with sinking fund	**105,000**	**139,500**	**105,000**	**139,500**	**$ 10,500**	**$ 13,950**
Fair Value of Preferred Stock with sinking fund[(b)]					$ 7,950	$ 15,286

(a) Represents weighted-average annualized rate for 2006 and 2005.
(b) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is additional disclosure of fair value of financial instruments in Note 16 to the financial statements.

All outstanding preferred stock and membership interests are cumulative.

Entergy Gulf States' preferred stock with sinking fund retirements were 34,500 shares in 2006, 2005, and 2004. Entergy Gulf States has annual sinking fund requirements of $3.45 million through 2008 for its preferred stock outstanding.

In March 2006, Entergy Arkansas issued 3,000,000 shares of $25 par value 6.45% Series Preferred Stock, all of which were outstanding as of December 31, 2006. The dividends are cumulative and payable quarterly beginning July 1, 2006. The preferred stock is redeemable on or after April 1, 2011, at Entergy Arkansas' option, at the call price of $25 per share. In April 2006, Entergy Arkansas used the proceeds from this issuance to redeem the following preferred stock:

Series of Entergy Arkansas Preferred Stock	Redemption Price Per Share
7.32% Preferred Stock, Cumulative, $100.00 par value	$103.17
7.80% Preferred Stock, Cumulative, $100.00 par value	$103.25
7.40% Preferred Stock, Cumulative, $100.00 par value	$102.80
7.88% Preferred Stock, Cumulative, $100.00 par value	$103.00
$1.96 Preferred Stock, Cumulative, $0.01 par value	$ 25.00

In June 2006, Entergy Louisiana Holdings redeemed all of its preferred stock and amended its charter to eliminate authority to issue any future series of preferred stock. The redemption was made at the following respective redemption prices as provided in the Entergy Louisiana Holdings amended and restated articles of incorporation:

Series of Entergy Louisiana Holdings Preferred Stock	Redemption Price Per Share
4.96% Preferred Stock, Cumulative, $100.00 par value	$104.25
4.16% Preferred Stock, Cumulative, $100.00 par value	$104.21
4.44% Preferred Stock, Cumulative, $100.00 par value	$104.06
5.16% Preferred Stock, Cumulative, $100.00 par value	$104.18
5.40% Preferred Stock, Cumulative, $100.00 par value	$103.00
6.44% Preferred Stock, Cumulative, $100.00 par value	$102.92
7.84% Preferred Stock, Cumulative, $100.00 par value	$103.78
7.36% Preferred Stock, Cumulative, $100.00 par value	$103.36
8% Preferred Stock, Cumulative, $25.00 par value	$ 25.00

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

In 2004, Entergy realized a pre-tax gain of $0.9 million upon the sale to a third party of preferred shares, and less than 1% of the common shares, of Entergy Asset Management, an Entergy subsidiary. See Note 3 to the financial statements for a discussion of the tax benefit realized on the sale. Entergy Asset Management's stockholders' agreement provides that at any time during the 180-day period prior to December 31, 2007 or each subsequent December 31 thereafter, either Entergy Asset Management or the preferred shareholders may request that the preferred dividend rate be reset. If Entergy Asset Management and the preferred shareholders are unable to agree on a dividend reset rate, a preferred shareholder can request that its shares be sold to a third party. If Entergy Asset Management is unable to sell the preferred shares within 75 days, the preferred shareholder has the right to take control of the Entergy Asset Management board of directors for the purpose of liquidating the assets of Entergy Asset Management in order to repay the preferred shares and any accrued dividends.

NOTE 7. COMMON EQUITY

Common Stock

Treasury Stock

Treasury stock activity for Entergy for 2006, 2005 and 2004 is as follows ($ in thousands):

	2006		2005		2004	
	Treasury Shares	Cost	Treasury Shares	Cost	Treasury Shares	Cost
Beginning Balance, January 1	**40,644,602**	**$2,161,960**	**31,345,028**	**$1,432,019**	**19,276,445**	**$ 561,152**
Repurchases	6,672,000	584,193	12,280,500	878,188	16,631,800	1,017,996
Issuances:						
Employee Stock-Based Compensation Plans	(1,803,471)	(101,393)	(2,965,006)	(147,888)	(4,555,897)	(146,877)
Directors' Plan	(6,820)	(370)	(15,920)	(359)	(7,320)	(252)
Ending Balance, December 31	**45,506,311**	**$2,644,390**	**40,644,602**	**$2,161,960**	**31,345,028**	**$1,432,019**

Entergy Corporation 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 Ownership Plan), the Equity Awards Plan of Entergy Corporation and Subsidiaries, and certain other stock benefit plans. The Directors' Plan awards to non-employee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation common stock.

On January 29, 2007, the Board approved a new repurchase program under which Entergy is authorized to repurchase up to $1.5 billion of its common stock, which Entergy expects to complete over the next two years.

Retained Earnings and Dividend Restrictions

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. As of December 31, 2006, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $396.4 million and $121.6 million, respectively. Entergy Corporation received dividend payments from subsidiaries totaling $950 million in 2006, $424 million in 2005, and $825 million in 2004.

The Federal Power Act restricts the ability of a public utility to pay dividends out of capital. As a result of its restructuring and the related accounting, Entergy Louisiana, LLC applied to the FERC for a declaratory order to pay distributions on its common and preferred membership interests from the following sources: (1) the amount of Entergy Louisiana, Inc.'s retained earnings immediately prior to its restructuring on December 31, 2005; (2) an amount in excess of the amount in (1) over a transition period not expected to last more than 3 years as long as Entergy Louisiana, LLC's proprietary capital ratio is, and will remain, above 30%; and (3) the amount of Entergy Louisiana, LLC's retained earnings after the restructuring. The FERC granted the declaratory order on January 23, 2006. Distributions paid by Entergy Louisiana, LLC on its common membership interests to Entergy Louisiana Holdings, Inc. may, in turn, be paid by Entergy Louisiana Holdings, Inc. to Entergy Corporation without the need for FERC approval. As a wholly-owned subsidiary, Entergy Louisiana Holdings, Inc. dividends its earnings to Entergy Corporation at a percentage determined monthly.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Entergy and the Registrant Subsidiaries are involved in a number of legal, tax, and regulatory proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition.

Entergy New Orleans Bankruptcy

See Note 18 to the financial statements for information on the Entergy New Orleans bankruptcy proceeding.

Vidalia Purchased Power Agreement

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately $107.1 million in 2006, $115.1 million in 2005, and $147.7 million in 2004. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately $138.9 million in 2007, and a total of $3.2 billion for the years 2008 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause. In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by $11 million each year for up to ten years, beginning in October 2002. The provisions of the settlement also provide that the LPSC shall not recognize or use Entergy Louisiana's use of the cash benefits from the tax treatment in setting any of Entergy Louisiana's rates. Therefore, to the extent Entergy Louisiana's use of the proceeds would ordinarily have reduced its rate base, no change in rate base shall be reflected for ratemaking purposes.

Nuclear Insurance

Third Party Liability Insurance

The Price-Anderson Act provides insurance for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Originally passed by Congress in 1957 and most recently amended in 2005, the Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two levels:

1. The primary level is private insurance underwritten by American Nuclear Insurers and provides liability insurance coverage of $300 million. If this amount is not sufficient to cover claims arising from the accident, the second level, Secondary Financial Protection, applies. An industry-wide aggregate limitation of $300 million exists for domestically-sponsored terrorist acts. There is no aggregate limitation for foreign-sponsored terrorist acts.
2. Within the Secondary Financial Protection level, each nuclear plant must pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, up to a maximum of $100.6 million per reactor per incident. This consists of a $95.8 million maximum retrospective premium plus a five percent surcharge that may be applied, if needed, at a rate that is presently set at $15 million per year per nuclear power reactor. There are no domestically- or foreign-sponsored terrorism limitations.

Currently, 104 nuclear reactors are participating in the Secondary Financial Protection program - 103 operating reactors and one under construction. The product of the maximum retrospective premium assessment to the nuclear power industry and the number of nuclear power reactors provides over $10 billion in insurance coverage to compensate the public in the event of a nuclear power reactor accident.

Entergy Arkansas has two licensed reactors and Entergy Gulf States, Entergy Louisiana, and System Energy each have one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (SMEPA), which would share on a pro-rata basis in any retrospective premium assessment under the Price-Anderson Act). Entergy's Non-Utility Nuclear business owns and operates five nuclear power reactors and owns the shutdown Indian Point 1 reactor.

An additional but temporary contingent liability exists for all nuclear power reactor owners because of a previous Nuclear Worker Tort (long-term bodily injury caused by exposure to nuclear radiation while employed at a nuclear power plant) insurance program that was in place from 1988 to 1998. The maximum premium assessment exposure to each reactor is $3 million and will only be applied if such claims exceed the program's accumulated reserve funds. This contingent premium assessment feature will expire with the Nuclear Worker Tort program's expiration, scheduled for 2008.

Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of certain mutual insurance companies that provide property damage coverage, including decontamination and premature decommissioning expense, to the members' nuclear generating plants. These programs are underwritten by Nuclear Electric Insurance Limited (NEIL). As of December 31, 2006, Entergy was insured against such losses per the following structures:

Utility Plants (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3)

- Primary Layer (per plant) – $500 million per occurrence
- Excess Layer (per plant) – $100 million per occurrence
- Blanket Layer (shared among the Utility plants) – $1.0 billion per occurrence
- Total limit – $1.6 billion per occurrence
- Deductibles:
  - $5.0 million per occurrence – Turbine/generator damage
  - $5.0 million per occurrence – Other than turbine/generator damage

Note: ANO 1 and 2 share in the Primary Layer with one policy in common.

Non-Utility Nuclear Plants (Indian Point 2 and 3, FitzPatrick, Pilgrim, and Vermont Yankee)

- Primary Layer (per plant) – $500 million per occurrence
- Blanket Layer (shared among all plants) – $615 million per occurrence
- Total limit – $1.115 billion per occurrence
  Deductibles:
  - $2.5 million per occurrence – Turbine/generator damage
  - $2.5 million per occurrence – Other than turbine/generator damage

Note: Indian Point 2 and 3 share in the Primary Layer with one policy in common.

In addition, Waterford 3, Grand Gulf, and the Non-Utility Nuclear plants are also covered under NEIL's Accidental Outage Coverage program. This coverage provides certain fixed indemnities in the event of an unplanned outage that results from a covered NEIL property damage loss, subject to a deductible. The following summarizes this coverage as of December 31, 2006:

Waterford 3
- $2.95 million weekly indemnity
- $413 million maximum indemnity
- Deductible: 26 week waiting period

Grand Gulf
- $100,000 weekly indemnity
- $14 million maximum indemnity
- Deductible: 26 week waiting period

Indian Point 2 and 3
- $4.5 million weekly indemnity
- $490 million maximum indemnity
- Deductible: 12 week waiting period

FitzPatrick and Pilgrim (each plant has an individual policy with the noted parameters)
- $4.0 million weekly indemnity
- $490 million maximum indemnity
- Deductible: 12 week waiting period

Vermont Yankee
- $4.0 million weekly indemnity
- $435 million maximum indemnity
- Deductible: 12 week waiting period

Under the property damage and accidental outage insurance programs, Entergy nuclear plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. As of December 31, 2006, the maximum amounts of such possible assessments per occurrence were as follows (in millions):

Utility:	
Entergy Arkansas	$16.6
Entergy Gulf States	$13.3
Entergy Louisiana	$15.5
Entergy Mississippi	$0.10
Entergy New Orleans	$0.10
System Energy	$11.6
Non-Utility Nuclear	$65.6

Entergy maintains property insurance for its nuclear units in excess of the NRC's minimum requirement of $1.06 billion per site for nuclear power plant licensees. NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of domestically-sponsored terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate of $3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses. There is no aggregate limit involving one or more acts of foreign-sponsored terrorism.

Non-Nuclear Property Insurance

Entergy's non-nuclear property insurance program provides coverage up to $400 million on an Entergy system-wide basis, subject to a $20 million per occurrence self-insured retention, for all risks coverage for direct physical loss or damage, including boiler and machinery breakdown. Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes above-ground transmission and distribution lines, poles, and towers. The primary property program (excess of the deductible) is placed through Oil Insurance Limited (OIL) ($250 million layer) with the excess program ($150 million layer) placed on a quota share basis through underwriters at Lloyds (50%) and Hartford Steam Boiler Inspection and Insurance Company (50%). There is an aggregation limit of $500 million for all parties insured by OIL for any one occurrence. Coverage is in place for Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy Gulf States, and Entergy New Orleans. Most of Entergy's non-nuclear excess property insurance coverage includes a $75 million drop-down feature in the event of an OIL aggregation loss to which an Entergy loss contributes.

In addition to the OIL program, Entergy has purchased additional coverage for some of its non-regulated, non-generation assets through Zurich American. This policy serves to buy-down the $20 million deductible and is placed on a scheduled location basis. The applicable deductibles are $100,000 or $250,000 as per the schedule provided to underwriters.

There was an aggregation limit of $1 billion for all parties insured by OIL for any one occurrence at the time of the Hurricane Katrina and Rita losses, and Entergy has been notified by OIL that it expects claims for Hurricanes Katrina and Rita to materially exceed this limit. Entergy is currently evaluating the amount of the covered losses for Entergy and each of the affected Utility operating companies, working with insurance adjusters, and preparing proofs of loss for Hurricanes Katrina and Rita. The Utility operating companies have received $51.5 million through December 31, 2006 on their insurance claims. Entergy currently estimates that its remaining net insurance recoveries for the losses caused by the hurricanes, including the effect of the OIL aggregation limit being exceeded, will be approximately $350 million, including $84 million for Entergy Gulf States, $30 million for Entergy Louisiana, and $228 million for Entergy New Orleans.

NYPA Value Sharing Agreements

Non-Utility Nuclear's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. Under the value sharing agreements, to the extent that the average annual price of the energy sales from each of the two plants exceeds specified strike prices, the Non-Utility Nuclear business will pay 50% of the amount exceeding the strike prices to NYPA. These payments, if required, will be recorded as adjustments to the purchase price of the plants. The annual energy sales subject to the value sharing agreements are limited to the lesser of actual generation or generation assuming an 85% capacity factor based on the plants' capacities at the time of the purchase. The value sharing agreements are effective through 2014. The strike prices for FitzPatrick range from $37.51/MWh in 2005 increasing by approximately 3.5% each year to $51.30/MWh in 2014, and the strike prices for Indian Point 3 range from $42.26/MWh in 2005 increasing by approximately 3.5% each year to $57.77/MWh in 2014.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Non-Utility Nuclear calculated that nothing was owed to NYPA under the value sharing agreements for 2005. On November 1, 2006, NYPA filed a demand for arbitration claiming that $90.5 million was due to NYPA under these agreements for 2005. Non-Utility Nuclear has filed a motion in New York State court to determine whether NYPA's claim should be decided by a court as opposed to by an arbitrator. Regardless of whether a court or an arbitrator decides NYPA's claim, Non-Utility Nuclear disagrees with NYPA's interpretation of the value sharing agreements, believes it has meritorious defenses to NYPA's claims, and intends to litigate those claims vigorously.

CashPoint Bankruptcy

In 2003, the Utility operating companies entered an agreement with CashPoint Network Services (CashPoint) under which CashPoint was to manage a network of payment agents through which Entergy's utility customers could pay their bills. The payment agent system allows customers to pay their bills at various commercial or governmental locations, rather than sending payments by mail. Approximately one-third of Entergy's utility customers use payment agents.

On April 19, 2004, CashPoint failed to pay funds due to the Utility operating companies that had been collected through payment agents. The Utility operating companies then obtained a temporary restraining order from the Civil District Court for the Parish of Orleans, State of Louisiana, enjoining CashPoint from distributing funds belonging to Entergy, except by paying those funds to Entergy. On April 22, 2004, a petition for involuntary Chapter 7 bankruptcy was filed against CashPoint by other creditors in the United States Bankruptcy Court for the Southern District of New York. In response to these events, the Utility operating companies expanded an existing contract with another company to manage all of their payment agents. The Utility operating companies filed proofs of claim in the CashPoint bankruptcy proceeding in September 2004. Although Entergy cannot precisely determine at this time the amount that CashPoint owes to the Utility operating companies that may not be repaid, it has accrued an estimate of loss based on current information. If no cash is repaid to the Utility operating companies, an event Entergy does not believe is likely, the current estimates of maximum exposure to loss are approximately as follows (in millions):

Entergy Arkansas	$1.8
Entergy Gulf States	$7.7
Entergy Louisiana	$8.8
Entergy Mississippi	$4.3
Entergy New Orleans	$2.4

Harrison County Plant Fire

On May 13, 2005, an explosion and fire damaged the non-nuclear wholesale assets business' Harrison County power plant. A catastrophic failure and subsequent natural gas escape from a nearby 36-inch interstate pipeline owned and operated by a third party is believed to have caused the damage. Repairs to the damaged portions of the plant have been completed and the plant returned to commercial operations on May 1, 2006. The total cost of clean-up and repairs were approximately $48 million. The plant's property insurer has acknowledged coverage, subject to a $200 thousand deductible and has begun paying on the claim. Entergy owns approximately 61% of this facility. Entergy does not expect the damage caused to the Harrison County plant to have a material effect on its financial position or results of operations.

Employment Litigation

Entergy Corporation and the Registrant Subsidiaries are defendants in numerous lawsuits and other labor-related proceedings filed by former employees asserting that they were wrongfully terminated and/or discriminated against on the basis of age, race, sex, and/or other protected characteristics. Entergy Corporation and these subsidiaries are vigorously defending these suits and deny any liability to the plaintiffs. Nevertheless, no assurance can be given as to the outcome of these cases.

Asbestos and Hazardous Material Litigation

Numerous lawsuits have been filed in federal and state courts in Texas, Louisiana, and Mississippi primarily by contractor employees in the 1950-1980 timeframe against Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans, and Entergy Mississippi as premises owners of power plants, for damages caused by alleged exposure to asbestos or other hazardous material. Many other defendants are named in these lawsuits as well. Presently, there are approximately 600 lawsuits involving approximately 10,000 claims. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover more reimbursement. Management believes that loss exposure has been and will continue to be handled successfully so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position or results of operation of these companies.

NOTE 9. ASSET RETIREMENT OBLIGATIONS

SFAS 143, "Accounting for Asset Retirement Obligations," which was implemented effective January 1, 2003, requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. For Entergy, substantially all of its asset retirement obligations consist of its liability for decommissioning its nuclear power plants. In addition, an insignificant amount of removal costs associated with non-nuclear power plants is also included in the decommissioning line item on the balance sheets.

These liabilities are recorded at their fair values (which are the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation is accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The accretion will continue through the completion of the asset retirement activity. The amounts added to the carrying amounts of the long-lived assets will be depreciated over the useful lives of the assets. SFAS 143 is expected to be earnings neutral to the rate-regulated business of the Registrant Subsidiaries.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

In accordance with ratemaking treatment and as required by SFAS 71, the depreciation provisions for the Registrant Subsidiaries include a component for removal costs that are not asset retirement obligations under SFAS 143. In accordance with regulatory accounting principles, the Registrant Subsidiaries have recorded regulatory assets (liabilities) in the following amounts to reflect their estimates of the difference between estimated incurred removal costs and estimated removal costs recovered in rates previously recorded as a component of accumulated depreciation (in millions):

December 31,	2006	2005
Entergy Arkansas	$45.0	$ 86.2
Entergy Gulf States	$ 3.8	$ 17.9
Entergy Louisiana	$ 2.3	$(22.8)
Entergy Mississippi	$41.2	$ 40.9
Entergy New Orleans	$13.9	$ 5.4
System Energy	$20.7	$ 17.9

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2006 by Entergy were as follows (in millions):

	Liabilities as of Dec. 31, 2005	Accretion	Change in Cash Flow Estimate	Spending	Liabilities as of Dec. 31, 2006
Utility:					
Entergy Arkansas	$442.1	$30.7	$ –	$ –	$472.8
Entergy Gulf States	$175.5	$15.5	$ –	$ –	$191.0
Entergy Louisiana	$221.3	$17.2	$ –	$ –	$238.5
Entergy Mississippi	$ 4.0	$ 0.3	$ –	$ –	$ 4.3
System Energy	$318.9	$23.9	$ –	$ –	$342.8
Non-Utility Nuclear	$761.2	$62.9	$(27.0)	$(23.8)	$773.3
Other	$ 0.9	$ 0.1	$ –	$ 0.1	$ 1.1

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. During 2004, 2005, and 2006 Entergy updated decommissioning cost studies for ANO 1 and 2, River Bend, Grand Gulf, Waterford 3, and certain Non-Utility Nuclear plants.

In the third quarter of 2004, Entergy Gulf States recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for River Bend that reflected an expected life extension for the plant. The revised estimate resulted in a $166.4 million reduction in decommissioning liability, along with a $31.3 million reduction in utility plant, a $49.6 million reduction in non-utility property, a $40.1 million reduction in the related regulatory asset, and a regulatory liability of $17.7 million. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous other income of $27.7 million ($17 million net-of-tax).

In the third quarter of 2004, Entergy's Non-Utility Nuclear business recorded a reduction of $20.3 million in decommissioning liability to reflect changes in assumptions regarding the timing of when decommissioning of a plant will begin. Entergy considered the assumptions as part of recent studies evaluating the economic effect of the plant in its region. The revised estimate resulted in miscellaneous income of $20.3 million ($11.9 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated asset retirement cost recorded at the time of adoption of SFAS 143.

In the first quarter of 2005, Entergy's Non-Utility Nuclear business recorded a reduction of $26.0 million in its decommissioning cost liability in conjunction with a new decommissioning cost study as a result of revised decommissioning costs and changes in assumptions regarding the timing of the decommissioning of a plant. The revised estimate resulted in miscellaneous income of $26.0 million ($15.8 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated assets.

In the second quarter of 2005, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Waterford 3 that reflected an expected life extension for the plant. The revised estimate resulted in a $153.6 million reduction in its decommissioning liability, along with a $49.2 million reduction in utility plant and a $104.4 million reduction in the related regulatory asset.

In the third quarter of 2005, Entergy Arkansas recorded a revision to its estimated decommissioning cost liability for ANO 2 in accordance with the receipt of approval by the NRC of Entergy Arkansas' application for a life extension for the unit. The revised estimate resulted in an $87.2 million reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

In the third quarter of 2005, System Energy recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Grand Gulf. The revised estimate resulted in a $41.4 million reduction in the decommissioning cost liability for Grand Gulf, along with a $39.7 million reduction in utility plant and a $1.7 million reduction in the related regulatory asset.

In the third quarter of 2006, Entergy's Non-Utility Nuclear business recorded a reduction of $27.0 million in decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of the plant will begin. The revised estimate resulted in miscellaneous income of $27.0 million ($16.6 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated asset retirement cost recorded at the time of adoption of SFAS 143.

For the Indian Point 3 and FitzPatrick plants purchased in 2000, NYPA retained the decommissioning trusts and the decommissioning liability. NYPA and Entergy executed decommissioning agreements, which specify their decommissioning obligations. NYPA has the right to require Entergy to assume the decommissioning liability provided that it assigns the corresponding decommissioning trust, up to a specified level, to Entergy. If the decommissioning liability is retained by NYPA, Entergy will perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trusts. Entergy believes that the amounts available to it under either scenario are sufficient to cover the future decommissioning costs without any additional contributions to the trusts.

Entergy maintains decommissioning trust funds that are committed to meeting the costs of decommissioning the nuclear power plants. The fair values of the decommissioning trust funds and asset retirement obligation-related regulatory assets of Entergy as of December 31, 2006 are as follows (in millions):

	Decommissioning Trust Fair Values	Regulatory Asset
Utility:		
ANO 1 and ANO 2	$ 439.4	$119.7
River Bend	$ 344.9	$ 3.4
Waterford 3	$ 208.9	$ 57.1
Grand Gulf	$ 281.4	$ 98.2
Non-Utility Nuclear	$1,583.8	$ –

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

The Energy Policy Act of 1992 contains a provision that assesses domestic nuclear utilities with fees for the decontamination and decommissioning (D&D) of the DOE's past uranium enrichment operations. Annual assessments in 2006 were $4.7 million for Entergy Arkansas, $1.2 million for Entergy Gulf States, $1.8 million for Entergy Louisiana, and $2.0 million for System Energy. The Energy Policy Act calls for cessation of annual D&D assessments not later than October 24, 2007. At December 31, 2006, no assessments were remaining. These assessments are recovered through rates in the same manner as fuel costs.

NOTE 10. LEASES

General

As of December 31, 2006, Entergy Corporation and subsidiaries had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) with minimum lease payments as follows (in thousands):

Year	Operating Leases	Capital Leases
2007	$ 96,979	$3,439
2008	80,044	1,362
2009	77,759	237
2010	86,402	237
2011	38,022	237
Years thereafter	144,253	2,094
Minimum lease payments	523,459	7,606
Less: Amount representing interest	–	2,336
Present value of net minimum lease payments	**$523,459**	**$5,270**

Total rental expenses for all leases (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) amounted to $78.0 million in 2006, $71.2 million in 2005, and $81.3 million in 2004.

Nuclear Fuel Leases

As of December 31, 2006, arrangements to lease nuclear fuel existed in an aggregate amount up to $155 million for Entergy Arkansas, $100 million for Entergy Gulf States, $110 million for Entergy Louisiana, and $135 million for System Energy. As of December 31, 2006, the unrecovered cost base of nuclear fuel leases amounted to approximately $124.9 million for Entergy Arkansas, $73.4 million for Entergy Gulf States, $82.5 million for Entergy Louisiana, and $55.3 million for System Energy. The lessors finance the acquisition and ownership of nuclear fuel through loans made under revolving credit agreements, the issuance of commercial paper, and the issuance of intermediate-term notes. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each have a termination date of August 12, 2010. The termination dates may be extended from time to time with the consent of the lenders. The intermediate-term notes issued pursuant to these fuel lease arrangements have varying maturities through September 15, 2011. It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. However, if such additional financing cannot be arranged, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations in accordance with the fuel lease.

Lease payments are based on nuclear fuel use. The total nuclear fuel lease payments (principal and interest), as well as the separate interest component charged to operations, were $151.4 million (including interest of $14.6 million) in 2006, $135.8 million (including interest of $12.9 million) in 2005, and $146.6 million (including interest of $12.8 million) in 2004. The table below represents the total nuclear fuel lease payments (principal and interest), as well as the separate interest component charged to operations, in 2006, 2005, and 2004 for the four Registrant Subsidiaries that own nuclear power plants (in millions):

	2006		2005		2004	
	Lease Payments	Interest	Lease Payments	Interest	Lease Payments	Interest
Entergy Arkansas	$ 55.0	$ 5.0	$ 47.5	$ 3.9	$ 53.0	$ 4.3
Entergy Gulf States	28.1	3.6	27.2	3.5	29.7	3.2
Entergy Louisiana	35.5	2.4	30.9	2.6	36.1	2.5
System Energy	32.8	3.6	30.2	2.9	27.8	2.8
Total	**$151.4**	**$14.6**	**$135.8**	**$12.9**	**$146.6**	**$12.8**

Sale and Leaseback Transactions

Waterford 3 Lease Obligations

In 1989, Entergy Louisiana sold and leased back 9.3% of its interest in Waterford 3 for the aggregate sum of $353.6 million. The lease has an approximate term of 28 years. The lessors financed the sale-leaseback through the issuance of Waterford 3 Secured Lease Obligation Bonds. The lease payments made by Entergy Louisiana are sufficient to service the debt.

In 1994, Entergy Louisiana did not exercise its option to repurchase the 9.3% interest in Waterford 3. As a result, Entergy Louisiana issued $208.2 million of non-interest bearing first mortgage bonds as collateral for the equity portion of certain amounts payable under the lease.

In 1997, the lessors refinanced the outstanding bonds used to finance the purchase of the 9.3% interest in Waterford 3 at lower interest rates, which reduced Entergy Louisiana's annual lease payments.

Upon the occurrence of certain events, Entergy Louisiana may be obligated to assume the outstanding bonds used to finance the purchase of the 9.3% interest in the unit and to pay an amount sufficient to withdraw from the lease transaction. Such events include lease events of default, events of loss, deemed loss events, or certain adverse "Financial Events." "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure period, to maintain (i) total equity capital (including preferred membership interests) at least equal to 30% of adjusted capitalization, or (ii) a fixed charge coverage ratio of at least 1.50 computed on a rolling 12 month basis.

As of December 31, 2006, Entergy Louisiana's total equity capital (including preferred stock) was 54.0% of adjusted capitalization and its fixed charge coverage ratio for 2006 was 3.5.

As of December 31, 2006, 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):

2007	$ 18,754
2008	22,606
2009	32,452
2010	35,138
2011	50,421
Years thereafter	203,255
Total	362,626
Less: Amount representing interest	114,901
Present value of net minimum lease payments	**$247,725**

Grand Gulf Lease Obligations

In December 1988, System Energy sold 11.5% of its undivided ownership interest in Grand Gulf for the aggregate sum of $500 million. Subsequently, System Energy leased back the 11.5% interest in the unit for a term of 26-1/2 years. System Energy has the option of terminating the lease and repurchasing the 11.5% interest in the unit at certain intervals during the lease. Furthermore, at the end of the lease term, System Energy has the option of renewing the lease or repurchasing the 11.5% interest in Grand Gulf.

In May 2004, System Energy caused the Grand Gulf lessors to refinance the outstanding bonds that they had issued to finance the purchase of their undivided interest in Grand Gulf. The refinancing is at a lower interest rate, and System Energy's lease payments have been reduced to reflect the lower interest costs.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount of this net regulatory asset was $51.1 million and $63.1 million as of December 31, 2006 and 2005, respectively.

As of December 31, 2006 System Energy had future minimum lease payments (reflecting an implicit rate of 5.62%), which are recorded as long-term debt as follows (in thousands):

2007	$ 46,552
2008	47,128
2009	47,760
2010	48,569
2011	49,437
Years thereafter	204,396
Total	443,842
Less: Amount representing interest	98,502
Present value of net minimum lease payments	**$345,340**

NOTE 11. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS

Qualified Pension Plans

Entergy has seven qualified pension plans covering substantially all of its employees: "Entergy Corporation Retirement Plan for Non-Bargaining Employees," "Entergy Corporation Retirement Plan for Bargaining Employees," "Entergy Corporation Retirement Plan II for Non-Bargaining Employees," "Entergy Corporation Retirement Plan II for Bargaining Employees," "Entergy Corporation Retirement Plan III," "Entergy Corporation Retirement Plan IV for Non-Bargaining Employees," and "Entergy Corporation Retirement Plan IV for Bargaining Employees." Except for the Entergy Corporation Retirement Plan III, the pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. The Entergy Corporation Retirement Plan III includes a mandatory employee contribution of 3% of earnings during the first 10 years of plan participation, and allows voluntary contributions from 1% to 10% of earnings for a limited group of employees.

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. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their jurisdictions. Entergy uses a December 31 measurement date for its pension plans. As a result of the Entergy New Orleans bankruptcy filing, Entergy has discontinued the consolidation of Entergy New Orleans retroactive to January 1, 2005, and is reporting Entergy New Orleans' results under the equity method of accounting.

In September 2006, FASB issued SFAS 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132(R)," to be effective December 31, 2006. SFAS 158 requires an employer to recognize in its balance sheet the funded status of its benefit plans. This is measured as the difference between plan assets at fair value and the benefit obligation. Employers are to record previously unrecognized gains and losses, prior service costs, and the remaining transition asset or obligation as a result of adopting SFAS 87 and SFAS 106 as accumulated other comprehensive income ("OCI") or as a regulatory asset reflective of the recovery mechanism for pension and OPEB costs in the Utility's jurisdictions. For the portion of Entergy Gulf States that is not regulated, the unrecognized prior service cost, gains and losses, and transition asset/obligation for its pension and other postretirement benefit obligations are recorded in other comprehensive income. The portion of Entergy Gulf States regulated by the LPSC and Entergy Louisiana recover other postretirement benefits costs on a pay as you go basis and will record the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation in other comprehensive income. SFAS 158 also requires that changes in the funded status be recorded in other comprehensive income or as a regulatory asset in the period in which the changes occur.

As of December 31, 2005, Entergy recognized an additional minimum pension liability for the excess of the accumulated benefit obligation over the fair market value of plan assets. In accordance with SFAS 87, an offsetting intangible asset, up to the amount of any unrecognized prior service cost, was also recorded, with the remaining offset to the liability recorded as a regulatory asset or accumulated other comprehensive income.

Components of Qualified Net Pension Cost

Total 2006, 2005, and 2004 qualified pension costs of Entergy Corporation and its subsidiaries, including amounts capitalized, included the following components (in thousands):

	2006	2005	2004
Service cost – benefits earned during the period	$ 92,706	$ 82,520	$ 76,946
Interest cost on projected benefit obligation	167,257	155,477	148,092
Expected return on assets	(177,930)	(159,544)	(153,584)
Amortization of transition asset	–	(662)	(763)
Amortization of prior service cost	5,462	4,863	5,143
Recognized net loss	43,721	35,604	21,687
Net pension costs	**$ 131,216**	**$ 118,258**	**$ 97,521**

Estimated amortization amounts from the regulatory assets or OCI to net periodic cost in the following year (in thousands):

Prior service cost	$ 5,531
Net loss	$ 44,316

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Qualified Pension Obligations, Plan Assets, Funded Status, Amounts Not Yet Recognized and Recognized in the Balance Sheet for Entergy Corporation and its subsidiaries as of December 31, 2006 and 2005 (in thousands):

	2006	2005
Change in Projected Benefit Obligation (PBO)		
Balance at beginning of year	$2,894,008	$ 2,555,086
Service cost	92,706	82,520
Interest cost	167,257	155,477
Amendments	–	6,467
Actuarial loss	4,372	211,194
Employee contributions	1,003	1,032
Benefits paid	(123,272)	(117,768)
Balance at end of year	$3,036,074	$ 2,894,008
Change in Plan Assets		
Fair value of assets at beginning of year	$1,994,879	$ 1,841,929
Actual return on plan assets	270,976	137,885
Employer contributions	318,470	131,801
Employee contributions	1,003	1,032
Benefits paid	(123,272)	(117,768)
Fair value of assets at end of year	$2,462,056	$ 1,994,879
Funded status	$(574,018)	$ (899,129)
Amounts not yet recognized in the balance sheet (before application of SFAS 158)		
Unrecognized prior service cost	$ 23,932	$ 29,393
Unrecognized net loss	580,880	713,285
Prepaid/(accrued) pension cost recognized in the balance sheet	$ 30,794	$ (156,451)
Amounts recognized in the balance sheet (before application of SFAS 158)		
Additional minimum pension liability	$ (267,003)	$ (406,463)
Intangible asset	5,336	24,159
Accumulated OCI (before taxes)	38,273	24,243
Regulatory asset	223,394	358,061
Net amount recognized	$ 30,794	$ (156,451)
Change in amount recognized due to SFAS 158		
Funded status	$ (574,018)	
Less: Prepaid/(accrued) pension cost recognized in the balance sheet before application of SFAS 158	30,794	
Less: Additional minimum pension liability before application of SFAS 158	(267,003)	
Change in amount recognized due to SFAS 158	$ (337,809)	
Amount recognized in the balance sheet (funded status under SFAS 158)		
Non-current liabilities	$ (574,018)	
Amounts recognized in regulatory assets		
Prior service cost	$ 14,388	
Net loss/(gain)	498,502	
Total	$ 512,890	
Amounts recognized in OCI (before tax)		
Prior service cost	$ 9,544	
Net loss/(gain)	82,378	
Total	$ 91,922	

Other Postretirement Benefits

Entergy also currently provides health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for Entergy. Entergy uses a December 31 measurement date for its postretirement benefit plans.

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. 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 for Entergy (other than Entergy Gulf States) and $128 million for Entergy Gulf States. Such obligations are being amortized over a 20-year period that began in 1993. For the most part, the Registrant Subsidiaries recover SFAS 106 costs from customers and are required to contribute postretirement benefits collected in rates to an external trust.

Entergy Arkansas, the portion of Entergy Gulf States regulated by the PUCT, Entergy Mississippi, and Entergy New Orleans have received regulatory approval to recover SFAS 106 costs through rates. Entergy Arkansas began recovery in 1998, pursuant to an APSC order. This order also allowed Entergy Arkansas to amortize a regulatory asset (representing the difference between SFAS 106 costs and cash expenditures for other postretirement benefits incurred for a five-year period that began January 1, 1993) over a 15-year period that began in January 1998.

The LPSC ordered the portion of Entergy Gulf States regulated by the LPSC and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for postretirement benefits to determine if special exceptions to this order are warranted.

Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, the portion of Entergy Gulf States regulated by the PUCT, and System Energy contribute the postretirement benefit obligations collected in rates to trusts. System Energy is funding, on behalf of Entergy Operations, postretirement benefits associated with Grand Gulf.

Components of Net Other Postretirement Benefit Cost

Total 2006, 2005, and 2004 other postretirement benefit costs of Entergy Corporation and its subsidiaries, including amounts capitalized and deferred, included the following components (in thousands):

	2006	2005	2004
Service cost – benefits earned during the period	$ 41,480	$ 37,310	$ 30,947
Interest cost on APBO	57,263	51,883	53,801
Expected return on assets	(19,024)	(17,402)	(18,825)
Amortization of transition obligation	2,169	3,368	9,429
Amortization of prior service cost	(14,751)	(13,738)	(5,222)
Recognized net (gain)/loss	22,789	22,295	15,546
Net other postretirement benefit cost	**$ 89,926**	**$ 83,716**	**$ 85,676**

Estimated amortization amounts from the regulatory asset or OCI to net periodic cost in the following year (in thousands):

Transition obligation	$ 3,831
Prior service cost	$(15,837)
Net loss/(gain)	$ 18,974

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

OTHER POSTRETIREMENT BENEFIT OBLIGATIONS, PLAN ASSETS, FUNDED STATUS, AND AMOUNTS NOT YET RECOGNIZED AND RECOGNIZED IN THE BALANCE SHEET OF ENTERGY CORPORATION AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2006 AND 2005 (IN THOUSANDS):

	2006	2005
Change in APBO		
Balance at beginning of year	$ 997,969	$ 928,217
Service cost	41,480	37,310
Interest cost	57,263	51,883
Plan amendments	(10,708)	(64,200)
Plan participant contributions	6,904	6,749
Actuarial loss/(gain)	(17,838)	98,041
Benefits paid	(62,314)	(60,031)
Medicare Part D subsidy received	1,610	–
Balance at end of year	$1,014,366	$ 997,969
Change in Plan Assets		
Fair value of assets at beginning of year	$ 234,516	$ 214,005
Actual return on plan assets	27,912	15,003
Employer contributions	64,058	58,790
Plan participant contributions	6,904	6,749
Benefits paid	(60,700)	(60,031)
Fair value of assets at end of year	$ 272,690	$ 234,516
Funded status	$ (741,676)	$(763,453)
Amounts not yet recognized in the balance sheet (before application of SFAS 158)		
Unrecognized transition obligation	13,007	15,176
Unrecognized prior service cost	(62,062)	(66,105)
Unrecognized net loss	353,733	403,252
Accrued other post retirement benefit cost recognized	$ (436,998)	$(411,130)
Amounts recognized in the balance sheet (SFAS 158)		
Current liabilities	$ (27,372)	
Non-current liabilities	(714,304)	
Total funded status	$ (741,676)	
Change in amount recognized due to SFAS 158	$ (304,678)	
Amounts recognized in regulatory assets (before tax)		
Transition obligation	$8,686	
Prior service cost	(9,263)	
Net loss/(gain)	195,567	
Total	$ 194,990	
Amounts recognized in OCI (before tax)		
Transition obligation	$4,321	
Prior service cost	(52,799)	
Net loss/(gain)	158,166	
Total	$ 109,688	

QUALIFIED PENSION AND OTHER POSTRETIREMENT PLANS' ASSETS

Entergy's qualified pension and postretirement plans weighted-average asset allocations by asset category at December 31, 2006 and 2005 are as follows:

	Qualified Pension		Postretirement	
	2006	2005	2006	2005
Domestic Equity Securities	43%	45%	37%	37%
International Equity Securities	21%	21%	14%	15%
Fixed-Income Securities	34%	32%	49%	47%
Other	2%	2%	–%	1%

The Plan Administrator's trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

In the optimization study, the Plan Administrator formulates assumptions about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical market characteristics of the various asset classes, and making adjustments to reflect future conditions expected to prevail over the study period.

The optimization analysis utilized in the Plan Administrator's latest study produced the following approved asset class target allocations.

	Pension	Postretirement
Domestic Equity Securities	45%	37%
International Equity Securities	20%	14%
Fixed-Income Securities	31%	49%
Other (Cash and GACs)	4%	0%

These allocation percentages combined with each asset class' expected investment return produced an aggregate return expectation for the five years following the study of 7.6% for pension assets, 5.4% for taxable postretirement assets, and 7.2% for non-taxable postretirement assets.

The expected long term rate of return of 8.50% for the qualified Retirement Plans assets is based on the expected return of each asset class, weighted by the target allocation for each class. The expected return for each asset class was developed using risk and return assumptions that use forward projections based on historical experience. This analysis resulted in a weighted mean of 8.57% and a 50th percentile return of 8.54% which supports the long term rate of return assumption of 8.50%.

The expected long term rate of return of 8.50% for the non-taxable VEBA trust assets is based on the expected return of each asset class, weighted by the target allocation for each class. The expected return for each asset class was developed using risk and return assumptions that use forward projections based on historical experience. This analysis resulted in a weighted mean of 8.24% and a 50th percentile return of 8.22% which is consistent with the long term rate of return assumption of 8.50%. For the taxable VEBA trust, the asset allocation has a high percentage of non-taxable bonds. After reflecting the non-taxable bond percentage and unrelated business income tax supports an expected long term rate of return of 5.50%.

Since precise allocation targets are inefficient to manage security investments, the following ranges were established to produce an acceptable economically efficient plan to manage to targets:

	Pension	Postretirement
Domestic Equity Securities	45% to 55%	32% to 42%
International Equity Securities	15% to 25%	9% to 19%
Fixed-Income Securities	25% to 35%	44% to 54%
Other	0% to 10%	0% to 5%

ACCUMULATED PENSION BENEFIT OBLIGATION

The accumulated benefit obligation for Entergy's qualified pension plans was $2.7 billion and $2.5 billion at December 31, 2006 and 2005, respectively.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Estimated Future Benefit Payments

Based upon the assumptions used to measure Entergy's qualified pension and postretirement benefit obligation at December 31, 2006, and including pension and postretirement benefits attributable to estimated future employee service, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for Entergy Corporation and its subsidiaries will be as follows (in thousands):

Estimated Future Benefits Payments				
	Qualified Pension	Non-Qualified Pension	Postretirement (before Medicare Subsidy)	Estimated Future Medicare Subsidy Receipts
2007	$129,140	$14,729	$ 62,662	$ 4,854
2008	$132,143	$ 5,646	$ 66,316	$ 5,531
2009	$136,824	$ 5,518	$ 69,507	$ 6,147
2010	$142,122	$ 5,455	$ 73,310	$ 6,740
2011	$148,366	$ 4,018	$ 76,563	$ 7,396
2012 – 2016	$888,406	$19,884	$430,687	$48,406

Contributions

Entergy Corporation and its subsidiaries expect to contribute $175.9 million (excluding about $1 million in employee contributions) to the qualified pension plans and $66.4 million to its other postretirement plans in 2007.

Additional Information

The change in the qualified pension plans' minimum pension liability included in other comprehensive income and regulatory assets was as follows for Entergy Corporation and its subsidiaries for 2006 and 2005.

	2006	2005
Increase/(decrease) in the minimum pension liability included in:		
Other comprehensive income (before taxes)	$ 14,030	$ 13,462
Regulatory assets	$(134,667)	$150,729

Actuarial Assumptions

The assumed health care cost trend rate used in measuring the APBO of Entergy was 10% for 2007, gradually decreasing each successive year until it reaches 4.5% in 2012 and beyond. The assumed health care cost trend rate used in measuring the Net Other Postretirement Benefit Cost of Entergy was 12% for 2006, gradually decreasing each successive year until it reaches 4.5% in 2012 and beyond. A one percentage point change in the assumed health care cost trend rate for 2006 would have the following effects (in thousands):

	1 Percentage Point Increase		1 Percentage Point Decrease	
	Impact on the APBO	Impact on the sum of service costs and interest cost	Impact on the APBO	Impact on the sum of service costs and interest cost
Entergy Corporation and Subsidiaries	$103,072	$13,898	$(91,887)	$(11,828)

The significant actuarial assumptions used in determining the pension PBO and the SFAS 106 APBO as of December 31, 2006, and 2005 were as follows:

	2006	2005
Weighted-average discount rate:		
Pension	6.00%	5.90%
Other postretirement	6.00%	5.90%
Weighted-average rate of increase in future compensation levels	3.25%	3.25%

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2006, 2005, and 2004 were as follows:

	2006	2005	2004
Weighted-average discount rate:			
Pension	5.90%	6.00%	6.25%
Other postretirement	5.90%	6.00%	6.71%
Weighted-average rate of increase in future compensation levels	3.25%	3.25%	3.25%
Expected long-term rate of return on plan assets:			
Taxable assets	5.50%	5.50%	5.50%
Non-taxable assets	8.50%	8.50%	8.75%

Entergy's remaining pension transition assets are being amortized over the greater of the remaining service period of active participants or 15 years which ended in 2005, and its SFAS 106 transition obligations are being amortized over 20 years ending in 2012.

Medicare Prescription Drug, Improvement and Modernization Act of 2003

In December 2003, the President signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 into law. The Act introduces a prescription drug benefit cost under Medicare (Part D), which started in 2006, as well as federal subsidy to employers who provide a retiree prescription drug benefit that is at least actuarially equivalent to Medicare Part D.

The actuarially estimated effect of future Medicare subsidies reduced the December 31, 2006 and 2005 Accumulated Postretirement Benefit Obligation by $183 million and $176 million, respectively, and reduced the 2006 and 2005 other postretirement benefit cost by $29.3 million and $24.3 million, respectively. In 2006, Entergy received $1.8 million in Medicare subsidies for prescription drug claims through June 2006. In January 2007, Entergy received an additional $0.9 million in subsidies for the third quarter of 2006 prescription drug claims.

Non-Qualified Pension Plans

Entergy also sponsors non-qualified, non-contributory defined benefit pension plans that provide benefits to certain executives. Entergy recognized net periodic pension cost related to these plans of $21 million in 2006, $16.4 million in 2005, and $16.4 million in 2004. The projected benefit obligation was $137 million and $142 million as of December 31, 2006 and 2005, respectively. There are $0.2 million in plan assets for a pre-merger Entergy Gulf States plan. The accumulated benefit obligation was $127 million and $133 million as of December 31, 2006 and 2005, respectively.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Before the application of SFAS 158, as of December 31, 2006, and 2005, Entergy's additional minimum pension liability for the non-qualified pension plans was $56.4 million and $63.1 million, respectively. This liability was offset by a $13.7 million and $13.6 million intangible asset as of December 31, 2006 and 2005, respectively, a $31.6 million and a $38.1 million regulatory asset as of December 31, 2006, and 2005 respectively, and a $11.1 million and $11.4 million charge to accumulated other comprehensive income before taxes as of December 31, 2006 and 2005, respectively.

After the application of SFAS 158, Entergy's non-qualified, non-current pension liability was $122.2 million and its current liability was $14.5 million. The unamortized transition asset, prior service cost and net loss are recognized in regulatory assets ($50.8 million) and accumulated other comprehensive income before taxes ($15.8 million.) The change in amount recognized in the balance sheet due to SFAS 158 is $10.2 million in 2006.

Defined Contribution Plans

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (System Savings Plan). The System Savings Plan is a defined contribution plan covering eligible employees of Entergy and its subsidiaries. The employing Entergy subsidiary makes matching contributions for all non-bargaining and certain bargaining employees to the System Savings Plan in an amount equal to 70% of the participants' basic contributions, up to 6% of their eligible earnings per pay period. The 70% match is allocated to investments as directed by the employee.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries II (established in 2001) and Savings Plan of Entergy Corporation and Subsidiaries IV (established in 2002) to which matching contributions are also made. The plans are defined contribution plans that cover eligible employees, as defined by each plan, of Entergy and its subsidiaries.

Entergy's subsidiaries' contributions to defined contribution plans collectively were $31.4 million in 2006, $33.8 million in 2005, and $32.9 million in 2004. The majority of the contributions were to the System Savings Plan.

NOTE 12. STOCK-BASED COMPENSATION

Entergy grants stock options and long-term incentive and restricted liability awards to key employees of the Entergy subsidiaries under the Equity Ownership Plan which is a shareholder-approved stock-based compensation plan. As of December 31, 2006, there were 441,875 authorized shares remaining for stock-based awards. At the May 2006 annual meeting of shareholders, Entergy's shareholders approved the 2007 Equity Ownership and Long-Term Cash Incentive Plan (2007 Plan) effective January 1, 2007. The maximum aggregate number of common shares that can be issued from the 2007 Plan for stock-based awards is 7,000,000 with no more than 2,000,000 available for non-option grants. The 2007 Plan, which only applies to awards made on or after January 1, 2007, will expire after 10 years.

Stock Options

Stock options are granted at exercise prices that equal the closing market price of Entergy Corporation common stock on the date of grant. Generally, stock options granted will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Unless they are forfeited previously under the terms of the grant, options expire ten years after the date of the grant if they are not exercised. Stock-based compensation expense included in consolidated net income for 2006, 2005, and 2004 is $11 million, $13 million, and $8 million, respectively. The tax benefit recognized in consolidated net income for 2006, 2005, and 2004 is $4 million, $5 million, and $3 million, respectively. Compensation cost capitalized as part of fixed assets and inventory for the years 2006, 2005, and 2004 is approximately $2 million, $2 million, and $1.5 million, respectively.

Entergy determines the fair value of the stock option grants made in 2006, 2005, and 2004 by considering factors such as lack of marketability, stock retention requirements, and regulatory restrictions on exercisability. The fair value valuations comply with SFAS 123R, "Share-Based Payment," which was issued in December 2004 and became effective in the first quarter 2006. The stock option weighted-average assumptions used in determining the fair values are as follows:

	2006	2005	2004
Stock price volatility	18.7%	18.8%	23.1%
Expected term in years	3.9	3	6.3
Risk-free interest rate	4.4%	3.6%	3.2%
Dividend yield	3.2%	3.1%	3.3%
Dividend payment	$2.16	$2.16	$1.80

Stock price volatility is calculated based upon the weekly public stock price volatility of Entergy Corporation common stock over the last four to five years. The expected term of the options is based upon historical option exercises and the weighted average life of options when exercised and the estimated weighted average life of all vested but unexercised options. Options held by certain management level employees include a restriction that requires 75% of the gains upon exercise of the option to be held in Entergy Corporation common stock until the earlier of five years or termination of employment. The reduction in fair value of the stock options is based upon an estimate of the call option value of the reinvested gain discounted to present value over the five year reinvestment period.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

A summary of stock option activity for the year ended December 31, 2006 and changes during the year are presented below:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Contractual Life
Options outstanding at January 1, 2006	10,855,459	$46.80		
Options granted	1,875,293	$69.01		
Options exercised	(1,804,742)	$42.54		
Options forfeited/expired	(123,087)	$65.05		
Options outstanding at December 31, 2006	10,802,923	$51.16	$445 million	6.2 years
Options exercisable at December 31, 2006	7,452,550	$43.83	$361 million	5.2 years
Weighted-average grant-date fair value of options granted during 2006	$9.21			

The weighted-average grant-date fair value of options granted during the year was $8.17 for 2005 and $7.76 for 2004. The total intrinsic value of stock options exercised was $65 million during 2006, $100 million during 2005, and $98 million during 2004. The intrinsic value, which has no effect on net income, of the stock options exercised is calculated by the difference in Entergy's Corporation common stock price on the date of exercise and the exercise price of the stock options granted. With the adoption of the fair value method of SFAS 123 and the application of SFAS 123R, Entergy recognizes compensation cost over the vesting period of the options based on their grant-date fair value. The total fair value of options that vested was approximately $15 million during 2006, $28 million during 2005, and $49 million during 2004.

The following table summarizes information about stock options outstanding as of December 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	As of 12/31/2006	Weighted-Average Remaining Contractual Life-Years	Weighted-Average Exercise Price	Number Exercisable at 12/31/2006	Weighted-Average Exercise Price
$23 – $33.99	1,041,285	3.2	$25.55	1,041,285	$25.55
$34 – $44.99	4,634,715	5.1	$41.15	4,634,715	$41.15
$45 – $55.99	210,277	3.6	$49.41	210,277	$49.41
$56 – $66.99	1,478,283	7.1	$58.62	939,927	$58.63
$67 – $86.20	3,438,363	8.5	$69.31	626,346	$70.00
$23 – $86.20	10,802,923	6.2	$51.16	7,452,550	$43.83

Stock-based compensation expense related to non-vested stock options not yet recognized is approximately $13 million and is expected to be recognized on a weighted-average period of 1.8 years.

Long-Term Incentive Awards

Entergy grants long-term incentive awards earned under its stock benefit plans in the form of performance units, which are equal to the cash value of shares of Entergy Corporation common stock at the end of the performance period, which is the last trading day of the year. Performance units will pay out to the extent that the performance conditions are satisfied. In addition to the potential for equivalent share appreciation or depreciation, performance units will earn the cash equivalent of the dividends paid during the three-year performance period applicable to each plan. The costs of incentive awards are charged to income over the three-year period.

The following table includes financial information for the long-term incentive awards for each of the years presented (in millions):

	2006	2005	2004
Fair value of long-term incentive awards at December 31,	$37	$34	$49
Compensation expense included in Entergy's Net Income for the year	$22	$16	$31
Tax benefit recognized in Entergy's Net Income for the year	$ 8	$ 6	$12
Compensation cost capitalized as part of fixed assets and inventory as of December 31,	$ 3	$ 2	$ 6

Entergy paid $17.1 million in 2006 for awards earned under the Long-Term Incentive Plan. The distribution is applicable to the 2003 - 2005 performance period.

Restricted Awards

Entergy grants restricted awards earned under its stock benefit plans in the form of stock units that are subject to time-based restrictions. The restricted units are equal to the cash value of shares of Entergy Corporation common stock at the time of vesting. The costs of restricted awards are charged to income over the restricted period, which varies from grant to grant. The average vesting period for restricted awards granted is 54 months. As of December 31, 2006, there were 163,912 unvested restricted units that are expected to vest over an average period of 33 months.

The following table includes financial information for restricted awards for each of the years presented (in millions):

	2006	2005	2004
Fair value of restricted awards at December 31,	$3.6	$ –	$ –
Compensation expense included in Entergy's Net Income for the year	$3.1	$3.5	$5.3
Tax benefit recognized in Entergy's Net Income for the year	$1.2	$1.4	$2.1
Compensation cost capitalized as part of fixed assets and inventory as of December 31,	$0.5	$ –	$ –

Entergy paid $0.2 million in 2006 for awards earned under the Restricted Awards Plan.

NOTE 13. BUSINESS SEGMENT INFORMATION

Entergy's reportable segments as of December 31, 2006 are Utility and Non-Utility Nuclear. Utility generates, transmits, distributes, and sells electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and provides natural gas utility service in portions of Louisiana. Non-Utility Nuclear owns and operates five nuclear power plants and is primarily focused on selling electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity, including the Energy Commodity Services segment, the Competitive Retail Services business, and earnings on the proceeds of sales of previously-owned businesses. The Energy Commodity Services segment was presented as a reportable segment prior to 2005, but it did not meet the quantitative thresholds for a reportable segment in 2005 and 2004, and with the sale of Entergy-Koch's businesses in 2004, management does not expect the Energy Commodity Services segment to meet the quantitative thresholds in the foreseeable future. The 2004 information in the tables below has been restated to include the Energy Commodity Services segment in the All Other column. As a result of the Entergy New Orleans bankruptcy filing, Entergy has discontinued the consolidation of Entergy New Orleans retroactive to January 1, 2005, and is reporting Entergy New Orleans results under the equity method of accounting in the Utility segment.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

Entergy's segment financial information is as follows (in thousands):

	Utility	Non-Utility Nuclear*	All Other*	Eliminations	Consolidated
2006					
Operating revenues	$ 9,150,030	$1,544,873	$ 275,299	$ (38,044)	$10,932,158
Deprec., amort. & decomm.	886,537	134,661	12,478	–	1,033,676
Interest and dividend income	112,887	83,155	95,985	(93,192)	198,835
Equity in earnings of unconsolidated equity affiliates	4,058	–	89,686	–	93,744
Interest and other charges	428,662	47,424	194,911	(93,192)	577,805
Income taxes (benefits)	333,105	204,659	(94,720)	–	443,044
Loss from discontinued operations	–	–	(496)	–	(496)
Net Income	691,160	309,496	131,894	52	1,132,602
Total assets	25,238,359	5,369,730	2,866,377	(2,391,735)	31,082,731
Investments in affiliates – at equity	154,193	(5,233)	214,266	(134,137)	229,089
Cash paid for long-lived asset additions	1,259,135	302,865	23,034	982	1,586,016
2005					
Operating revenues	$ 8,526,943	$1,421,547	$ 237,735	$ (79,978)	$10,106,247
Deprec., amort. & decomm.	867,755	117,752	13,991	–	999,498
Interest and dividend income	75,748	66,836	78,185	(70,290)	150,479
Equity in earnings of unconsolidated equity affiliates	765	–	220	–	985
Interest and other charges	386,672	50,874	133,777	(70,292)	501,031
Income taxes (benefits)	405,662	163,865	(10,243)	–	559,284
Loss from discontinued operations	–	–	(44,794)	–	(44,794)
Net income	659,760	282,623	(44,019)	(33)	898,331
Total assets	25,248,820	4,887,572	3,477,169	(2,755,904)	30,857,657
Investments in affiliates – at equity	150,135	–	428,006	(281,357)	296,784
Cash paid for long-lived asset additions	1,285,012	160,899	11,230	945	1,458,086
2004					
Operating revenues	$ 8,142,808	$1,341,852	$ 265,051	$ (64,190)	$ 9,685,521
Deprec., amort. & decomm.	915,667	106,408	21,028	–	1,043,103
Interest and dividend income	40,831	63,569	60,430	(55,195)	109,635
Equity in loss of unconsolidated equity affiliates	–	–	(78,727)	–	(78,727)
Interest and other charges	406,315	53,657	96,526	(55,197)	501,301
Income taxes (benefits)	406,864	142,620	(184,179)	–	365,305
Loss from discontinued operations	–	–	(41)	–	(41)
Net income	643,408	245,029	21,087	–	909,524
Total assets	22,937,237	4,531,604	2,423,194	(1,581,258)	28,310,777
Investments in affiliates – at equity	207	–	512,571	(280,999)	231,779
Cash paid for long-lived asset additions	1,152,167	242,822	15,626	(5)	1,410,610

*Businesses marked with * are referred to as the "competitive businesses," with the exception of the parent company, Entergy Corporation.*
Eliminations are primarily intersegment activity.

Almost all of Entergy's goodwill is related to the Utility segment.

In the fourth quarter of 2005, Entergy decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas. Due to this planned divestiture, activity from this business is reported as discontinued operations in the Consolidated Statements of Income. In connection with the planned sale, an impairment reserve of $39.8 million ($25.8 million net-of-tax) was recorded for the remaining net book value of the Competitive Retail Services business' information technology systems.

Revenues and pre-tax income (loss) related to the Competitive Retail Services business' discontinued operations were as follows (in thousands):

	2006	2005	2004
Operating revenues	$134,444	$654,333	$438,203
Pre-tax income (loss)	$ (429)	$ (68,854)	$ 562

Assets and liabilities related to the Competitive Retail Services business' discontinued operations were as follows (in thousands):

December 31,	2006	2005
Current assets	$10,945	$ 89,579
Other property and investments	(482)	15,095
Property, plant and equipment – net	89	19,587
Deferred debits and other assets	27,482	20,903
Total assets	$38,034	$145,164
Current liabilities	$ –	$ 26,036
Non-current liabilities	–	35,884
Equity	38,034	83,244
Total liabilities and equity	$38,034	$145,164

Also, in the fourth quarter of 2004, Entergy recorded a charge of approximately $55 million ($36 million net-of-tax) as a result of an impairment of the value of the Warren Power plant. Entergy concluded that the value of the plant, which is owned in the non-nuclear wholesale assets business, was impaired. Entergy reached this conclusion based on valuation studies prepared in connection with the sale of preferred stock in a subsidiary in the non-nuclear wholesale assets business.

Geographic Areas

For the years ended December 31, 2006, 2005, and 2004, Entergy derived less than 1% of its revenue from outside of the United States.

As of December 31, 2006 and 2005, Entergy had almost no long-lived assets located outside of the United States.

NOTE 14. EQUITY METHOD INVESTMENTS

As of December 31, 2006, Entergy owns investments in the following companies that it accounts for under the equity method of accounting:

Company	Ownership	Description
Entergy New Orleans, Inc.	100% ownership of common stock	A regulated public utility company that generates, transmits, distributes, and sells electric power to retail and wholesale customers. As a result of Entergy New Orleans' bankruptcy filing in September 2005, Entergy deconsolidated Entergy New Orleans and reflects Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. See Note 18 for further discussion of the bankruptcy proceeding.
Entergy-Koch, LP	50% partnership	Entergy-Koch was in the energy commodity marketing and trading business and gas transportation and storage business until the fourth quarter of 2004 when these businesses were sold.
RS Cogen LLC	50% member interest	Co-generation project that produces power and steam on an industrial and merchant basis in the Lake Charles, Louisiana area.
Top Deer	50% member interest	Wind-powered electric generation joint venture.

Following is a reconciliation of Entergy's investments in equity affiliates (in thousands):

	2006	2005	2004
Beginning of year	**$ 296,784**	**$231,779**	**$1,053,328**
Deconsolidation of Entergy New Orleans, effective January 1, 2005	–	154,462	–
Additional investments	–	–	157,020
Income (loss) from the investments	93,744	985	(78,727)
Other income	–	–	6,232
Distributions received	(163,697)	(80,901)	(888,260)
Dispositions and other adjustments	2,258	(9,541)	(17,814)
End of year	**$ 229,089**	**$296,784**	**$ 231,779**

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

The following is a summary of combined financial information reported by Entergy's equity method investees (in thousands):

	2006	2005	2004
Income Statement Items:			
Operating revenues	$ 632,820	$ 721,410	$ 270,177
Operating income	$27,452	$ 9,526	$(111,535)
Net income	$ 212,210[1]	$ 1,592	$739,858[1]
Balance Sheet Items:			
Current assets	$ 262,506	$ 415,586	
Non-current assets	$1,163,392	$1,498,465	
Current liabilities	$ 389,526	$ 544,030	
Non-current liabilities	$ 722,524	$ 999,346	

(1) Includes gains recorded by Entergy-Koch on the sales of its energy trading and pipeline businesses.

Related-party transactions and guarantees

See Note 18 to the financial statements for a discussion of the Entergy New Orleans bankruptcy proceedings and activity between Entergy and Entergy New Orleans.

During 2004, Entergy procured various services from Entergy-Koch consisting primarily of pipeline transportation services for natural gas and risk management services for electricity and natural gas. The total cost of such services in 2004 was approximately $9.5 million. There were no related party transactions between Entergy-Koch and Entergy in 2006 or 2005.

Entergy Louisiana and Entergy New Orleans entered into purchase power agreements with RS Cogen that expired in April 2006, and purchased a total of $15.8 million, $61.2 million, and $43.6 million of capacity and energy from RS Cogen in 2006, 2005, and 2004, respectively. Entergy Gulf States purchased approximately $64.3 million, $12.4 million, and $17.5 million of electricity generated from Entergy's share of RS Cogen in 2006, 2005, and 2004, respectively. Entergy's operating transactions with its other equity method investees were not significant in 2006, 2005, or 2004.

In the purchase agreements for its energy trading and the pipeline business sales, Entergy-Koch agreed to indemnify the respective purchasers for certain potential losses relating to any breaches of the seller's representations, warranties, and obligations under each of the purchase agreements. Entergy Corporation has guaranteed up to 50% of Entergy-Koch's indemnification obligations to the purchasers. Entergy does not expect any material claims under these indemnification obligations.

NOTE 15. ACQUISITIONS AND DISPOSITIONS

Asset Acquisitions

Attala

In January 2006, Entergy Mississippi purchased the Attala power plant, a 480 MW natural gas-fired, combined-cycle generating facility in central Mississippi, for $88 million from Central Mississippi Generating Company. Entergy Mississippi received the plant, materials and supplies, SO_2 emission allowances, and related real estate. The MPSC approved the acquisition and the investment cost recovery of the plant.

Perryville

In June 2005, Entergy Louisiana purchased the 718 MW Perryville power plant located in northeast Louisiana for $162 million from a subsidiary of Cleco Corporation. Entergy Louisiana received the plant, materials and supplies, SO_2 emission allowances, and related real estate. The LPSC approved the acquisition and the long-term cost-of-service purchased power agreement under which Entergy Gulf States will purchase 75 percent of the plant's output.

Asset Dispositions

Entergy-Koch Businesses

In the fourth quarter of 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. The sales came after a review of strategic alternatives for enhancing the value of Entergy-Koch, LP. Entergy received $862 million of cash distributions in 2004 from Entergy-Koch after the business sales. Due to the November 2006 expiration of contingencies on the sale of Entergy-Koch's trading business, and the corresponding release to Entergy-Koch of sales proceeds held in escrow, Entergy recorded a gain related to its Entergy-Koch investment of approximately $55 million, net-of-tax, in the fourth quarter of 2006 and received additional cash distributions of approximately $163 million. Entergy expects future cash distributions upon liquidation of the partnership will be less than $35 million.

Other

In the second quarter of 2006, Entergy sold its remaining interest in a power development project and realized a $14.1 million ($8.6 million net-of-tax) gain on the sale.

In April 2006, Entergy sold the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, realized an $11.1 million gain (net-of-tax) on the sale, and now reports this portion of the business as a discontinued operation.

In January 2004, Entergy sold its 50% interest in the Crete project, which is a 320MW power plant located in Illinois, and realized an insignificant gain on the sale.

In the fourth quarter of 2004, Entergy sold undivided interests in the Warren Power and the Harrison County plants at a price that approximated book value.

NOTE 16. RISK MANAGEMENT AND FAIR VALUES

Market and Commodity Risks

In the normal course of business, Entergy is exposed to a number of market and commodity risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk. Entergy is subject to a number of commodity and market risks, including:

Type of Risk	Affected Businesses
Power price risk	Utility, Non-Utility Nuclear Non-Nuclear Wholesale Assets
Fuel price risk	Utility, Non-Utility Nuclear Non-Nuclear Wholesale Assets
Foreign currency exchange rate risk	Utility, Non-Utility Nuclear Non-Nuclear Wholesale Assets
Equity price and interest rate risk – investments	Utility, Non-Utility Nuclear

Entergy manages these risks through both contractual arrangements and derivatives. Contractual risk management tools include long-term power and fuel purchase agreements, capacity contracts, and tolling agreements. Entergy also uses a variety of commodity and financial derivatives, including natural gas and electricity futures, forwards, swaps, and options; foreign currency forwards; and interest rate swaps as a part of its overall risk management strategy. Except for the energy trading activities conducted through December 2004 by Entergy-Koch, Entergy enters into derivatives only to manage natural risks inherent in its physical or financial assets or liabilities.

Entergy manages fuel price risk for its Louisiana jurisdictions (Entergy Louisiana, Entergy New Orleans, and the Louisiana portion of Entergy Gulf States) and Entergy Mississippi primarily through the purchase of short-term swaps. These swaps are marked-to-market with offsetting regulatory assets or liabilities. The notional volumes of these swaps are based on a portion of projected purchases of gas for the summer (electric generation) and winter (gas distribution at Entergy Gulf States and Entergy New Orleans) peak seasons.

Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

Hedging Derivatives

Entergy classifies substantially all of the following types of derivative instruments held by its consolidated businesses as cash flow hedges:

Instrument	Business
Natural gas and electricity futures and forwards	Non-Utility Nuclear, Energy Commodity Services, Non-Nuclear Wholesale Assets
Foreign currency forwards	Utility, Non-Utility Nuclear

Cash flow hedges with net unrealized losses of approximately $99 million (net-of-tax) at December 31, 2006 are scheduled to mature during 2007. Net losses totaling approximately $79 million were realized during 2006 on the maturity of cash flow hedges. Unrealized gains or losses result from hedging power output at the Non-Utility Nuclear power stations and foreign currency hedges related to Euro-denominated nuclear fuel acquisitions. The related gains or losses from hedging power are included in revenues when realized. The realized gains or losses from foreign currency transactions are included in the cost of capitalized fuel. The maximum length of time over which Entergy is currently hedging the variability in future cash flows for forecasted transactions at December 31, 2006 is approximately five years. The ineffective portion of the change in the value of Entergy's cash flow hedges during 2006, 2005, and 2004 was insignificant.

Fair Values

Financial Instruments

The estimated fair value of Entergy's financial instruments is 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. Considerable judgment is required in developing some of 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 do not necessarily accrue to the benefit or detriment of stockholders.

Entergy considers the carrying amounts of most of its 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. Additional information regarding financial instruments and their fair values is included in Notes 5 and 6 to the financial statements.

NOTE 17. DECOMMISSIONING TRUST FUNDS

Entergy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The NRC requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1 and 2, and Vermont Yankee (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and FitzPatrick). The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. The majority of the unrealized gains and losses below relate to Entergy's Utility operating companies and System Energy. The securities held at December 31, 2006 and 2005 are summarized as follows (in millions):

2006	Fair Value	Total Unrealized Gains	Total Unrealized Losses
Equity	$1,706	$418	$ 2
Debt Securities	1,153	17	11
Total	**$2,859**	**$435**	**$13**
2005			
Equity	$1,502	$280	$12
Debt Securities	1,105	20	10
Total	**$2,607**	**$300**	**$22**

The debt securities have an average coupon rate of approximately 5.2%, an average duration of approximately 5.5 years, and an average maturity of approximately 8.9 years. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index, and a relatively small percentage of the securities are held in a fund intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at December 31, 2006 (in millions):

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Less than 12 months	$ 6	$ –	$270	$ 2
More than 12 months	33	2	335	9
Total	**$39**	**$ 2**	**$605**	**$11**

Entergy evaluates these unrealized gains and losses at the end of each period to determine whether an other than temporary impairment has occurred. The assessment of whether an investment has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who have independent discretion over purchases and sales of securities in the trusts and, according to interpretations of authoritative literature in December 2006, Entergy did not satisfy the ability to hold criteria. Entergy did not record any impairments in 2006 or 2005 on these assets due to the insignificance of any impairments.

Due to the regulatory treatment of decommissioning collections and trust fund earnings, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy record regulatory assets or liabilities for unrealized gains and losses on trust investments. For the unregulated portion of River Bend, Entergy Gulf States has recorded an offsetting amount of unrealized gains or losses in other deferred credits.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *continued*

The fair value of debt securities, summarized by contractual maturities, at December 31, 2006 and 2005 are as follows (in millions):

	2006	2005
Less than 1 year	$ 82	$ 80
1 year – 5 years	309	357
5 years – 10 years	472	382
10 years – 15 years	106	116
15 years – 20 years	72	73
20 years +	112	97
Total	**$1,153**	**$1,105**

During the years ended December 31, 2006, 2005, and 2004, proceeds from the dispositions of securities amounted to $778 million, $944 million, and $679 million, respectively. During the years ended December 31, 2006, 2005, and 2004, gross gains of $5 million, $5 million, and $4 million, respectively, and gross losses of $10 million, $8 million, and $3 million, respectively, were reclassified out of other comprehensive income into earnings.

NOTE 18. ENTERGY NEW ORLEANS BANKRUPTCY PROCEEDING

Because of the effects of Hurricane Katrina, on September 23, 2005, Entergy New Orleans filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Louisiana seeking reorganization relief under the provisions of Chapter 11 of the United States Bankruptcy Code (Case No. 05-17697). Entergy New Orleans continues to operate its business as a debtor-in-possession under the jurisdiction of the bankruptcy court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the bankruptcy court.

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. On December 9, 2005, the bankruptcy court issued its final order approving the DIP Credit Agreement. The credit facility provides for up to $200 million in loans. The facility enables Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. As of December 31, 2006, Entergy New Orleans had outstanding borrowings of $52 million under the DIP credit agreement.

On February 5, 2007, Entergy New Orleans filed an amended plan of reorganization and a disclosure statement with the bankruptcy court. The bankruptcy court entered an order on February 13, 2007 that approves the adequacy of Entergy New Orleans' disclosure statement. The Unsecured Creditors' Committee also filed a plan of reorganization on February 5, 2007. The Unsecured Creditors' Committee's plan is similar in some respects to Entergy New Orleans' plan, but contains several differences. The significant differences are noted below. A hearing regarding confirmation for both plans of reorganization is scheduled for May 3 and 4, 2007.

Entergy New Orleans' plan of reorganization reflects its continuing effort to work with federal, state, and local authorities to resolve the bankruptcy in a manner that allows Entergy New Orleans' customers to be served by a financially viable entity as required by law. The plan of reorganization provides full compensation to Entergy New Orleans' creditors whose claims are allowed by the bankruptcy court. Conditions precedent proposed in Entergy New Orleans' plan of reorganization before it can become effective include:

- A final confirmation order from the bankruptcy court approving the plan of reorganization;
- Receipt by Entergy New Orleans of insurance proceeds of at least $50 million;
- Receipt by Entergy New Orleans of $200 million in CDBG funding; and
- No material adverse change shall have occurred from and after the confirmation date of the plan of reorganization.

In addition, key factors that will continue to influence the timing and outcome of Entergy New Orleans' recovery efforts include the level of economic recovery of New Orleans and the number of customers that return to New Orleans, including the timing of their return. Entergy New Orleans currently estimates that approximately 95,000 electric customers and 65,000 gas customers have returned and are taking service. Prior to Hurricane Katrina, Entergy New Orleans had approximately 190,000 electric customers and 144,000 gas customers.

The Unsecured Creditors' Committee's plan does not contain the conditions precedent regarding receipt by Entergy New Orleans of insurance proceeds and CDBG funds. Instead, the Unsecured Creditors' Committee's plan proposes exit financing of up to $150 million, with a maturity of up to 5 years, and with an estimated interest rate of 10.5%, increasing by 1% per year. Obtaining this exit financing is a condition precedent to the Unsecured Creditors' Committee's plan.

The bankruptcy judge set a date of April 19, 2006 by which creditors with prepetition claims against Entergy New Orleans, with certain exceptions, had to file their proofs of claim in the bankruptcy case. Approximately 560 claims, including amending claims, have been filed thus far in Entergy New Orleans' bankruptcy proceeding. Entergy New Orleans is currently analyzing the accuracy and validity of the claims filed, and is seeking withdrawal or modification of claims or objecting to claims with which it disagrees. Several of the filed claims have been withdrawn or disallowed by the bankruptcy court. Entergy New Orleans currently estimates that the prepetition claims that will be allowed in the bankruptcy case will approximate the prepetition liabilities currently recorded by Entergy New Orleans.

Entergy New Orleans' plan of reorganization proposes to pay the third-party prepetition accounts payable in full in cash and to issue three-year notes in satisfaction of the affiliate prepetition accounts payable, and proposes that its first mortgage bonds will remain outstanding with their current maturity dates and interest terms. The plan of reorganization proposes that Entergy New Orleans' preferred stock will also remain outstanding on its current dividend terms, with payment of unpaid preferred dividends in arrears. The Unsecured Creditors' Committee's plan is similar, but would pay the affiliate prepetition accounts payable in cash.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS *concluded*

Entergy New Orleans' plan of reorganization proposes to pay interest from September 23, 2005 on the third-party and affiliate accounts payable at the Louisiana judicial rate of interest in 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% thereafter. The Louisiana judicial rate of interest is 9.5% for 2007. Pursuant to an agreement with the first mortgage bondholders, Entergy New Orleans' plan of reorganization also proposes to pay the first mortgage bondholders an amount equal to the one year of interest from the bankruptcy petition date that the bondholders had waived previously in the bankruptcy proceeding. As approved by the bankruptcy court, Entergy New Orleans has begun paying interest accruing after September 23, 2006 on its first mortgage bonds. In the fourth quarter 2006, Entergy New Orleans accrued for the interest from September 23, 2005 through December 2006 and for the proposed payment to the bondholders in the amount of the one year of waived interest.

Municipalization is one potential outcome of Entergy New Orleans' recovery effort that may be pursued by a stakeholder or stakeholders, even after Entergy New Orleans exits from bankruptcy. In June 2006, the Louisiana Legislature passed a law that establishes a governance structure for a public power authority, if municipalization of Entergy New Orleans' utility business is pursued. Entergy New Orleans' October 2006 settlement approved by the City Council allowing phased-in rate increases through 2008, discussed in Note 2 to the financial statements, provides that Entergy New Orleans will work with the City Council to seek an exception to the Stafford Act that will afford Stafford Act protections to Entergy New Orleans if another catastrophic event affects Entergy New Orleans. The Stafford Act provides for restoration funding from the federal government for municipal utilities, but does not allow such funding for investor-owned utilities like Entergy New Orleans.

Entergy owns 100 percent of the common stock of Entergy New Orleans, has continued to supply general and administrative services, and has provided debtor-in-possession financing to Entergy New Orleans. Uncertainties surrounding the nature, timing, and specifics of the bankruptcy proceedings, however, have caused Entergy to deconsolidate Entergy New Orleans and reflect Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change does not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations for any current or prior period, but results in Entergy New Orleans' net income for 2005 and 2006 being presented as "Equity in earnings (loss) of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for periods prior to 2005. Entergy has reviewed the carrying value of its equity investment in Entergy New Orleans to determine if an impairment has occurred as a result of the storm, the flood, the power outages, restoration costs, and changes in customer load. Entergy determined that no impairment has occurred because management believes that cost recovery is probable. Entergy will continue to assess the carrying value of its investment in Entergy New Orleans as developments occur in Entergy New Orleans' recovery efforts.

Entergy's income statement for 2006 and 2005 includes $220 million and $207 million, respectively, in operating revenues and $46 million and $117 million, respectively, in purchased power expenses from transactions between Entergy New Orleans and Entergy's subsidiaries. Entergy's balance sheet as of December 31, 2006 and 2005 includes $95 million and $103 million, respectively, of accounts receivable that are payable to Entergy or its subsidiaries by Entergy New Orleans, including $69.5 million of prepetition accounts. As stated above, however, because Entergy owns all of the common stock of Entergy New Orleans, the deconsolidation of Entergy New Orleans does not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations.

NOTE 19. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 2006 and 2005 for Entergy Corporation and subsidiaries were (in thousands):

	Operating Revenues	Operating Income	Net Income
2006			
First Quarter	$2,568,031	$394,763	$193,628
Second Quarter	$2,628,502	$487,573	$281,802
Third Quarter	$3,254,719	$644,408	$388,883
Fourth Quarter	$2,480,906	$278,898	$268,289
2005			
First Quarter	$2,110,182	$311,008	$171,996
Second Quarter	$2,445,391	$515,574	$286,150
Third Quarter	$2,898,258	$654,340	$349,952
Fourth Quarter	$2,652,416	$311,067	$ 90,233

Earnings per Average Common Share

	2006		2005	
	Basic	Diluted	Basic	Diluted
First Quarter	$0.93	$0.92	$0.80	$0.79
Second Quarter	$1.35	$1.33	$1.36	$1.33
Third Quarter	$1.87	$1.83	$1.68	$1.65
Fourth Quarter	$1.31	$1.28	$0.43	$0.42

INVESTOR INFORMATION

The 2007 Annual Meeting of Shareholders will be held on Friday, May 4, at The Woodlands Conference Center, 2301 North Millbend Drive, The Woodlands, Texas. The meeting will begin at 10 a.m. (CDT).

SHAREHOLDER NEWS

Entergy's quarterly earnings results, dividend action, and other news and information of investor interest may be obtained by calling Entergy Shareholder Direct at 1-888-ENTERGY (368-3749). You may also use this service to receive a printed copy of the quarterly earnings release by fax or mail. Updated quarterly earnings results can be expected in late January, April, July and October. Dividend information will be updated according to the declaration schedule.

This and other information, including Entergy's Corporate Governance Guidelines, Board Committee Charters for the Corporate Governance, Audit and Personnel Committees and Entergy's Code of Conduct is available on Entergy's Web site at www.entergy.com.

For copies of the above and copies of Entergy's 10-K and 10-Q reports filed with the Securities and Exchange Commission or for other investor information, call 1-888-ENTERGY or write to:

Entergy Corporation
Investor Relations
P.O. Box 61000
New Orleans, LA 70161

Securities analysts and representatives of financial institutions may contact Michele Lopiccolo at 504-576-4879 or mlopicc@entergy.com.

SHAREHOLDER ACCOUNT INFORMATION

Mellon Investor Services, LLC is Entergy's transfer agent, registrar, dividend disbursing agent, and dividend reinvestment and stock purchase plan agent. Shareholders of record with questions about lost certificates, lost or missing dividend checks or notifications of change of address should contact:

Mellon Investor Services
480 Washington Boulevard
Jersey City, NJ 07310
Telephone: 1-800-333-4368
Internet address: www.melloninvestor.com

COMMON STOCK INFORMATION

The company's common stock is listed on the New York and Chicago exchanges under the symbol "ETR." The Entergy share price is reported daily in the financial press under "Entergy" in most listings of New York Stock Exchange securities. Entergy common stock is a component of the following indices: S&P 500, S&P Utilities Index, Philadelphia Utility Index and the NYSE Composite Index, among others.

In June 2006, Entergy's Chief Executive Officer certified to the New York Stock Exchange that he was not aware of any violation of the NYSE corporate governance listing standards. Also, Entergy filed certifications regarding the quality of the company's public disclosure, required by Section 302 of the Sarbanes-Oxley Act of 2002, as exhibits to its Report on Form 10-K for the fiscal year ended December 31, 2006.

At year-end 2006 there were 202,667,776 shares of Entergy common stock outstanding. Shareholders of record totaled 46,488, and approximately 75,000 investors held Entergy stock in "street name" through a broker.

DIVIDEND PAYMENTS

The entire amount of dividends paid during 2006 is taxable as ordinary income. The Board of Directors declares dividends quarterly and sets the record and payment dates. Subject to Board discretion, those dates for 2007 are:

Declaration Date	Record Date	Payment Date
January 26	February 9	March 1
April 3	May 10	June 1
July 27	August 10	September 1
October 26	November 9	December 1

Quarterly dividend payments (in cents-per-share):

Quarter	2007	2006	2005	2004	2003
1	54	54	54	45	35
2		54	54	45	35
3		54	54	45	45
4		54	54	54	45

DIVIDEND REINVESTMENT/STOCK PURCHASE

Entergy offers an automatic Dividend Reinvestment and Stock Purchase Plan administered by Mellon Investor Services. The plan is designed to provide Entergy shareholders and other investors with a convenient and economical method to purchase shares of the company's common stock. The plan also accommodates payments of up to $3,000 per month for the purchase of Entergy common shares. First-time investors may make an initial minimum purchase of $1,000. Contact Mellon by telephone or internet for information and an enrollment form.

DIRECT REGISTRATION SYSTEM

Entergy has elected to participate in a Direct Registration System that provides investors with an alternative method for holding shares. DRS will permit investors to move shares between the company's records and the broker dealer of their choice.

This option, available to every shareholder who chooses to have shares registered in his or her name on the books of the company, will be offered by broker dealers at the time an investor purchases shares and requests that they be registered. An additional feature of DRS enables existing registered holders to deposit physical shares into a book account.

ENTERGY COMMON STOCK PRICES

The high and low trading prices for each quarterly period in 2006 and 2005 were as follows (in dollars):

	2006		2005	
Quarter	High	Low	High	Low
1	72.97	67.97	72.00	64.48
2	72.97	66.78	76.60	69.35
3	80.00	70.80	79.22	70.52
4	94.03	78.38	76.42	67.00

ENVIRONMENTAL INFORMATION

Entergy's Sustainability Report and other information on Entergy's environmental policy is available on Entergy's Web site at www.entergy.com.

DIRECTORS *and* OFFICERS

DIRECTORS

Maureen Scannell Bateman
Partner, Holland & Knight, LLP, Boston, Massachusetts. An Entergy director since 2000. Age, 63

W. Frank Blount
Chairman and Chief Executive Officer, JI Ventures, Inc., TTS Management Corp., Atlanta, Georgia. An Entergy director since 1987. Age, 68

Simon D. deBree
Retired Director and Chief Executive Officer of Royal DSM N.V., The Netherlands. An Entergy director since 2001. Age, 69

Gary W. Edwards
Former Senior Executive Vice President of Conoco, Houston, Texas. An Entergy director since 2005. Age, 65

Alexis Herman
Chair and Chief Executive Officer of New Ventures, Inc., McLean, Virginia. An Entergy director since 2003. Age, 59

Donald C. Hintz
Former President, Entergy Corporation, Punta Gorda, Florida. An Entergy director since 2004. Age, 63

J. Wayne Leonard
Entergy Chairman and Chief Executive Officer. Joined Entergy in April 1998 as President and Chief Operating Officer; became CEO and elected to the Board of Directors on January 1, 1999; became Chairman on August 1, 2006. New Orleans, Louisiana. Age, 56

Stuart L. Levenick
Group President and Executive Office Member of Caterpillar, Inc., Peoria, Illinois. An Entergy director since 2005. Age, 53

James R. Nichols
Partner, Nichols & Pratt, LLP, Attorney and Chartered Financial Analyst, Boston, Massachusetts. An Entergy director since 1986. Age, 68

William A. Percy, II
Chairman and Chief Executive Officer of Greenville Compress Company, Greenville, Mississippi. An Entergy director since 2000. Age, 67

W. J. "Billy" Tauzin
President and CEO, Pharmaceutical Research and Manufacturers of America, Washington, D.C. An Entergy director since 2005. Age, 63

Steven V. Wilkinson
Retired Audit Partner, Arthur Andersen LLP, Watersmeet, Michigan. An Entergy director since 2003. Age, 65

OFFICERS

J. Wayne Leonard
Chairman and Chief Executive Officer. Joined Entergy in 1998 as President and Chief Operating Officer; became CEO on January 1, 1999 and Chairman on August 1, 2006. Former executive of Cinergy. Age, 56

Leo P. Denault
Executive Vice President and Chief Financial Officer. Joined Entergy in 1999 as Vice President of corporate development. Former Vice President of Cinergy. Age, 47

Richard J. Smith
Group President, Utility Operations. Joined Entergy in 2000. Former President of Cinergy Resources, Inc. Age, 55

Curtis L. Hébert
Executive Vice President, External Affairs. Joined Entergy in 2001. Former Chairman of the Federal Energy Regulatory Commission. Age, 44

Mark T. Savoff
Executive Vice President, Operations. Joined Entergy in 2003. Former President, General Electric Power Systems – GE Nuclear Energy. Age, 50

Robert D. Sloan
Executive Vice President, General Counsel and Secretary. Joined Entergy in 2003. Former Vice President and General Counsel at GE Industrial Systems. Age, 59

Gary J. Taylor
Executive Vice President and Chief Nuclear Officer. Joined Entergy in 2000. Former Vice President of nuclear operations at South Carolina Electric & Gas Company. Age, 53

Joseph T. Henderson
Senior Vice President and General Tax Counsel. Joined Entergy in 1999. Former Associate General Tax Counsel for Shell Oil. Age, 49

Nathan E. Langston
Senior Vice President and Chief Accounting Officer. Joined Entergy in 1971 and advanced through various accounting and finance positions before being promoted to VP & CAO in 1998. Age, 58

William E. Madison
Senior Vice President, Human Resources and Administration. Joined Entergy in 2001. Former Senior Vice President for Avis Group Holdings, Inc. Age, 60

Steven C. McNeal
Vice President and Treasurer. Joined Entergy in 1982 as a financial analyst and was given increased responsibility in areas of finance, treasury, and risk management before being promoted to VP & Treasurer in 1998. Age, 50

Environmental Benefits Statement

This Entergy Corporation 2006 Annual Report is printed on Neenah Environment Papers – PC 100, made of 100 percent post-consumer waste material. It is Forest Stewardship Council™ certified, process chlorine free, alkaline pH, and meets the American National Standards Institute standards for longevity.

By using Neenah Environment PC 100, Entergy Corporation saved the following resources:

trees	water	energy	solid waste	greenhouse gases
7,098 fully grown	1,053,957 gallons	2,012 million BTU	135,343 pounds	253,918 pounds

Environmental impact estimates were made using the Environmental Defense Paper Calculator. For more information visit http://www.papercalculator.org.

FSC

Recycled
Supporting responsible use of forest resources

Cert no. SGS-COC-3048
www.fsc.org

Entergy

Entergy Corporation
Post Office Box 61000
New Orleans, LA 70161
www.entergy.com