ENTERGY ARKANSAS INC
Form 10-Q
August 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2016
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-35747	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 72-0273040
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 9425 Pinecroft The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 576-4000 47-4469646	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213

Telephone (601) 368-5000
72-0752777

1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830

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

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

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

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

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

Common Stock Outstanding		Outstanding at July 29, 2016
Entergy Corporation	($0.01 par value)	178,982,069

Entergy Corporation, Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2015 and the Quarterly Report for Form 10-Q for the quarter ended March 31, 2016, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

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

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

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs;
- the termination of Entergy Arkansas’s participation in the System Agreement, which occurred in December 2013, the termination of Entergy Mississippi’s participation in the System Agreement, which occurred in November 2015, and the termination of Entergy Texas’s, Entergy New Orleans’s, and Entergy Louisiana’s participation in the System Agreement, which will occur on August 31, 2016, and will result in the termination of the System Agreement in its entirety pursuant to a settlement agreement approved by FERC in December 2015;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ move to MISO, which occurred in December 2013, including the effect of current or projected MISO market rules and market and system conditions in the MISO markets, the allocation of MISO system transmission upgrade costs, and the effect of planning decisions that MISO makes with respect to future transmission investments by the Utility operating companies;
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned potential or actual shutdown of nuclear generating facilities owned or operated by Entergy Wholesale Commodities, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications or other authorizations required of nuclear generating facilities and the effect of public and political opposition on these applications, regulatory proceedings and litigation;
- the performance of and deliverability of power from Entergy’s generation resources, including the capacity factors at its nuclear generating facilities;
- Entergy’s ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- prices for power generated by Entergy’s merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants;

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

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FORWARD-LOOKING INFORMATION (Concluded)

- volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;
- changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;
- changes in environmental, tax, and other laws and regulations, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, thermal energy, and other regulated air and water emissions, and changes in costs of compliance with environmental and other laws and regulations;
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal and the level of spent fuel and nuclear waste disposal fees charged by the U.S. government or other providers related to such sites;
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;
- effects of climate change;
- changes in the quality and availability of water supplies and the related regulation of water use and diversion;
- Entergy’s ability to manage its capital projects and operation and maintenance costs;
- Entergy’s ability to purchase and sell assets at attractive prices and on other attractive terms;
- the economic climate, and particularly economic conditions in Entergy’s Utility service area and the Northeast United States and events and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;
- the effects of Entergy’s strategies to reduce tax payments;
- changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy’s ability to refinance existing debt, execute share repurchase programs, and fund investments and acquisitions;
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies’ ratings criteria;
- changes in inflation and interest rates;
- the effect of litigation and government investigations or proceedings;
- changes in technology, including with respect to new, developing, or alternative sources of generation;
- the effects of threatened or actual terrorism, cyber-attacks or data security breaches, including increased security costs, accidents, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;
- Entergy’s ability to attract and retain talented management and directors;
- changes in accounting standards and corporate governance;
- declines in the market prices of marketable securities and resulting funding requirements and the effects on benefits costs for Entergy’s defined benefit pension and other postretirement benefit plans;
- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission nuclear plant sites;
- the implementation of the planned shutdown of Pilgrim and FitzPatrick and the related decommissioning of those plants and Vermont Yankee;
- the effectiveness of Entergy’s risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;
- factors that could lead to impairment of long-lived assets; and
- the ability to successfully complete merger, acquisition, or divestiture plans, regulatory or other limitations imposed as a result of merger, acquisition, or divestiture, and the success of the business following a merger, acquisition, or divestiture.

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DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASLB	Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana.
Entergy Louisiana	Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes.
Entergy Texas	Entergy Texas, Inc., a Texas corporation formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Wholesale Commodities	Entergy’s non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2015 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
FTR	Financial transmission right
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy

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DEFINITIONS (Continued)

Abbreviation or Acronym	Term
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
IRS	Internal Revenue Service
ISO	Independent System Operator
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LPSC	Louisiana Public Service Commission
MISO	Midcontinent Independent System Operator, Inc., a regional transmission organization
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatts
MWh	Megawatt-hour(s)
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned and operated
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
Palisades	Palisades Nuclear Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Parent & Other	The portions of Entergy not included in the Utility or Entergy Wholesale Commodities segments, primarily consisting of the activities of the parent company, Entergy Corporation
Pilgrim	Pilgrim Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.
River Bend	River Bend Station (nuclear), owned by Entergy Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources. Entergy Arkansas terminated its participation in the System Agreement effective December 18, 2013. Entergy Mississippi terminated its participation in the System Agreement effective November 7, 2015.
System Energy	System Energy Resources, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy’s share of Grand Gulf

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DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Gulf States Louisiana (prior to the completion of the business combination with Entergy Louisiana), Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

- The Utility business segment includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business.
- The Entergy Wholesale Commodities business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Results of Operations

Second Quarter 2016 Compared to Second Quarter 2015

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the second quarter 2016 to the second quarter 2015 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2nd Quarter 2015 Consolidated Net Income (Loss)	$204,035	($3,545)	($46,768)	$153,722
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	36,565	(57,433)	(6)	(20,874)
Other operation and maintenance	(29,906)	(41,646)	2,938	(68,614)
Asset write-offs, impairments, and related charges	—	6,969	—	6,969
Taxes other than income taxes	2,146	(9,375)	100	(7,129)
Depreciation and amortization	13,204	(18,004)	114	(4,686)
Other income	15,134	1,778	(990)	15,922
Interest expense	6,952	630	3,101	10,683
Other expenses	4,604	(16,893)	—	(12,289)
Income taxes	(121,583)	(231,755)	4,584	(348,754)
2nd Quarter 2016 Consolidated Net Income (Loss)	$380,317	$250,874	($58,601)	$572,590

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

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

Second quarter 2016 results of operations include a reduction of income tax expense, net of unrecognized tax benefits, of $238 million as a result of a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes; income tax benefits as a result of the settlement of the 2010-2011 IRS audit, including a $75 million tax benefit recognized by Entergy Louisiana related to the treatment of the Vidalia purchased power agreement and a $54 million net benefit recognized by Entergy Louisiana related to the treatment of proceeds received in 2010 for the financing of Hurricane Gustav and Hurricane

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Ike storm costs pursuant to Louisiana Act 55; and a reduction in expenses of $59 million ($38 million net-of-tax) due to the effects of recording in second quarter 2016 the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. See Note 10 to the financial statements herein for additional discussion of the income tax items and Note 1 to the financial statements herein for discussion of the DOE litigation.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the second quarter 2016 to the second quarter 2015:

	Amount (In Millions)
2015 net revenue	$1,488
Retail electric price	55
Volume/weather	8
Louisiana Act 55 financing savings obligation	(16)
Other	(11)
2016 net revenue	$1,524

The retail electric price variance is primarily due to:

- an increase in base rates at Entergy Arkansas, as approved by the APSC. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. A significant portion of the increase is related to the purchase of Power Block 2 of the Union Power Station;
- an increase in the purchased power and capacity acquisition cost recovery rider for Entergy New Orleans, as approved by the City Council, effective with the first billing cycle of March 2016, related to the purchase of Power Block 1 of the Union Power Station; and
- an increase in the formula rate plan for Entergy Louisiana, implemented with the first billing cycle of March 2016, to collect the estimated first-year revenue requirement related to the purchase of Power Blocks 3 and 4 of the Union Power Station.

See Note 2 to the financial statements herein for further discussion of the rate proceedings. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase.

The volume/weather variance is primarily due to an increase of 369 GWh, or 1%, in billed electricity usage primarily due to an increase in industrial usage, partially offset by the effect of less favorable weather on residential and commercial sales. The increase in industrial usage is primarily due to increased growth from new and expansion customers, primarily in the chemicals industry, as well as existing customers, primarily in the petroleum refining industry.

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings results from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 10 to the financial statements for additional discussion of the settlement and benefit sharing.

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Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the second quarter 2016 to the second quarter 2015:

	Amount (In Millions)
2015 net revenue	$350
Nuclear realized price changes	(38)
Nuclear volume	(36)
Rhode Island State Energy Center	(10)
Nuclear fuel expenses	29
Other	(2)
2016 net revenue	$293

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by $57 million in the second quarter 2016 as compared to the second quarter 2015 primarily due to:

- lower realized wholesale energy prices and lower capacity prices;
- lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more refueling outage days in the second quarter 2016 as compared to the second quarter 2015. See “Nuclear Matters - Indian Point 2 Outage” below for discussion of the extended Indian Point 2 outage in second quarter 2016; and
- the sale of the Rhode Island State Energy Center in December 2015.

The decrease was partially offset by a decrease in nuclear fuel expenses primarily related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Following are key performance measures for Entergy Wholesale Commodities for the second quarter 2016 and 2015:

	2016	2015
Owned capacity (MW) (a)	4,880	5,463
GWh billed	7,866	9,578
Average revenue per MWh	$43.74	$45.87
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	76%	89%
GWh billed	7,308	8,555
Average revenue per MWh	$43.52	$45.84
Refueling Outage Days:		
Indian Point 2	77	—
Pilgrim	—	34

(a) The reduction in owned capacity is due to the sale of the 583 MW Rhode Island State Energy Center in December 2015.

Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations - Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants” in the Form 10-K for a discussion of the effects

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of sustained low natural gas prices and power market structure challenges on market prices for electricity over the past few years in the power regions where the Entergy Wholesale Commodities power plants are located. As shown in the contracted sale of energy table in “Market and Credit Risk Sensitive Instruments” below, Entergy Wholesale Commodities has sold forward 87% of its planned nuclear energy output for 2016 for an expected average contracted energy price of $41.70 per MWh based on market prices at June 30, 2016. In addition, Entergy Wholesale Commodities has sold forward 83% of its planned nuclear energy output for 2017 for an expected average contracted energy price of $44.20 per MWh based on market prices at June 30, 2016.

The market price trend presents a challenging economic situation for the Entergy Wholesale Commodities plants. The severity of the challenge varies for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs. In addition, currently the market design under which the plants operate does not adequately compensate merchant nuclear plants for their environmental and fuel diversity benefits in their regions.

In October 2015, Entergy determined that it will close the Pilgrim and FitzPatrick plants. The decisions to shut down the plants were primarily due to the poor market conditions that have led to reduced revenues, the poor market design that fails to properly compensate nuclear generators for the benefits they provide, and increased operational costs. The Pilgrim plant is expected to cease operations on May 31, 2019. The FitzPatrick plant is preparing to shut down at the end of its current fuel cycle, which is planned for late January 2017, and those preparations are ongoing. Entergy announced in July 2016, however, that it is in discussions with another company for the possible sale of FitzPatrick, which is discussed in more detail in “Critical Accounting Estimates - Impairment of Long-lived Assets and Trust Fund Investments.”

Entergy previously shut down Vermont Yankee in 2014, and, after the closure of Pilgrim and the closure or sale of FitzPatrick, will have two remaining nuclear power generating facilities in operation in the Entergy Wholesale Commodities business, Indian Point and Palisades. Unlike the three facilities that Entergy has decided to shut down, Indian Point is a multi-unit site, with both Indian Point 2 and 3 in operation, that sells power at NYISO Zone G, which is a key supply region for New York City. In addition, Indian Point 2 (1,028 MW) and 3 (1,041 MW) are significantly larger plants than Vermont Yankee (605 MW), Pilgrim (688 MW), or FitzPatrick (838 MW). The Indian Point plants, however, are currently involved and face opposition in extensive licensing proceedings, which are described in “Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants” in the Form 10-K and with updates herein. Palisades (811 MW) is similar in size to FitzPatrick, is also a single-unit site, and the MISO market in which it operates has also experienced market price declines over the past few years. At this time, however, most of the Palisades output is sold under a 15-year power purchase agreement, entered at the plant’s acquisition in 2007, that expires in 2022. The power purchase agreement prices currently exceed market prices and escalate each year, up to $61.50/MWh in 2022.

In 2015, Entergy recorded impairment and other related charges to write down the carrying values of the FitzPatrick, Pilgrim, and Palisades plants and related assets to their fair values. Impairment of long-lived assets and nuclear decommissioning costs, and the factors that influence these items, are both discussed in the Form 10-K in “MANAGMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates,” with updates herein. If economic conditions or regulatory activity no longer support Entergy’s continued operation of Indian Point or Palisades for their expected lives or no longer support the recovery of the costs of the plants, it could adversely affect Entergy’s results of operations through loss of revenue, impairment charges, increased depreciation rates, transitional costs, or accelerated decommissioning costs.

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Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from $612 million for the second quarter 2015 to $582 million for the second quarter 2016 primarily due to:

- a decrease of $16 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See “MANAGEMENT’S DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits” in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs; and
- a decrease of $12 million in fossil-fueled generation expenses primarily due to an overall lower scope of work done during plant outages in the second quarter 2016 as compared to the second quarter 2015, partially offset by an increase as a result of the purchase of the Union Power Station in March 2016. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the purchase of the Union Power Station in March 2016.

Other income increased primarily due to higher earnings on decommissioning trust fund investments in the second quarter 2016 as compared to the second quarter 2015.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from $212 million for the second quarter 2015 to $171 million for the second quarter 2016 primarily due to a decrease of $42 million related to proceeds received in June 2016 as a result of the litigation against the DOE for the reimbursement of spent nuclear fuel storage costs. See Note 1 to the financial statements herein for discussion of the DOE litigation.

Depreciation and amortization expenses decreased primarily due to:

- the effects of recording the final court decisions in the FitzPatrick, Vermont Yankee, and Indian Point 3 lawsuits against the DOE related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately $11 million of spent nuclear fuel storage costs previously recorded as depreciation. See Note 1 to the financial statements herein for discussion of the DOE litigation;
- decreases in depreciable asset balances as a result of the impairments of the FitzPatrick, Pilgrim, and Palisades plants in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments; and
- a decrease in depreciable asset balances as a result of the sale of the Rhode Island State Energy Center in December 2015.

Other expenses decreased primarily due to the reduction in deferred refueling outage amortization costs related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Income Taxes

The effective income tax rate was (76.9%) for the second quarter 2016. The difference in the effective income tax rate for the second quarter 2016 versus the federal statutory rate of 35% was primarily due to a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal

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income tax purposes that resulted in reduced income tax expense and the reversal of a portion of the provision for uncertain tax positions as a result of the settlement of the 2010-2011 IRS audit in the second quarter 2016. See Note 10 to the financial statements for additional discussion of the tax election and the tax settlements.

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

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the six months ended June 30, 2016 to the six months ended June 30, 2015 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2015 Consolidated Net Income (Loss)	$431,786	$119,887	($95,022)	$456,651
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	1,139	(117,750)	(17)	(116,628)
Other operation and maintenance	(71,184)	(40,309)	4,684	(106,809)
Asset write-offs, impairments, and related charges	—	14,329	—	14,329
Taxes other than income taxes	(4,315)	(10,349)	(210)	(14,874)
Depreciation and amortization	21,823	(24,162)	(62)	(2,401)
Other income	6,836	(18,755)	(1,911)	(13,830)
Interest expense	7,921	818	5,854	14,593
Other expenses	10,545	(37,743)	—	(27,198)
Income taxes	(104,997)	(249,632)	(4,650)	(359,279)
2016 Consolidated Net Income (Loss)	$579,968	$330,430	($102,566)	$807,832

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

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

Results of operations for the six months ended June 30, 2016 include a reduction of income tax expense, net of unrecognized tax benefits, of $238 million as a result of a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes; income tax benefits as a result of the settlement of the 2010-2011 IRS audit, including a $75 million tax benefit recognized by Entergy Louisiana related to the treatment of the Vidalia purchased power agreement and a $54 million net benefit recognized by Entergy Louisiana related to the treatment of proceeds received in 2010 for the financing of Hurricane Gustav and Hurricane Ike storm costs pursuant to Louisiana Act 55; and a reduction in expenses of $59 million ($38 million net-of-tax) due to the effects of recording in second quarter 2016 the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. See Note 10 to the financial statements herein for additional discussion of the income tax items and Note 1 to the financial statements herein for discussion of the DOE litigation.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2016 to the six months ended June 30, 2015:

	Amount (In Millions)
2015 net revenue	$2,898
Retail electric price	82
Louisiana Act 55 financing savings obligation	(16)
Volume/weather	(39)
Other	(26)
2016 net revenue	$2,899

The retail electric price variance is primarily due to:

- an increase in base rates at Entergy Arkansas, as approved by the APSC. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. The increase includes an interim base rate adjustment surcharge, effective with the first billing cycle of April 2016, to recover the incremental revenue requirement for the period February 24, 2016 through March 31, 2016. A significant portion of the increase is related to the purchase of Power Block 2 of the Union Power Station;
- an increase in the purchased power and capacity acquisition cost recovery rider for Entergy New Orleans, as approved by the City Council, effective with the first billing cycle of March 2016, related to the purchase of Power Block 1 of the Union Power Station; and
- an increase in the formula rate plan for Entergy Louisiana, implemented with the first billing cycle of March 2016, to collect the estimated first-year revenue requirement related to the purchase of Power Blocks 3 and 4 of the Union Power Station.

See Note 2 to the financial statements herein for further discussion of the rate proceedings. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase.

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings results from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 10 to the financial statements for additional discussion of the settlement and benefit sharing.

The volume/weather variance is primarily due to a decrease of 480 GWh, or 1%, in billed electricity usage primarily due to the effect of less favorable weather on residential and commercial sales, partially offset by an increase in industrial usage. The increase in industrial usage is due to increased growth for new and expansion customers, primarily in the chemicals industry, as well as existing customers, primarily in the petroleum refining industry.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2016 to the six months ended June 30, 2015:

	Amount (In Millions)
2015 net revenue	$877
Nuclear realized price changes	(116)
Nuclear volume	(25)
Rhode Island State Energy Center	(25)
Nuclear fuel expenses	50
Other	(2)
2016 net revenue	$759

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by $118 million in the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 primarily due to:

- lower realized wholesale energy prices and lower capacity prices;
- lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more refueling outage days in 2016 as compared to the same period in 2015, partially offset by fewer unplanned outage days in 2016 as compared to the same period in 2015. See “Nuclear Matters - Indian Point 2 Outage” below for discussion of the extended Indian Point 2 outage in the second quarter 2016; and
- the sale of the Rhode Island State Energy Center in December 2015.

The decrease was partially offset by a decrease in nuclear fuel expenses primarily related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Following are key performance measures for Entergy Wholesale Commodities for the six months ended June 30, 2016 and 2015:

	2016	2015
Owned capacity (MW) (a)	4,880	5,463
GWh billed	17,112	19,170
Average revenue per MWh	$50.62	$56.44
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	83%	89%
GWh billed	15,996	17,173
Average revenue per MWh	$51.07	$55.85
Refueling Outage Days:		
Indian Point 2	102	—
Indian Point 3	—	23
Pilgrim	—	34

(a) The reduction in owned capacity is due to the sale of the 583 MW Rhode Island State Energy Center in December 2015.

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Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from $1,167 million for the six months ended June 30, 2015 to $1,096 million for the six months ended June 30, 2016 primarily due to:

- a decrease of $31 million in fossil-fueled generation expenses primarily due to an overall lower scope of work done during plant outages in 2016 as compared to the same period in 2015, partially offset by an increase as a result of the purchase of the Union Power Station in March 2016. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase;
- a decrease of $30 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- the deferral of $8 million of previously-incurred costs related to ANO post-Fukushima compliance and $10 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC as part of the Entergy Arkansas 2015 rate case settlement. See Note 2 to the financial statements herein for further discussion of the rate case settlement; and
- a decrease of $7 million as a result of spending in 2015 related to the Entergy Louisiana and Entergy Gulf States Louisiana business combination. Deferrals of $15.8 million of certain external costs incurred were recorded in the third and fourth quarter 2015, as approved by the LPSC. These costs are being amortized over a ten-year period beginning December 2015. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Louisiana and Entergy Gulf States Louisiana Business Combination" in the Form 10-K for a discussion of the combination.

The decrease was partially offset by an increase of $29 million in nuclear generation expenses primarily due to an increase in regulatory compliance costs, an overall higher scope of work done during plant outages as compared to prior year, and higher nuclear labor costs, including contract labor. The increase in regulatory compliance costs is primarily related to additional NRC inspection activities as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See "ANO Damage, Outage, and NRC Reviews" below and in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the purchase of the Union Power Station in March 2016.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from $425 million for the six months ended June 30, 2015 to $384 million for the six months ended June 30, 2016 primarily due to a decrease of $42 million related to proceeds received in June 2016 as a result of the litigation against the DOE for the reimbursement of spent nuclear fuel storage costs. See Note 1 to the financial statements herein for discussion of the DOE litigation.

Depreciation and amortization expenses decreased primarily due to:

- the effects of recording the final court decisions in the FitzPatrick, Vermont Yankee, and Indian Point 3 lawsuits against the DOE related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately $11 million of spent nuclear fuel storage costs previously recorded as depreciation. See Note 1 to the financial statements herein for discussion of the DOE litigation;

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- decreases in depreciable asset balances as a result of the impairments of the FitzPatrick, Pilgrim, and Palisades plants in the third and fourth quarters of 2015; and
- a decrease in depreciable asset balances as a result of the sale of the Rhode Island State Energy Center in December 2015.

Other income decreased primarily due to lower realized gains on decommissioning trust fund investments in 2016 as compared to the same period in 2015, which included realized decommissioning trust gains that resulted from portfolio reallocations for the Vermont Yankee nuclear decommissioning trust funds.

Other expenses decreased primarily due to the reduction in deferred refueling outage amortization costs related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Income Taxes

The effective income tax rate was (15.6%) for the six months ended June 30, 2016. The difference in the effective income tax rate for the six months ended June 30, 2016 versus the federal statutory rate of 35% was primarily due to a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes that resulted in reduced income tax expense and the reversal of a portion of the provision for uncertain tax positions as a result of the settlement of the 2010-2011 IRS audit in the second quarter 2016. See Note 10 to the financial statements for additional discussion of the tax election and the tax settlements.

The effective income tax rate was 35.4% for the six months ended June 30, 2015. The difference in the effective income tax rate for the six months ended June 30, 2015 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by the reversal of a portion of the provision for uncertain tax positions resulting from the receipt of finalized tax and interest computations for the 2006-2007 audit from the IRS and book and tax differences related to the allowance for equity funds used during construction. See Note 3 to the financial statements in the Form 10-K for a discussion of the finalized tax and interest computations for the 2006-2007 audit.

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants” in the Form 10-K for a discussion of the NRC operating licenses for Indian Point 2 and Indian Point 3 and the NRC license renewal joint application in process for these plants. Following are updates to that discussion.

Indian Point NRC/ASLB Proceedings

In May 2016 the NRC issued a decision sustaining New York State’s appeal of the ASLB’s November 2013 Track 1 decision upholding the adequacy of Severe Accident Mitigation Alternatives (SAMA) decontamination cost estimates. The NRC directed its staff to supplement its SAMA analysis to include sensitivity runs for two inputs to SAMA decontamination costs. Since SAMA analysis is part of the NRC’s environmental impact analysis, and not part of its safety analysis, further supplementation of the NRC’s Final Supplemental Environmental Impact Statement (FSEIS) will be required, with attendant impact on the schedule for completion of proceedings before the NRC.

In June 2016 the ASLB resolved in favor of Entergy and the NRC staff the last outstanding Track 1 appeal. That appeal addressed SAMA issues separate from those resolved in the May 2016 NRC decision discussed above. With respect to Track 2 contentions, the ASLB issued a scheduling order in July 2016 setting a schedule for the filing of (a) supplemental testimony on New York State's contention challenging the adequacy of Indian Point's aging management program for reactor vessel internals, with a focus on baffle-former bolts and (b) findings of fact and

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conclusions of law on all Track 2 issues. Deadlines for several rounds of filings were set for November 2016 through June 2017.

The NRC staff advised that the target for issuance of the second supplemental FSEIS for Indian Point was moved from September 2016 to January 2017.

Indian Point Coastal Zone Management Act Proceedings

As discussed in the Form 10-K, in January 2016, Entergy filed suit in the U.S. District Court for the Northern District of New York challenging the New York State Department of Environmental Conservation's objection to Entergy's withdrawn Coastal Zone Management Act consistency certification on federal preemption grounds. Entergy's complaint requests a determination that the objection, which cites nuclear safety concerns, is preempted and thus invalid. The New York State Department of State filed a motion to dismiss Entergy's lawsuit in March 2016, and Entergy filed its response in May 2016.

ANO Damage, Outage, and NRC Reviews

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

As discussed in the Form 10-K, in March 2015 the NRC issued a letter notifying Entergy of its decision to move ANO into the "multiple/repetitive degraded cornerstone column" (Column 4) of the NRC's Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site's root cause evaluation associated with the flood barrier and stator issues, an assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Entergy Arkansas incurred incremental expenses of approximately $53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas expects to incur incremental expenses of approximately $50 million in 2016, of which $30.6 million was incurred through June 30, 2016, in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expenses is expected to be ongoing annually after 2016, until ANO transitions out of Column 4.

The NRC completed the supplemental inspection required for ANO's Column 4 designation in February 2016, and published its inspection report in June 2016. In its inspection report, the NRC concluded that the ANO site is being operated safely and that Entergy understands the depth and breadth of performance concerns associated with ANO's performance decline. Also in June 2016, the NRC issued a confirmatory action letter to confirm the actions Entergy Arkansas has taken and will continue to take to improve performance at ANO. The NRC will verify the completion of those actions through quarterly follow-up inspections, the results of which will determine when ANO should transition out of Column 4.

Liquidity and Capital Resources

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

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Capital Structure

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

	June 30, 2016	December 31, 2015
Debt to capital	59.6%	59.1 %
Effect of excluding securitization bonds	(1.2 %)	(1.4 %)
Debt to capital, excluding securitization bonds (a)	58.4%	57.7 %
Effect of subtracting cash	(1.8 %)	(2.7 %)
Net debt to net capital, excluding securitization bonds (a)	56.6%	55.0 %

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

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in August 2020. Entergy Corporation also has the ability to issue letters of credit against 50% of the total borrowing capacity of the credit facility. The commitment fee is currently 0.275% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the six months ended June 30, 2016 was 2.28% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of June 30, 2016:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$240	$6	$3,254

A covenant in Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio, as defined, of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility is different than the calculation of the debt to capital ratio above. Entergy is currently in compliance with the covenant and expects to remain in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility's maturity date may occur. See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation credit facility and discussion of the Registrant Subsidiaries' credit facilities.

Entergy Nuclear Vermont Yankee entered into a credit facility guaranteed by Entergy Corporation which expires in January 2018. In the first quarter 2016, Entergy Nuclear Vermont Yankee increased the borrowing capacity of its credit facility to $100 million. As of June 30, 2016, $59 million in cash borrowings were outstanding under the credit facility. Entergy Nuclear Vermont Yankee also entered into an uncommitted credit facility guaranteed by Entergy

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Corporation with a borrowing capacity of $85 million which expires in January 2018. As of June 30, 2016 there were no cash borrowings outstanding under the uncommitted credit facility. See Note 4 to the financial statements herein for additional discussion of the Vermont Yankee facilities.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to $1.5 billion. As of June 30, 2016, Entergy Corporation had $853 million of commercial paper outstanding. The weighted-average interest rate for the six months ended June 30, 2016 was 1.13%.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital," that sets forth the amounts of planned construction and other capital investments by operating segment for 2016 through 2018. Following are updates to the discussion.

Following are the current annual amounts of Entergy's planned construction and other capital investments by operating segment for 2016 through 2018.

Planned construction and capital investments	2016	2017	2018
	(In Millions)		
Utility:			
Generation	$1,770	$1,160	$1,390
Transmission	690	860	765
Distribution	765	870	800
Other	280	200	175
Total	3,505	3,090	3,130
Entergy Wholesale Commodities	265	255	200
Total	$3,770	$3,345	$3,330

The updated capital plan for 2016-2018 reflects capital plan refinements and includes specific investments such as the Union Power Station purchase in March 2016, the St. Charles Power Station and the New Orleans Power Station, each discussed below, the self-build option at Entergy Louisiana's Nelson site selected in the request for proposal for Developmental and Existing Capacity and Energy Resources, and the self-build option at Entergy Texas's Lewis Creek site selected in the request for proposal for Long-Term Combined Cycle Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources; transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to maintain reliability and improve service to customers, including initial investment to support advanced metering; resource planning, including potential generation projects; system improvements; and other investments.

St. Charles Power Station

In August 2015, Entergy Louisiana filed with the LPSC an application seeking certification that the public necessity and convenience would be served by the construction of the St. Charles Power Station, a nominal 980 megawatt combined-cycle generating unit, on land adjacent to the existing Little Gypsy plant in St. Charles Parish, Louisiana. It is currently estimated to cost $869 million to construct, including transmission interconnection and other related costs. Testimony was filed by LPSC staff and intervenors, with LPSC staff concluding that the construction of the project serves the public convenience and necessity. Three intervenors contend that Entergy Louisiana has not established that construction of the project is in the public interest, claiming that the request for proposal excluded consideration of certain resources that could be more cost effective, that the request for proposal provided undue preference to the self-build option, and that a 30-year capacity commitment is not warranted by current supply

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conditions. The request for proposal independent monitor also filed testimony and a report affirming that the St. Charles Power Station was selected through an objective and fair request for proposal that showed no undue preference to any proposal. An evidentiary hearing was held in April 2016 and, in July 2016 an ALJ issued a final recommendation that the LPSC certify that the construction of St. Charles Power Station is in the public interest. Subject to timely regulatory approval by the LPSC and receipt of other permits and approvals, construction will commence, and commercial operation is estimated to occur in 2019. Pending receipt of these approvals, Entergy Louisiana continues pre-construction design and procurement activities, primarily focused on procuring long lead time items in order to preserve the project schedule.

New Orleans Power Station

In June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 megawatt advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility, which facility was deactivated effective May 31, 2016. The current estimated cost of the New Orleans Power Station is $216 million. Entergy New Orleans is seeking a procedural schedule that will provide a Council decision within a timeframe that would support a commercial operation date in late-2019.

Dividends

Declarations of dividends on Entergy’s common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy’s common stock dividends based upon Entergy’s earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its July 2016 meeting, the Board declared dividends of $0.85 per share, which is the same quarterly dividend per share that Entergy has paid since fourth quarter 2015.

Cash Flow Activity

As shown in Entergy’s Consolidated Statements of Cash Flows, cash flows for the six months ended June 30, 2016 and 2015 were as follows:

	2016	2015
	(In Millions)	
Cash and cash equivalents at beginning of period	$1,351	$1,422
Cash flow provided by (used in):		
Operating activities	1,252	1,338
Investing activities	(2,266)	(1,370)
Financing activities	659	(480)
Net decrease in cash and cash equivalents	(355)	(512)
Cash and cash equivalents at end of period	$996	$910

Operating Activities

Net cash flow provided by operating activities decreased $86 million for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 primarily due to:

- lower Entergy Wholesale Commodities net revenue in 2016 as compared to the same period in 2015, as discussed previously;

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- an increase of $70 million in interest paid in 2016 as compared to the same period in 2015 primarily due to an interest payment of $60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford 3 leased assets and an increase in interest expense as a result of 2016 debt issuances by various Utility operating companies, partially offset by a decrease in interest paid in 2016 on the Grand Gulf sale-leaseback obligation. See Note 11 to the financial statements herein for a discussion of Entergy Louisiana’s purchase of a beneficial interest in the Waterford 3 leased assets, see Note 4 to the financial statements herein for a discussion of debt issuances, and see Note 10 to the financial statements in the Form 10-K for details of the Grand Gulf sale-leaseback obligation; and
- an increase of $34 million in spending in 2016 as compared to the same period in 2015 on activities related to the decommissioning of Vermont Yankee, which ceased power production in December 2014.

The decrease was partially offset by:

- spending of $54 million in 2015 related to the shutdown of Vermont Yankee, including the severance and retention payments accrued in 2014 and defueling activities that took place after the plant ceased power production in December 2014;
- the timing of payments to vendors;
- a decrease of $25 million in spending on nuclear refueling outages in 2016 as compared to the same period in 2015; and
- proceeds of $11 million received in June 2016 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 1 to the financial statements herein for discussion of the DOE litigation.

Investing Activities

Net cash flow used in investing activities increased $896 million for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 primarily due to:

- the purchase of the Union Power Station for approximately $948 million in March 2016. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase; and
- an increase in construction expenditures, primarily in the Utility business, primarily due to an overall higher scope of work on transmission projects in 2016 as compared to the same period in 2015, an increase due to various technology projects and upgrades in 2016, and an increase in distribution construction expenditures primarily due to a higher scope of non-storm related work performed in 2016 as compared to the same period in 2015, partially offset by a decrease in spending related to compliance with NRC post-Fukushima requirements.

The increase was partially offset by:

- proceeds of $89 million received in June 2016 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 1 to the financial statements herein for discussion of the DOE litigation;
- a $71 million NYPA value sharing payment in 2015. See Note 15 to the financial statements in the Form 10-K for further discussion of Entergy’s NYPA value sharing agreements;
- a change in collateral deposit activity, reflected in the “Decrease (increase) in other investments” line on the Consolidated Statement of Cash Flows, as certain Utility operating companies posted cash collateral of $54 million in 2015 to support their obligations to MISO; and
- a decrease in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

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Financing Activities

Entergy’s financing activities provided $659 million of cash for the six months ended June 30, 2016 compared to using $480 million of cash for the six months ended June 30, 2015 primarily due to:

- long-term debt activity providing approximately $437 million of cash in 2016 compared to using approximately $519 million of cash in 2015. Included in the long-term debt activity is $595 million in 2016 and $424 million in 2015 for the repayment of borrowings on the Entergy Corporation long-term credit facility; and
- an increase of $100 million in 2016 compared to a decrease of $70 million in 2015 in short-term borrowings by the nuclear fuel company variable interest entities.

For the details of Entergy’s commercial paper program and the nuclear fuel company variable interest entities’ short-term borrowings, see Note 4 to the financial statements herein. See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for details of long-term debt.

Rate, Cost-recovery, and Other Regulation

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

State and Local Rate Regulation and Fuel-Cost Recovery

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

Federal Regulation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Rate, Cost-recovery, and Other Regulation - Federal Regulation” in the Form 10-K for a discussion of federal regulatory proceedings. The following are updates to that discussion.

Entergy’s Integration Into the MISO Regional Transmission Organization

As discussed in the Form 10-K, in January 2013, Occidental Chemical Corporation filed with the FERC a petition for declaratory judgment and complaint against MISO alleging that MISO’s proposed treatment of Qualifying Facilities (QFs) in the Entergy region is unduly discriminatory in violation of sections 205 and 206 of the Federal Power Act and violates the Public Utility Regulatory Policies Act (PURPA) and the FERC’s implementing regulations. In April 2016 the FERC denied Occidental’s complaint against MISO and found that MISO’s treatment of QFs in Entergy’s service territories is consistent with the requirements of PURPA and does not violate sections 205 and 206 of the Federal Power Act. In February 2014, Occidental also filed with the FERC a petition for enforcement against the LPSC. Occidental’s petition for enforcement alleges that the LPSC’s January 2014 order, which approved Entergy Louisiana’s application for modification of Entergy’s methodology for calculating avoided cost rates paid to QFs, is inconsistent with the requirements of PURPA and the FERC’s regulations implementing PURPA. In April 2014 the FERC issued a “Notice Of Intent Not To Act At This Time” with respect to Occidental’s petition for enforcement against the LPSC. The FERC concluded that Occidental’s petition for enforcement largely raises the same issues as those raised in the January 2013 complaint and petition for declaratory order that Occidental filed against MISO, and that the two proceedings should be addressed at the same time. The FERC reserved its ability to issue a further order or to take further action at a future date should it find that doing so is appropriate. In April 2016 the FERC reviewed its earlier “Notice of Intent Not to Act as This Time” and issued another notice declining to initiate an enforcement action against the LPSC. In January 2016, in a separate proceeding, the FERC issued an order granting the Utility operating companies’ petition to terminate the requirement that they enter into new obligations or contracts with QFs with net capacity in excess of 20 MW, including Occidental’s Taft QF, effective October 2015. The FERC denied without prejudice the petition as it relates to Dow Chemical Company's Plaquemine QF. In April 2016 the FERC denied Occidental's request for rehearing of the order granting the Utility operating companies' petition to terminate the QF purchase requirement for QFs with net capacity in excess of 20 MW and affirmed that Occidental failed to rebut the presumption that its Taft QF has non-discriminatory access to the MISO markets. In June 2016, Occidental filed in the United States Court of Appeals for the District of Columbia Circuit a petition for review of the FERC's January 2016 and April 2016 orders granting the Utility operating companies' petition to terminate the QF purchase requirement for QFs with net capacity in excess of 20MW.

System Agreement

As discussed in the Form 10-K, in December 2013 the FERC issued an order accepting revisions to the System Agreement filed in November 2012 by the Utility operating companies. In the December 2013 order, the FERC set one issue for hearing involving a settlement with Union Pacific regarding certain coal delivery issues. Entergy Arkansas's participation in the System Agreement terminated effective December 18, 2013. In December 2014 a FERC ALJ issued an initial decision finding that Entergy Arkansas would realize benefits after December 18, 2013 from the 2008 settlement agreement between Entergy Services, Entergy Arkansas, and Union Pacific, related to certain coal delivery issues. The ALJ further found that all of the Utility operating companies should share in those benefits pursuant to the methodology proposed by the MPSC. The Utility operating companies and other parties to the proceeding filed briefs on exceptions and/or briefs opposing exceptions with the FERC challenging various aspects of the December 2014 initial decision. In March 2016 the FERC issued an opinion affirming the December 2014 initial decision with regard to the determination that there were benefits related to the Union Pacific settlement, which were realized post Entergy Arkansas's December 2013 withdrawal from the System Agreement, that should be shared with the other Utility operating companies utilizing the methodology proposed by the MPSC and trued-up to actual coal volumes purchased. In May 2016, Entergy made a compliance filing that provided the calculation of Union Pacific settlement benefits utilizing the methodology adopted by the initial decision, trued-up for the actual volumes of coal purchased. The payments were made in May 2016. The compliance filing remains pending at the FERC.

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. In addition to selling the energy produced by its plants, Entergy Wholesale Commodities sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of June 30, 2016 (2016 represents the remainder of the year):

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Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Wholesale Commodities Nuclear Portfolio

	2016	2017	2018	2019
Energy				
Percent of planned generation under contract (a):				
Unit-contingent (b)	68%	83%	22%	26%
Firm LD (c)	39%	9%	—%	—%
Offsetting positions (d)	(20%)	(9%)	—%	—%
Total	87%	83%	22%	26%
Planned generation (TWh) (e) (f)	18.0	27.7	28.1	25.9
Average revenue per MWh on contracted volumes:				
Minimum	$41.1	$43.6	$56.1	$56.9
Expected based on market prices as of June 30, 2016	$41.7	$44.2	$56.1	$56.9
Sensitivity: -/+ $10 per MWh market price change	$41.1-$43.4	$43.9-$44.4	$56.1	$56.9
Capacity				
Percent of capacity sold forward (g):				
Bundled capacity and energy contracts (h)	18%	22%	22%	25%
Capacity contracts (i)	41%	20%	20%	9%
Total	59%	42%	42%	34%
Planned net MW in operation (average) (f)	4,406	3,568	3,568	3,167
Average revenue under contract per kW per month (applies to capacity contracts only)	$6.0	$5.5	$9.4	$11.1
Total Nuclear Energy and Capacity Revenues (j)				
Expected sold and market total revenue per MWh	$46.4	$51.4	$51.0	$51.2
Sensitivity: -/+ $10 per MWh market price change	$44.6-$49.2	$49.8-$53.0	$43.4-$58.5	$43.8-$58.6

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

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

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

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

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

(f) Assumes NRC license renewals for plants with NRC license renewal applications in process. Assumes shutdown of FitzPatrick in late January 2017, shutdown of Pilgrim on May 31, 2019, and uninterrupted normal operation at remaining plants. NRC license renewal applications are in process for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations while its application is pending) and Indian Point 3 (December 2015 and now operating under its period of extended operations while its application is pending). For a discussion regarding the planned shutdown of the FitzPatrick and Pilgrim plants, see "Results of Operations - Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants" above. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" above and in the Form 10-K.
(g) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
(h) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
(i) A contract for the sale of an installed capacity product in a regional market.
(j) Includes assumptions on converting a portion of the portfolio to contracted with fixed price cost or discount and excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, mark-to-market activity, and service revenues.

Entergy estimates that a positive $10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on June 30, 2016 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of $50 million for the remainder of 2016. As of June 30, 2015, a positive $10 per MWh change would have had a corresponding effect on pre-tax income of $24 million for the remainder of 2015. A negative $10 per MWh change in the annual average energy price in the markets based on June 30, 2016 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of ($32) million for the remainder of 2016. As of June 30, 2015, a negative $10 per MWh change would have had a corresponding effect on pre-tax income of ($24) million for the remainder of 2015.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At June 30, 2016, based on power prices at that time, Entergy had liquidity exposure of $138 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and $5 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of June 30, 2016, Entergy would have been required to provide approximately $58 million of additional cash or letters of credit under some of the agreements. As of June 30, 2016, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by $147 million for a $1 per MMBtu increase in gas prices in both the short-and long-term markets.

As of June 30, 2016, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2019 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

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

In June 2012 the U.S. Court of Appeals for the D.C. Circuit vacated the NRC’s 2010 update to its Waste Confidence Decision, which had found generically that a permanent geologic repository to store spent nuclear fuel would be available when necessary and that spent nuclear fuel could be stored at nuclear reactor sites in the interim without significant environmental effects, and remanded the case for further proceedings. The court concluded that the NRC had not satisfied the requirements of the National Environmental Policy Act (NEPA) when it considered environmental effects in reaching these conclusions. The Waste Confidence Decision has been relied upon by NRC license renewal applicants to address some of the issues that the NEPA requires the NRC to address before it issues a renewed license. Certain nuclear opponents filed requests with the NRC asking it to address the issues raised by the court's decision in the license renewal proceedings for a number of nuclear plants including Grand Gulf and Indian Point 2 and 3. In August 2012 the NRC issued an order stating that it will not issue final licenses dependent upon the Waste Confidence Decision until the D.C. Circuit's remand is addressed, but also stating that licensing reviews and proceedings should continue to move forward. In September 2014 the NRC published a new final Waste Confidence rule, named Continued Storage of Spent Nuclear Fuel, that for licensing purposes adopts non-site specific findings concerning the environmental impacts of the continued storage of spent nuclear fuel at reactor sites - for 60 years, 100 years and indefinitely - after the reactor's licensed period of operations. The NRC also issued an order lifting its suspension of licensing proceedings after the final rule's effective date in October 2014. After the final rule became effective, New York, Connecticut, and Vermont filed a challenge to the rule in the U.S. Court of Appeals. In June 2016 the court denied the challenge.

See "ANO Damage, Outage, and NRC Reviews" above for discussion of the NRC's decision to move ANO into the "multiple/repetitive degraded cornerstone column" (Column 4) of the NRC's Reactor Oversight Process Action Matrix, and the resulting significant additional NRC inspection activities at the ANO site.

See Note 1 to the financial statements herein for discussion of the NRC's decision in September 2015 to place Pilgrim in Column 4 of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim's corrective action program that contributed to repeated unscheduled shutdowns and equipment failures.

Based upon the recent performance history of several units within the Entergy nuclear fleet, Entergy has determined to undertake a nuclear sustainability plan. That plan has not been fully developed, but it will result in increased operating and capital costs associated with operating Entergy's nuclear plants. Entergy is continuing to determine what specific actions will be part of the nuclear sustainability plan, and an estimate of the costs associated with this plan cannot be made at this time.

Indian Point 2 Outage

During the scheduled refueling and maintenance outage at Indian Point Unit 2 in the first quarter 2016, comprehensive inspections were done as part of the aging management program which calls for an in-depth inspection of the reactor vessel. Inspections of more than 2,000 bolts in the reactor's removable insert liner identified issues with roughly 11% of the bolts that required further analysis. Entergy replaced bolts as appropriate, and the unit returned to service on June 16, 2016. The repair costs were accounted for as deferred refueling outage costs and will be amortized over the plant's subsequent fuel cycle. The increase in the deferred refueling outage balance is expected to increase outage amortization expense in 2016, 2017, and 2018. In addition to the repair costs, Entergy lost net revenue due to the plant being offline. Entergy estimates the negative effect on earnings was approximately $51 million pre-tax in second quarter 2016. Entergy is evaluating the scope and duration of Indian Point 3's next scheduled refueling outage planned for 2017. Based on the results of that evaluation and analysis, Entergy could modify its plan for that outage and currently expects that the outage will be extended.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy’s accounting for nuclear decommissioning costs, unbilled revenue, impairment of long-lived assets and trust fund investments, qualified pension and other postretirement benefits, and other contingencies. Following are updates to that discussion.

Impairment of Long-lived Assets and Trust Fund Investments

As discussed in the Form 10-K, Entergy has significant investments in long-lived assets in both of its operating segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment when there are indications that an impairment may exist. This evaluation involves a significant degree of estimation and uncertainty. In the Entergy Wholesale Commodities business, Entergy's investments in merchant generation assets are subject to impairment in adverse market or regulatory conditions, particularly if it leads to a decision or an expectation that Entergy will operate or own a plant for a shorter period than previously expected; if there is a significant adverse change in the physical condition of a plant; if investment in a plant significantly exceeds previously-expected amounts; or, for Indian Point 2 and 3, if their operating licenses are not renewed.

See "Impairment of Long-Lived Assets" in Note 1 to the financial statements in the Form 10-K for a discussion of the impairments prior to 2016 of the Vermont Yankee, FitzPatrick, Pilgrim, and Palisades plants. See "Results of Operations - Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants" above for a discussion of market price trends and other factors affecting the Entergy Wholesale Commodities power plants. See "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" above for a discussion of the Indian Point licensing activities.

On July 13, 2016, Entergy announced that it is in discussions with another company for the possible sale of FitzPatrick. There is much uncertainty regarding whether an agreement can be reached with the third party, whether regulatory approval will be obtained, or whether potential conditions to the sale would be met such that a transaction would be consummated. While the discussions are ongoing, FitzPatrick will work two parallel paths, one to prepare for a potential refueling outage and another to continue the plant shutdown and decommissioning effort in the event a sale does not occur. If the discussions do not result in an agreement for the sale and transfer of ownership of FitzPatrick, Entergy will move forward with its current plan to cease operations by late January 2017, followed by decommissioning. After the impairment of the plant in 2015, the only FitzPatrick-related asset with more than a minimal book value remaining on Entergy's balance sheet is the decommissioning contract asset that is discussed in "Impairment of Long-Lived Assets" in Note 1 to the financial statements in the Form 10-K.

Taxation and Uncertain Tax Positions

Management exercises significant judgment in evaluating the potential tax effects of Entergy's operations, transactions, and other events. Management evaluates each tax position based on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Income tax expense and tax positions recorded could be significantly affected by events such as additional transactions contemplated or consummated by Entergy or the progress of audits or reviews of the tax treatment of transactions or issues by taxing authorities. Entergy's income taxes, including unrecognized tax benefits, open audits, and other significant tax matters are disclosed in Note 3 to the financial statements in the Form 10-K, and significant updates to that disclosure are included in Note 10 to the financial statements herein.

New Accounting Pronouncements

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - New Accounting Pronouncements" in the Form 10-K for a discussion of new accounting pronouncements. Following are updates to that discussion.

In February 2016 the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The ASU's core principle is that "a lessee should recognize the assets and liabilities that arise from leases." The ASU considers that "all leases create an asset and a liability," and accordingly requires that the assets and liabilities related to all leases with a term greater than 12 months must be recorded on the balance sheet. ASU 2016-02 is effective for Entergy for the first quarter 2019. Entergy expects that ASU 2016-02 will affect its financial position by increasing the assets and liabilities recorded relating to its operating leases. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

In March 2016 the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The ASU seeks to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The statement is effective beginning in 2017 and Entergy will prospectively recognize all income tax effects related to share-based payments through the income statement. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

In June 2016 the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The ASU requires entities to record a valuation allowance on financial instruments held at amortized cost and available-for-sale debt securities for the total credit losses expected over the life of the instrument. Increases and decreases in the valuation allowance will be recognized immediately in earnings. ASU 2016-13 is effective for Entergy for the first quarter 2020. Entergy expects that ASU 2016-13 will affect its results of operations by requiring a valuation allowance for all unrealized credit losses on debt investments held by the nuclear decommissioning trust funds, with the increases and decreases to be recorded immediately in earnings, whereas unrealized credit losses are currently recorded in other comprehensive income until they are determined to be other-than-temporary. In accordance with the regulatory treatment of the decommissioning trust funds of Entergy Arkansas, Entergy Louisiana, and System Energy, an offsetting amount of unrealized credit losses will continue to be recorded in other regulatory assets. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

	Three Months Ended		Six Months Ended	
	2016	2015	2016	2015
	(In Thousands, Except Share Data)			
OPERATING REVENUES				
Electric	$2,093,331	$2,246,148	$4,135,492	$4,464,137
Natural gas	25,121	27,777	70,734	87,288
Competitive businesses	344,110	439,306	866,189	1,081,896
TOTAL	2,462,562	2,713,231	5,072,415	5,633,321
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	381,465	549,702	886,432	1,180,156
Purchased power	242,672	322,929	504,996	664,951
Nuclear refueling outage expenses	47,045	67,129	98,276	131,998
Other operation and maintenance	759,258	827,872	1,491,174	1,597,983
Asset write-offs, impairments, and related charges	6,969	—	14,329	—
Decommissioning	76,625	68,830	145,253	138,729
Taxes other than income taxes	149,249	156,378	299,027	313,901
Depreciation and amortization	335,668	340,354	669,939	672,340
Other regulatory charges	21,353	2,654	22,512	13,111
TOTAL	2,020,304	2,335,848	4,131,938	4,713,169
OPERATING INCOME	442,258	377,383	940,477	920,152
OTHER INCOME				
Allowance for equity funds used during construction	13,860	11,974	32,792	23,712
Interest and investment income	46,375	39,705	79,128	107,839
Miscellaneous - net	(8,377)	(15,743)	(18,963)	(24,764)
TOTAL	51,858	35,936	92,957	106,787
INTEREST EXPENSE				
Interest expense	177,631	165,860	351,442	332,197
Allowance for borrowed funds used during construction	(7,132)	(6,044)	(16,813)	(12,161)
TOTAL	170,499	159,816	334,629	320,036
INCOME BEFORE INCOME TAXES	323,617	253,503	698,805	706,903
Income taxes	(248,973)	99,781	(109,027)	250,252
CONSOLIDATED NET INCOME	572,590	153,722	807,832	456,651
Preferred dividend requirements of subsidiaries	5,276	4,879	10,552	9,759
	$567,314	$148,843	$797,280	$446,892

NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION				
Earnings per average common share:				
Basic	$3.17	$0.83	$4.46	$2.49
Diluted	$3.16	$0.83	$4.45	$2.48
Dividends declared per common share	$0.85	$0.83	$1.70	$1.66
Basic average number of common shares outstanding	178,808,149	179,521,276	178,693,342	179,589,748
Diluted average number of common shares outstanding	179,503,582	180,119,837	179,233,209	180,298,233

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

	Three Months Ended		Six Months Ended	
	2016	2015	2016	2015
	(In Thousands)			
Net Income	$572,590	$153,722	$807,832	$456,651
Other comprehensive income (loss)				
Cash flow hedges net unrealized gain (loss)				
(net of tax expense (benefit) of ($34,576), $20,706, ($39,777), and $4,808)	(64,041)	38,696	(73,547)	9,366
Pension and other postretirement liabilities				
(net of tax expense of $2,779, $4,165, $3,037, and $7,340)	5,043	7,438	12,605	15,886
Net unrealized investment gains (losses)				
(net of tax expense (benefit) of $19,515, ($30,292), $37,873, and ($26,626))	20,955	(33,880)	44,024	(29,877)
Foreign currency translation				
(net of tax expense (benefit) of ($487), $359, ($640), and $62)	(904)	667	(1,188)	116
Other comprehensive income (loss)	(38,947)	12,921	(18,106)	(4,509)
Comprehensive Income	533,643	166,643	789,726	452,142
Preferred dividend requirements of subsidiaries	5,276	4,879	10,552	9,759
Comprehensive Income Attributable to Entergy Corporation	$528,367	$161,764	$779,174	$442,383

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$807,832	$456,651
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	1,012,753	1,069,888
Deferred income taxes, investment tax credits, and non-current taxes accrued	(170,026)	180,006
Asset write-offs, impairments, and related charges	14,329	—
Changes in working capital:		
Receivables	(57,673)	(100,168)
Fuel inventory	9,586	(3,748)
Accounts payable	45,412	(104,595)
Taxes accrued	7,056	(19,027)
Interest accrued	(9,543)	(18,984)
Deferred fuel costs	3,757	72,449
Other working capital accounts	(121,929)	(124,146)
Changes in provisions for estimated losses	1,533	(6,987)
Changes in other regulatory assets	109,700	124,785
Changes in other regulatory liabilities	70,505	(15,059)
Changes in pensions and other postretirement liabilities	(168,856)	(116,896)
Other	(302,356)	(55,808)
Net cash flow provided by operating activities	1,252,080	1,338,361
INVESTING ACTIVITIES		
Construction/capital expenditures	(1,294,498)	(1,095,926)
Allowance for equity funds used during construction	33,152	25,165
Nuclear fuel purchases	(124,107)	(165,704)
Payment for purchase of plant	(947,903)	—
Insurance proceeds received for property damages	—	12,745
Changes in securitization account	13,239	6,604
NYPA value sharing payment	—	(70,790)
Payments to storm reserve escrow account	(805)	(3,689)
Decrease (increase) in other investments	57	(54,022)
Proceeds from nuclear decommissioning trust fund sales	1,232,672	948,542
Investment in nuclear decommissioning trust funds	(1,267,452)	(973,016)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	89,407	—
Net cash flow used in investing activities	(2,266,238)	(1,370,091)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	3,856,768	865,634
Treasury stock	16,855	23,897
Retirement of long-term debt	(3,420,196)	(1,384,658)
Repurchase of common stock	—	(25,078)
Changes in credit borrowings and commercial paper - net	530,540	341,578
Other	(10,276)	6,719
Dividends paid:		
Common stock	(303,843)	(298,259)
Preferred stock	(10,552)	(9,759)
Net cash flow provided by (used in) financing activities	659,296	(479,926)
Net decrease in cash and cash equivalents	(354,862)	(511,656)
Cash and cash equivalents at beginning of period	1,350,961	1,422,026
Cash and cash equivalents at end of period	$996,099	$910,370
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$410,744	$340,993
Income taxes	$84,607	$90,767

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2016 and December 31, 2015
(Unaudited)

	2016	2015
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$103,282	$63,497
Temporary cash investments	892,817	1,287,464
Total cash and cash equivalents	996,099	1,350,961
Accounts receivable:		
Customer	542,598	608,491
Allowance for doubtful accounts	(42,938)	(39,895)
Other	237,480	178,364
Accrued unbilled revenues	432,830	321,940
Total accounts receivable	1,169,970	1,068,900
Deferred fuel costs	31,895	—
Fuel inventory - at average cost	208,224	217,810
Materials and supplies - at average cost	903,973	873,357
Deferred nuclear refueling outage costs	248,932	211,512
Prepayments and other	292,835	344,872
TOTAL	3,851,928	4,067,412
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	4,845	4,341
Decommissioning trust funds	5,555,651	5,349,953
Non-utility property - at cost (less accumulated depreciation)	225,996	219,999
Other	469,791	468,704
TOTAL	6,256,283	6,042,997
PROPERTY, PLANT, AND EQUIPMENT		
Electric	46,947,112	44,467,159
Property under capital lease	610,225	952,465
Natural gas	400,423	392,032
Construction work in progress	1,258,370	1,456,735
Nuclear fuel	1,246,430	1,345,422
TOTAL PROPERTY, PLANT, AND EQUIPMENT	50,462,560	48,613,813
Less - accumulated depreciation and amortization	21,392,881	20,789,452
PROPERTY, PLANT, AND EQUIPMENT - NET	29,069,679	27,824,361
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	769,535	775,528
Other regulatory assets (includes securitization property of $665,535 as of June 30, 2016 and $714,044 as of December 31, 2015)	4,603,489	4,704,796
Deferred fuel costs	239,001	238,902
Goodwill	377,172	377,172

Accumulated deferred income taxes	122,389	54,903
Other	587,566	561,610
TOTAL	6,699,152	6,712,911
TOTAL ASSETS	$45,877,042	$44,647,681

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2016 and December 31, 2015
(Unaudited)

	2016	2015
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$671,732	$214,374
Notes payable and commercial paper	1,024,888	494,348
Accounts payable	967,080	1,071,798
Customer deposits	424,977	419,407
Taxes accrued	217,133	210,077
Interest accrued	185,021	194,565
Deferred fuel costs	271,736	235,986
Obligations under capital leases	2,815	2,709
Pension and other postretirement liabilities	62,789	62,513
Other	193,672	184,181
TOTAL	4,021,843	3,089,958
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	8,183,048	8,306,865
Accumulated deferred investment tax credits	228,917	234,300
Obligations under capital leases	25,567	27,001
Other regulatory liabilities	1,485,402	1,414,898
Decommissioning and asset retirement cost liabilities	4,868,788	4,790,187
Accumulated provisions	462,214	460,727
Pension and other postretirement liabilities	3,018,226	3,187,357
Long-term debt (includes securitization bonds of $716,201 as of June 30, 2016 and $774,696 as of December 31, 2015)	13,112,072	13,111,556
Other	394,993	449,856
TOTAL	31,779,227	31,982,747
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	318,185	318,185
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2016 and in 2015	2,548	2,548
Paid-in capital	5,392,546	5,403,758
Retained earnings	9,887,350	9,393,913
Accumulated other comprehensive income (loss)	(9,155)	8,951
Less - treasury stock, at cost (75,856,619 shares in 2016 and 76,363,763 shares in 2015)	5,515,502	5,552,379
TOTAL	9,757,787	9,256,791
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$45,877,042	$44,647,681

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2016 and 2015
(Unaudited)

		Common Shareholders' Equity					
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(In Thousands)						
Balance at December 31, 2014	$94,000	$2,548	($5,497,526)	$5,375,353	$10,169,657	($42,307)	$10,101,725
Consolidated net income (a)	9,759	—	—	—	446,892	—	456,651
Other comprehensive loss	—	—	—	—	—	(4,509)	(4,509)
Common stock repurchases	—	—	(25,078)	—	—	—	(25,078)
Common stock issuances related to stock plans	—	—	44,445	(13,020)	—	—	31,425
Common stock dividends declared	—	—	—	—	(298,259)	—	(298,259)
Preferred dividend requirements of subsidiaries (a)	(9,759)	—	—	—	—	—	(9,759)
Balance at June 30, 2015	$94,000	$2,548	($5,478,159)	$5,362,333	$10,318,290	($46,816)	$10,252,196
Balance at December 31, 2015	$—	$2,548	($5,552,379)	$5,403,758	$9,393,913	$8,951	$9,256,791
Consolidated net income (a)	10,552	—	—	—	797,280	—	807,832
Other comprehensive loss	—	—	—	—	—	(18,106)	(18,106)
Common stock issuances related to stock plans	—	—	36,877	(11,212)	—	—	25,665
Common stock dividends declared	—	—	—	—	(303,843)	—	(303,843)
Preferred dividend requirements of subsidiaries (a)	(10,552)	—	—	—	—	—	(10,552)
Balance at June 30, 2016	$—	$2,548	($5,515,502)	$5,392,546	$9,887,350	($9,155)	$9,757,787

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2016 and 2015 include $10.6 million and $6.4 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.

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ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

Description	Three Months Ended 2016	2015	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$667	$733	($66)	(9)
Commercial	543	597	(54)	(9)
Industrial	551	591	(40)	(7)
Governmental	52	55	(3)	(5)
Total retail	1,813	1,976	(163)	(8)
Sales for resale	72	86	(14)	(16)
Other	208	184	24	13
Total	$2,093	$2,246	($153)	(7)
Utility Billed Electric Energy Sales (GWh):				
Residential	7,081	7,364	(283)	(4)
Commercial	6,777	6,904	(127)	(2)
Industrial	11,509	10,737	772	7
Governmental	609	602	7	1
Total retail	25,976	25,607	369	1
Sales for resale	3,579	3,138	441	14
Total	29,555	28,745	810	3
Entergy Wholesale Commodities:				
Operating Revenues	$344	$439	($95)	(22)
Billed Electric Energy Sales (GWh)	7,866	9,578	(1,712)	(18)

Description	Six Months Ended 2016	2015	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$1,411	$1,615	($204)	(13)
Commercial	1,081	1,180	(99)	(8)
Industrial	1,111	1,167	(56)	(5)
Governmental	103	107	(4)	(4)
Total retail	3,706	4,069	(363)	(9)
Sales for resale	127	146	(19)	(13)
Other	302	249	53	21
Total	$4,135	$4,464	($329)	(7)
Utility Billed Electric Energy Sales (GWh):				
Residential	15,218	16,796	(1,578)	(9)

Commercial	13,288	13,625	(337)	(2)
Industrial	22,564	21,144	1,420	7
Governmental	1,209	1,194	15	1
Total retail	52,279	52,759	(480)	(1)
Sales for resale	6,719	4,949	1,770	36
Total	58,998	57,708	1,290	2
Entergy Wholesale Commodities:				
Operating Revenues	$866	$1,082	($216)	(20)
Billed Electric Energy Sales (GWh)	17,112	19,170	(2,058)	(11)

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ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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

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

ANO Damage, Outage, and NRC Reviews

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

As discussed in the Form 10-K, in March 2015 the NRC issued a letter notifying Entergy of its decision to move ANO into the "multiple/repetitive degraded cornerstone column" (Column 4) of the NRC's Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site's root cause evaluation associated with the flood barrier and stator issues, an assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Entergy Arkansas incurred incremental expenses of approximately $53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas expects to incur incremental expenses of approximately $50 million in 2016, of which $30.6 million was incurred as of June 30, 2016, in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expenses is expected to be ongoing annually after 2016, until ANO transitions out of Column 4.

The NRC completed the supplemental inspection required for ANO's Column 4 designation in February 2016, and published its inspection report in June 2016. In its inspection report, the NRC concluded that the ANO site is being operated safely and that Entergy understands the depth and breadth of performance concerns associated with ANO's performance decline. Also in June 2016, the NRC issued a confirmatory action letter to confirm the actions Entergy Arkansas has taken and will continue to take to improve performance at ANO. The NRC will verify the completion of those actions through quarterly follow-up inspections, the results of which will determine when ANO should transition out of Column 4.

Pilgrim NRC Oversight and Planned Shutdown

In September 2015 the NRC placed Pilgrim in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim's corrective action program that contributed to repeated unscheduled shutdowns and equipment failures. The preliminary estimate of direct costs of Pilgrim's response to a planned NRC enhanced inspection ranges from $45 million to $60 million in operation and maintenance expense, including approximately $30 million in 2016, of which $12 million was incurred as of June 30, 2016. The estimate does not include potential capital investment or other costs to address issues that may arise in the inspection.

Entergy determined in April 2016 that it intends to refuel Pilgrim in 2017 and then cease operations May 31, 2019. In October 2015, Entergy previously announced its intention to cease operations at Pilgrim because of poor market conditions, reduced revenues, and increased operational costs. Pilgrim currently has approximately 677 MW of Capacity Supply Obligations in ISO New England through May 2019.

Spent Nuclear Fuel Litigation

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Following the current Presidential administration's defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014. Management cannot predict the potential timing or magnitude of future spent fuel fee revisions that may occur.

Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. Beginning in November 2003 these subsidiaries have pursued litigation to recover the damages caused by the DOE's delay in performance. Following are details of final judgments recorded by Entergy in 2016 related to Entergy's nuclear owner licensee subsidiaries litigation with the DOE.

In December 2015 the U.S. Court of Federal Claims issued a judgment in the amount of $81 million in favor of Entergy Nuclear Indian Point 3 and Entergy Nuclear FitzPatrick in the first round Indian Point 3/FitzPatrick damages case, and Entergy received the payment from the U.S. Treasury in June 2016. The effect of recording the Indian Point 3 proceeds was a reduction to plant, other operation and maintenance expense, and depreciation expense. The Indian Point 3 damages award included $45 million related to costs previously capitalized and $2 million related to costs previously recorded as other operation and maintenance expense. Of the $45 million, Entergy recorded $8 million as a reduction to previously-recorded depreciation expense. Entergy reduced its Indian Point 3 plant asset balance by the remaining $37 million. The effect of recording the FitzPatrick proceeds was a reduction to plant and other operation and maintenance expense. The FitzPatrick damages awarded included $32 million related to costs previously capitalized and $2 million related to costs previously recorded as other operation and maintenance expense. Of the $32 million, Entergy recorded an $11 million reduction to bring its remaining FitzPatrick plant asset balance to zero. The remaining $21 million was recorded as a reduction to other operation and maintenance expense because FitzPatrick's plant asset balance is fully impaired.

In April 2016 the U.S. Court of Federal Claims issued a partial judgment in the amount of $42 million in favor of Entergy Louisiana and against the DOE in the first round River Bend damages case, reserving the issue of cask loading costs pending resolution of the appeal on the same issues in the Entergy Arkansas and System Energy cases.

The appeals period for the partial judgment has ended with no appeals filed, and Entergy Louisiana requested payment from the U.S. Treasury of the $42 million in June 2016 and recorded a receivable as of June 30, 2016. The primary effects of recording the receivable were reductions to plant, nuclear fuel expense, other operation and maintenance expense, and depreciation expense. The River Bend damages award included $17 million related to costs previously capitalized, $23 million related to costs previously recorded as nuclear fuel expense, and $2 million related to costs