ENTERGY CORP /DE/
Form 10-Q
May 04, 2018
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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 March 31, 2018
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, LLC (a Texas limited liability company) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 82-2212934
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) 10055 Grogans Mill Road 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	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) 1340 Echelon Parkway Jackson, Mississippi 39213

	47-4469646	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 þ 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 registrants were required to submit and post such files). Yes þ No o

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

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

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

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

Common Stock Outstanding		Outstanding at April 30, 2018
Entergy Corporation	($0.01 par value)	180,823,624

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

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FORWARD-LOOKING INFORMATION

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

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

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

each of these nuclear plants;

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

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FORWARD-LOOKING INFORMATION (Continued)

- volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;
- changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;
- changes in environmental laws and regulations, agency positions or associated litigation, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, particulate matter, heat, and other regulated air and water emissions, requirements for waste management and disposal and for the remediation of contaminated sites, wetlands protection and permitting, and changes in costs of compliance with these environmental laws and regulations;
- changes in laws and regulations, agency positions, or associated litigation related to protected species and associated critical habitat designations;
- the effects of changes in federal, state or local laws and regulations, and other governmental actions or policies, including changes in monetary, fiscal, tax, environmental, or energy policies;
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal and the level of spent fuel and nuclear waste disposal fees charged by the U.S. government or other providers related to such sites;
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;
- effects of climate change, including the potential for increases in sea levels or coastal land and wetland loss;
- changes in the quality and availability of water supplies and the related regulation of water use and diversion;
- Entergy’s ability to manage its capital projects and operation and maintenance costs;
- Entergy’s ability to purchase and sell assets at attractive prices and on other attractive terms;
- the economic climate, and particularly economic conditions in Entergy’s Utility service area and the northern United States and events and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;
- federal income tax reform, including the enactment of the Tax Cuts and Jobs Act, and its intended and unintended consequences on financial results and future cash flows, including the potential impact to credit ratings, which may affect Entergy’s ability to borrow funds or increase the cost of borrowing in the future;
- the effects of Entergy’s strategies to reduce tax payments, especially in light of federal income tax reform;
- changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy’s ability to refinance existing securities, execute share repurchase programs, and fund investments and acquisitions;
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies’ ratings criteria;
- changes in inflation and interest rates;
- the effect of litigation and government investigations or proceedings;
- changes in technology, including (i) Entergy’s ability to implement new technologies, (ii) the impact of changes relating to new, developing, or alternative sources of generation such as distributed energy and energy storage, energy efficiency, demand side management, and other measures that reduce load, and (iii) competition from other companies offering products and services to our customers based on new or emerging technologies;
- the effects, including increased security costs, of threatened or actual terrorism, cyber-attacks or data security breaches, natural or man-made electromagnetic pulses that affect transmission or generation infrastructure, accidents, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;
- Entergy’s ability to attract and retain talented management, directors, and employees with specialized skills;

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

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FORWARD-LOOKING INFORMATION (Concluded)

- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy’s nuclear plant sites and the implementation of decommissioning of such sites following shutdown;
- the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by mid-2022, including the implementation of the planned shutdowns of Pilgrim, Indian Point 2, Indian Point 3, and Palisades;
- the effectiveness of Entergy’s risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;
- factors that could lead to impairment of long-lived assets; and
- the ability to successfully complete strategic transactions Entergy may undertake, including mergers, acquisitions, divestitures, or restructurings, regulatory or other limitations imposed as a result of any such strategic transaction, and the success of the business following any such strategic transaction.

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DEFINITIONS

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

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

DEFINITIONS (Continued)

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

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DEFINITIONS (Concluded)

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

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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. See "Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for discussion of the operation and planned shutdown or sale of each of the Entergy Wholesale Commodities nuclear power plants.

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

Results of Operations

First Quarter 2018 Compared to First Quarter 2017

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

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2017 Consolidated Net Income (Loss)	$167,623	($27,196)	($54,376)	$86,051
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	55,485	(112,287)	(8)	(56,810)
Other operation and maintenance	30,871	(94,110)	(32)	(63,271)
Asset write-offs, impairments, and related charges	—	(138,867)	—	(138,867)
Taxes other than income taxes	15,293	(6,578)	150	8,865
Depreciation and amortization	14,187	(14,444)	57	(200)
Gain on sale of assets	—	(16,270)	—	(16,270)
Other income	11,550	(57,372)	(689)	(46,511)
Interest expense	1,984	1,823	3,804	7,611
Other expenses	651	(20,429)	—	(19,778)
Income taxes	(46,268)	77,259	4,909	35,900
2018 Consolidated Net Income (Loss)	$217,940	($17,779)	($63,961)	$136,200

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

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

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Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

First quarter 2018 results of operations includes impairment charges of $73 million ($58 million net-of-tax) and first quarter 2017 results of operations includes impairment charges of $212 million ($138 million net-of-tax) due to costs being charged directly to expense as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.

Net Revenue

Utility

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

	Amount (In Millions)
2017 net revenue	$1,404
Volume/weather	58
Retail electric price	7
Grand Gulf recovery	(18)
Other	9
2018 net revenue	$1,460

The volume/weather variance is primarily due to an increase of 2,246 GWh, or 9%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to an increase in demand for existing customers in the petroleum refining industry and a new customer in the primary metals industry.

The retail electric price variance is primarily due to:

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

The increase was partially offset by regulatory charges recorded in the first quarter 2018 to reflect the effects of a provision in the settlement reached in Entergy Louisiana's formula rate plan extension proceeding.

See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the regulatory proceedings discussed above.

The Grand Gulf recovery variance is primarily due to recovery of lower operating costs in the first quarter 2018 as compared to the first quarter 2017.

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Entergy Wholesale Commodities

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

	Amount (In Millions)
2017 net revenue	$494
FitzPatrick reimbursement agreement	(98)
Nuclear volume	(26)
Nuclear realized price changes	27
Other	(15)
2018 net revenue	$382

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by $112 million in the first quarter 2018 as compared to the first quarter 2017 primarily due to:

- a decrease resulting from the reimbursement agreement with Exelon pursuant to which Exelon reimbursed Entergy in the first quarter 2017 for specified out-of-pocket costs associated with preparing for the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017. Revenues received from Exelon under the reimbursement agreement were offset by other operation and maintenance expenses and taxes other than income taxes and had no effect on net income; and
- lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more unplanned outage days in first quarter 2018 as compared to first quarter 2017.

The decrease was partially offset by higher realized wholesale energy prices and higher capacity prices in the first quarter 2018.

See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick and the reimbursement agreement with Exelon.

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

	2018	2017
Owned capacity (MW) (a)	3,962	4,800
GWh billed	7,885	8,363
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	83%	80%
GWh billed	6,408	7,835
Average energy and capacity revenue per MWh	$56.96	$55.15
Refueling outage days:		
FitzPatrick	—	42
Indian Point 2	13	—
Indian Point 3	—	19

(a) Owned capacity for the first quarter 2017 includes the 838 MW FitzPatrick plant, which was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

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Other Income Statement Items

Utility

Other operation and maintenance expenses increased from $557 million for the first quarter 2017 to $588 million for the first quarter 2018 primarily due to:

- an increase of $19 million in nuclear generation expenses primarily due to a higher scope of work performed during plant outages in first quarter 2018 as compared to first quarter 2017 and higher nuclear labor costs, including contract labor, to position the nuclear fleet to meet its operational goals;
- an increase of $9 million in energy efficiency costs;
- an increase of $6 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed in first quarter 2018 as compared to first quarter 2017; and
- an increase of $6 million in storm damage provisions. See Note 2 to the financial statements in the Form 10-K for discussion of storm cost recovery.

The increase was partially offset by higher nuclear insurance refunds of $8 million.

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

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

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

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from $285 million for the first quarter 2017 to $191 million for the first quarter 2018 primarily due to the absence of other operation and maintenance expenses from the FitzPatrick plant, which was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

The asset write-offs, impairments, and related charges variance is primarily due to impairment charges of $73 million ($58 million net-of-tax) in the first quarter 2018 compared to impairment charges of $212 million ($138 million net-of-tax) in the first quarter 2017. The impairment charges are due to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets being charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants’ long-lived assets due to the significantly reduced remaining estimated operating lives associated with management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet. See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business” below and in the Form 10-K for discussion of management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet.

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

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

Other income decreased primarily due to losses on the decommissioning trust fund investments in first quarter 2018, including unrealized losses on equity investments that were previously recorded to other comprehensive income for periods prior to 2018. See Note 9 to the financial statements herein for discussion of the implementation of ASU No. 2016-01 “Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” effective January 1, 2018.

Other expenses decreased primarily due to the absence of decommissioning expense from the FitzPatrick plant after it was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

Income Taxes

The effective income tax rate was 24.3% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to state income taxes, a write-off of a stock-based compensation deferred tax asset, and the provision for uncertain tax positions, partially offset by certain book and tax differences related to utility plant items and book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 8.3% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to the re-determined tax basis of the FitzPatrick plant as a result of the sale to Exelon in March 2017 and book and tax differences related to the allowance for equity funds used during construction, partially offset by a write-off of a stock-based compensation deferred tax asset, state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions. See Note 3 to the financial statements in the Form 10-K for further discussion of the tax benefit associated with the sale of FitzPatrick and the write-off of the stock-based compensation deferred tax asset.

Income Tax Legislation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Income Tax Legislation” in the Form 10-K for a discussion of the Tax Cuts and Jobs Act enacted in December 2017. See Note 2 to the financial statements herein and in the Form 10-K for discussion of proceedings commenced or other responses by Entergy’s regulators to the Tax Cuts and Jobs Act.

Entergy Wholesale Commodities Exit from the Merchant Power Business

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

Shutdown and Planned Sale of Vermont Yankee

As discussed in the Form 10-K, in December 2014 the Vermont Yankee plant ceased power production and entered its decommissioning phase, and in November 2016, Entergy entered into an agreement to sell 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. In March 2018, Entergy and NorthStar entered into a settlement agreement and a Memorandum of Understanding with State of Vermont agencies and other interested parties that set forth the terms on which the agencies and parties support the Vermont Public Utility

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Commission’s approval of the transaction. The agreements provide additional financial assurance for decommissioning, spent fuel management and site restoration, and detail the site restoration standards that will apply to protect the environment and the health and safety of workers and the public. The provisions of the agreements will become effective upon approval of the transaction by the Vermont Public Utility Commission consistent with the agreements’ terms, the NRC’s approval of the license transfer application, and the closing of the transaction. The Vermont Public Utility Commission and the NRC are expected to issue their decisions in the third or fourth quarter of 2018.

Costs Associated with Entergy Wholesale Commodities Strategic Transactions

Entergy expects to incur employee retention and severance expenses associated with management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet of approximately $165 million in 2018, of which $26 million has been incurred as of March 31, 2018, and approximately $205 million from 2019 through mid-2022. In addition, Entergy Wholesale Commodities incurred impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets of $73 million for the three months ended March 31, 2018. These costs were charged to expense as incurred as a result of the impaired value of certain of the Entergy Wholesale Commodities nuclear plants’ long-lived assets due to the significantly reduced remaining estimated operating lives associated with management’s strategy to reduce the size of the Entergy Wholesale Commodities’ merchant fleet. Entergy expects to continue to incur costs associated with nuclear fuel-related spending and expenditures for capital assets and, except for Palisades, expects to continue to charge these costs to expense as incurred because Entergy expects the value of the plants to continue to be impaired.

Entergy Wholesale Commodities Authorizations to Operate Indian Point

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Authorizations to Operate Indian Point” in the Form 10-K for a discussion of the NRC operating licensing proceedings for Indian Point 2 and Indian Point 3 and the settlement reached with New York State in January 2017. The following is an update to that discussion.

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

Liquidity and Capital Resources

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

Capital Structure

Entergy’s capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy as of March 31, 2018 is primarily due to the net issuance of debt in 2018.

	March 31, 2018	December 31, 2017
Debt to capital	68.4%	67.1 %

Effect of excluding securitization bonds	(0.7 %)	(0.8 %)
Debt to capital, excluding securitization bonds (a)	67.7%	66.3 %
Effect of subtracting cash	(1.6 %)	(1.1 %)
Net debt to net capital, excluding securitization bonds (a)	66.1%	65.2 %

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

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in August 2022. The facility includes fronting commitments for the issuance of letters of credit against $20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the three months ended March 31, 2018 was 3.31% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2018:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$1,125	$6	$2,369

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

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of $145 million that expires in November 2020. As of March 31, 2018, $118 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the three months ended March 31, 2018 was 3.10% on the drawn portion of the facility. See Note 4 to the financial statements herein for additional discussion of the Vermont Yankee facility.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to $2 billion. As of March 31, 2018, Entergy Corporation had $655 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2018 was 1.88%.

Capital Expenditure Plans and Other Uses of Capital

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

New Orleans Power Station

As discussed in the Form 10-K, in June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 MW advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility. In July 2017, Entergy New Orleans submitted a supplemental and amending application to the City Council seeking approval to construct either the originally proposed 226 MW advanced combustion turbine, or alternatively, a 128 MW unit composed of natural gas-fired reciprocating engines and a related cost recovery plan. In March 2018 the City Council adopted a resolution approving construction of the 128 MW unit. The targeted commercial operation date is January 2020, subject to receipt of all necessary permits. In April 2018 intervenors opposing the construction of the New Orleans Power Station filed with the City Council a request for rehearing, which was subsequently denied, and a petition for judicial review of the City Council's decision, and also filed a lawsuit challenging the City Council's approval based on Louisiana's open meeting law.

Washington Parish Energy Center

As discussed in the Form 10-K, in April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. A procedural schedule has been established, with the deadlines extended and the hearing continued from June 2018 to August 2018 in order to allow the parties an opportunity to reach settlement. In April 2018 the parties filed an unopposed joint motion for consideration of proposed stipulation by the LPSC seeking approval of the signed settlement agreement at the May 16, 2018 LPSC Business and Executive Session. The settlement recommends certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy Louisiana.

Dividends

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its April 2018 meeting, the Board declared a dividend of $0.89 per share, which is the same quarterly
dividend per share that Entergy has paid since the fourth quarter 2017.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the three months ended March 31, 2018 and 2017 were as follows:

	2018	2017
	(In Millions)	
Cash and cash equivalents at beginning of period	$781	$1,188
Cash flow provided by (used in):		
Operating activities	557	529
Investing activities	(974)	(812)
Financing activities	841	178

Net increase (decrease) in cash and cash equivalents	424	(105)
Cash and cash equivalents at end of period	$1,205	$1,083

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Operating Activities

Net cash flow provided by operating activities increased by $28 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to:

- a refund to customers in January 2017 of approximately $71 million as a result of the settlement approved by the LPSC related to the Waterford 3 replacement steam generator project. See Note 2 to the financial statements in the Form 10-K for discussion of the settlement and refund;
- a decrease of $35 million in spending on nuclear refueling outages in 2018 as compared to the same period in 2017; and
- the effect of favorable weather on billed Utility sales.

The increase was partially offset by:

- lower Entergy Wholesale Commodities net revenue, excluding the effect of revenues resulting from the FitzPatrick reimbursement agreement with Exelon, in 2018 as compared to the same period in 2017, as discussed above. See Note 14 to the financial statements in the Form 10-K for discussion of the reimbursement agreement;
- a decrease due to the timing of recovery of fuel and purchased power costs in 2018 as compared to the same period in 2017. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of fuel and purchased power cost recovery;
- proceeds of $23 million received in first quarter 2017 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements in the Form 10-K for discussion of the spent nuclear fuel litigation; and
- a decrease of $14 million in income tax refunds in the first quarter 2018 as compared to the first quarter 2017. Entergy received income tax refunds in 2018 resulting from overpayment of state income taxes and received income tax refunds in 2017 resulting from the carryback of net operating losses.

Investing Activities

Net cash flow used in investing activities increased $162 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to:

- an increase of $137 million in construction expenditures, primarily in the Utility business. The increase in construction expenditures in the Utility business is primarily due to an increase of $83 million in fossil-fueled generation construction expenditures primarily due to higher spending in 2018 on the Lake Charles Power Station project and an increase of $35 million in transmission construction expenditures primarily due to a higher scope of work performed on transmission projects in 2018 as compared to 2017; and
- proceeds of $100 million from the sale in March 2017 of the FitzPatrick plant to Exelon. See Note 14 to the financial statements in the Form 10-K for a discussion of the sale of FitzPatrick.

The increase was partially offset by a decrease of $88 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

Financing Activities

Net cash flow provided by financing activities increased $663 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to long-term debt activity providing approximately $1,772 million of cash in 2018 compared to using approximately $575 million of cash in 2017. Included in the long-term debt activity is $915 million in 2018 for borrowings on the Entergy Corporation long-term credit facility and $475 million in 2017 for the repayment of borrowings on the Entergy Corporation long-term credit facility. The increase was partially offset by Entergy's net repayments of $812 million of commercial paper in 2018 compared

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to net issuances of $744 million of commercial paper in 2017 and a net decrease of $126 million in 2018 in short-term borrowings by the nuclear fuel company variable interest entities.

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

Rate, Cost-recovery, and Other Regulation

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

State and Local Rate Regulation and Fuel-Cost Recovery

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

Federal Regulation

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

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. Entergy Wholesale Commodities also sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of March 31, 2018 (2018 represents the remainder of the year):

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Entergy Wholesale Commodities Nuclear Portfolio

	2018	2019	2020	2021	2022
Energy					
Percent of planned generation under contract (a):					
Unit-contingent (b)	98%	91%	60%	78%	67%
Firm LD (c)	9%	—%	—%	—%	—%
Offsetting positions (d)	(9%)	—%	—%	—%	—%
Total	98%	91%	60%	78%	67%
Planned generation (TWh) (e) (f)	20.7	25.5	17.9	9.7	2.8
Average revenue per MWh on contracted volumes:					
Expected based on market prices as of March 31, 2018	$32.6	$40.6	$44.6	$58.6	$58.8
Capacity					
Percent of capacity sold forward (g):					
Bundled capacity and energy contracts (h)	22%	25%	36%	69%	99%
Capacity contracts (i)	46%	13%	—%	—%	—%
Total	68%	38%	36%	69%	99%
Planned net MW in operation (average) (f)	3,568	3,167	2,195	1,158	338
Average revenue under contract per kW per month (applies to capacity contracts only)	$8.2	$9.1	$—	$—	$—
Total Energy and Capacity Revenues (j)					
Expected sold and market total revenue per MWh	$44.5	$46.1	$45.7	$53.9	$47.6
Sensitivity: -/+ $10 per MWh market price change	$44.4-$44.5	$45.2-$47.0	$42.1-$49.4	$51.7-$56.1	$44.3-$50.9

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

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

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

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

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

(f) Assumes the planned shutdown of Pilgrim on May 31, 2019, planned shutdown of Indian Point 2 on April 30, 2020, planned shutdown of Indian Point 3 on April 30, 2021, and planned shutdown of Palisades on May 31, 2022. Assumes NRC license renewals for two units, as follows (with current license expirations in parentheses):

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Indian Point 2 (September 2013 and now operating under its period of extended operations while its application is pending) and Indian Point 3 (December 2015 and now operating under its period of extended operations while its application is pending). For a discussion regarding the planned shutdown of the Pilgrim, Indian Point 2, Indian Point 3, and Palisades plants, see "Entergy Wholesale Commodities Exit from the Merchant Power Business" in the Form 10-K. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "Entergy Wholesale Commodities Authorizations to Operate Indian Point" 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 March 31, 2018 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of $1.4 million for the remainder of 2018. As of March 31, 2017, a positive $10 per MWh change would have had a corresponding effect on pre-tax income of $22 million for the remainder of 2017. A negative $10 per MWh change in the annual average energy price in the markets based on March 31, 2018 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of ($1.4) million for the remainder of 2018. As of March 31, 2017, a negative $10 per MWh change would have had a corresponding effect on pre-tax income of ($19) million for the remainder of 2017.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At March 31, 2018, based on power prices at that time, Entergy had liquidity exposure of $126 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and $8 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 March 31, 2018, Entergy would have been required to provide approximately $64 million of additional cash or letters of credit under some of the agreements. As of March 31, 2018, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by $319 million for a $1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of March 31, 2018, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy’s accounting for nuclear decommissioning costs, utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund

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investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See Note 1 to the financial statements in the Form 10-K for discussion of new accounting pronouncements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

	2018	2017
	(In Thousands, Except Share Data)	
OPERATING REVENUES		
Electric	$2,248,262	$1,991,740
Natural gas	56,695	43,351
Competitive businesses	418,924	553,367
TOTAL	2,723,881	2,588,458
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	443,296	417,566
Purchased power	396,023	357,768
Nuclear refueling outage expenses	42,760	42,564
Other operation and maintenance	783,585	846,856
Asset write-offs, impairments, and related charges	72,924	211,791
Decommissioning	94,400	114,374
Taxes other than income taxes	165,218	156,353
Depreciation and amortization	347,065	347,265
Other regulatory charges (credits)	42,946	(85,302)
TOTAL	2,388,217	2,409,235
Gain on sale of assets	—	16,270
OPERATING INCOME	335,664	195,493
OTHER INCOME		
Allowance for equity funds used during construction	28,343	19,008
Interest and investment income	16,870	56,549
Miscellaneous - net	(31,356)	(15,189)
TOTAL	13,857	60,368
INTEREST EXPENSE		
Interest expense	182,923	171,089
Allowance for borrowed funds used during construction	(13,265)	(9,042)
TOTAL	169,658	162,047
INCOME BEFORE INCOME TAXES	179,863	93,814
Income taxes	43,663	7,763
CONSOLIDATED NET INCOME	136,200	86,051
Preferred dividend requirements of subsidiaries	3,439	3,446

NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	$132,761	$82,605
Earnings per average common share:		
Basic	$0.73	$0.46
Diluted	$0.73	$0.46
Dividends declared per common share	$0.89	$0.87
Basic average number of common shares outstanding	180,707,575	179,335,063
Diluted average number of common shares outstanding	181,431,968	179,842,053

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

	2018	2017
	(In Thousands)	
Net Income	$136,200	$86,051
Other comprehensive income		
Cash flow hedges net unrealized gain (loss) (net of tax expense (benefit) of $25,349 and ($359))	95,427	(528)
Pension and other postretirement liabilities (net of tax expense of $4,568 and $6,377)	16,574	8,632
Net unrealized investment gain (loss) (net of tax expense of $5,375 and $39,294)	(32,856)	37,827
Other comprehensive income	79,145	45,931
Comprehensive Income	215,345	131,982
Preferred dividend requirements of subsidiaries	3,439	3,446
Comprehensive Income Attributable to Entergy Corporation	$211,906	$128,536

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

	2018	2017
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$136,200	$86,051
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	525,181	531,373
Deferred income taxes, investment tax credits, and non-current taxes accrued	104,607	16,497
Asset write-offs, impairments, and related charges	25,800	145,026
Gain on sale of assets	—	(16,270)
Changes in working capital:		
Receivables	131,150	156,201
Fuel inventory	(16,261)	6,465
Accounts payable	(68,857)	(47,682)
Taxes accrued	(56,301)	(58,832)
Interest accrued	(10,011)	(13,921)
Deferred fuel costs	(76,238)	(7,389)
Other working capital accounts	(28,004)	(7,324)
Changes in provisions for estimated losses	10,744	(4,031)
Changes in other regulatory assets	84,349	47,497
Changes in other regulatory liabilities	(31,380)	(18,324)
Changes in pensions and other postretirement liabilities	(97,418)	(86,430)
Other	(76,168)	(199,514)
Net cash flow provided by operating activities	557,393	529,393
INVESTING ACTIVITIES		
Construction/capital expenditures	(931,479)	(794,448)
Allowance for equity funds used during construction	28,512	19,254
Nuclear fuel purchases	(49,647)	(137,613)
Proceeds from sale of assets	—	100,000
Insurance proceeds received for property damages	1,582	20,909
Changes in securitization account	(7,063)	(963)
Payments to storm reserve escrow account	(1,175)	(480)
Receipts from storm reserve escrow account	—	8,836
Increases in other investments	(406)	(10,377)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	25,493
Proceeds from nuclear decommissioning trust fund sales	1,091,332	513,750
Investment in nuclear decommissioning trust funds	(1,106,094)	(556,161)
Net cash flow used in investing activities	(974,438)	(811,800)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

	2018	2017
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	2,505,726	236,198
Treasury stock	1,952	2,448
Retirement of long-term debt	(734,000)	(811,690)
Changes in credit borrowings and commercial paper - net	(773,177)	908,378
Other	5,193	1,810
Dividends paid:		
Common stock	(160,887)	(156,073)
Preferred stock	(3,439)	(3,446)
Net cash flow provided by financing activities	841,368	177,625
Net increase (decrease) in cash and cash equivalents	424,323	(104,782)
Cash and cash equivalents at beginning of period	781,273	1,187,844
Cash and cash equivalents at end of period	$1,205,596	$1,083,062
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	$185,606	$178,134
Income taxes	($4,297)	($18,044)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2018 and December 31, 2017
(Unaudited)

	2018	2017
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$57,921	$56,629
Temporary cash investments	1,147,675	724,644
Total cash and cash equivalents	1,205,596	781,273
Accounts receivable:		
Customer	616,653	673,347
Allowance for doubtful accounts	(14,515)	(13,587)
Other	163,039	169,377
Accrued unbilled revenues	316,624	383,813
Total accounts receivable	1,081,801	1,212,950
Deferred fuel costs	83,445	95,746
Fuel inventory - at average cost	198,904	182,643
Materials and supplies - at average cost	741,677	723,222
Deferred nuclear refueling outage costs	112,365	133,164
Prepayments and other	231,946	156,333
TOTAL	3,655,734	3,285,331
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	198	198
Decommissioning trust funds	7,115,686	7,211,993
Non-utility property - at cost (less accumulated depreciation)	289,074	260,980
Other	433,868	441,862
TOTAL	7,838,826	7,915,033
PROPERTY, PLANT, AND EQUIPMENT		
Electric	47,515,661	47,287,370
Property under capital lease	620,419	620,544
Natural gas	462,756	453,162
Construction work in progress	2,347,660	1,980,508
Nuclear fuel	857,893	923,200
TOTAL PROPERTY, PLANT, AND EQUIPMENT	51,804,389	51,264,784
Less - accumulated depreciation and amortization	21,701,715	21,600,424
PROPERTY, PLANT, AND EQUIPMENT - NET	30,102,674	29,664,360
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of $455,148 as of March 31, 2018 and $485,031 as of December 31, 2017)	4,851,338	4,935,689
Deferred fuel costs	239,347	239,298
Goodwill	377,172	377,172
Accumulated deferred income taxes	21,144	178,204

Other	195,290	112,062
TOTAL	5,684,291	5,842,425
TOTAL ASSETS	$47,281,525	$46,707,149

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2018 and December 31, 2017
(Unaudited)

	2018	2017
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$1,260,008	$760,007
Notes payable and commercial paper	805,131	1,578,308
Accounts payable	1,260,718	1,452,216
Customer deposits	403,072	401,330
Taxes accrued	158,667	214,967
Interest accrued	177,961	187,972
Deferred fuel costs	58,032	146,522
Obligations under capital leases	1,419	1,502
Pension and other postretirement liabilities	63,612	71,612
Current portion of unprotected excess accumulated deferred income taxes	912,103	—
Other	131,949	221,771
TOTAL	5,232,672	5,036,207
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	4,452,168	4,466,503
Accumulated deferred investment tax credits	217,502	219,634
Obligations under capital leases	21,632	22,015
Regulatory liability for income taxes-net	1,981,963	2,900,204
Other regulatory liabilities	1,563,278	1,588,520
Decommissioning and asset retirement cost liabilities	6,328,664	6,185,814
Accumulated provisions	489,026	478,273
Pension and other postretirement liabilities	2,821,236	2,910,654
Long-term debt (includes securitization bonds of $520,253 as of March 31, 2018 and $544,921 as of December 31, 2017)	15,591,628	14,315,259
Other	409,014	393,748
TOTAL	33,876,111	33,480,624
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	197,799	197,803
COMMON EQUITY		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2018 and in 2017	2,548	2,548
Paid-in capital	5,417,263	5,433,433
Retained earnings	8,493,790	7,977,702
Accumulated other comprehensive loss	(561,498)	(23,531)
Less - treasury stock, at cost (73,953,521 shares in 2018 and 74,235,135 shares in 2017)	5,377,160	5,397,637
TOTAL	7,974,943	7,992,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$47,281,525	$46,707,149

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2018 and 2017
(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, 2016	$—	$2,548	($5,498,584)	$5,417,245	$8,195,571	($34,971)	$8,081,809
Consolidated net income (a)	3,446	—	—	—	82,605	—	86,051
Other comprehensive income	—	—	—	—	—	45,931	45,931
Common stock issuances related to stock plans	—	—	22,083	(19,166)	—	—	2,917
Common stock dividends declared	—	—	—	—	(156,073)	—	(156,073)
Preferred dividend requirements of subsidiaries (a)	(3,446)	—	—	—	—	—	(3,446)
Balance at March 31, 2017	$—	$2,548	($5,476,501)	$5,398,079	$8,122,103	$10,960	$8,057,189
Balance at December 31, 2017	$—	$2,548	($5,397,637)	$5,433,433	$7,977,702	($23,531)	$7,992,515
Implementation of accounting standards	—	—	—	—	576,257	(632,617)	(56,360)
Balance at January 1, 2018	$—	$2,548	($5,397,637)	$5,433,433	$8,553,959	($656,148)	$7,936,155
Consolidated net income (a)	3,439	—	—	—	132,761	—	136,200
Other comprehensive income	—	—	—	—	—	79,145	79,145
Common stock issuances related to stock plans	—	—	20,477	(16,170)	—	—	4,307
Common stock dividends declared	—	—	—	—	(160,887)	—	(160,887)
Preferred dividend requirements of subsidiaries (a)	(3,439)	—	—	—	—	—	(3,439)
Reclassification pursuant to ASU 2018-02	—	—	—	—	(32,043)	15,505	(16,538)
Balance at March 31, 2018	$—	$2,548	($5,377,160)	$5,417,263	$8,493,790	($561,498)	$7,974,943

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2018 and 2017 include $3.4 million and $3.4 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 Months Ended March 31, 2018 and 2017
(Unaudited)

Description	2018	2017	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility electric operating revenues:				
Residential	$892	$705	$187	27
Commercial	596	536	60	11
Industrial	597	565	32	6
Governmental	57	53	4	8
Total billed retail	2,142	1,859	283	15
Sales for resale	69	78	(9)	(12)
Other	37	55	(18)	(33)
Total	$2,248	$1,992	$256	13
Utility billed electric energy sales (GWh):				
Residential	9,287	7,637	1,650	22
Commercial	6,732	6,439	293	5
Industrial	11,405	11,117	288	3
Governmental	608	593	15	3
Total retail	28,032	25,786	2,246	9
Sales for resale	3,244	3,022	222	7
Total	31,276	28,808	2,468	9
Entergy Wholesale Commodities:				
Operating revenues	$419	$553	($134)	(24)
Billed electric energy sales (GWh)	7,885	8,363	(478)	(6)

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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.

Vidalia Purchased Power Agreement

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

ANO Damage, Outage, and NRC Reviews

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

Pilgrim NRC Oversight and Planned Shutdown

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

Spent Nuclear Fuel Litigation

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

Nuclear Insurance

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

Non-Nuclear Property Insurance

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

Employment and Labor-related Proceedings

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

Asbestos Litigation (Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)

See Note 8 to the financial statements in the Form 10-K for information regarding asbestos litigation.

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Entergy Corporation and Subsidiaries
Notes to Financial Statements

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

Regulatory Assets and Regulatory Liabilities

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

Regulatory activity regarding the Tax Cuts and Jobs Act

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

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

Entergy Arkansas

See the Form 10-K for a discussion of the activity of the APSC and Entergy Arkansas after enactment of the Tax Act in December 2017. The APSC granted Entergy Arkansas’s request for clarification regarding the APSC’s order issued after enactment of the Tax Act. The APSC states that its order was not a final determination and that the APSC has made no decision at this time on the appropriate final accounting or ratemaking treatment of the amounts in question.

Consistent with its previously stated intent to return unprotected excess accumulated deferred income taxes to customers as expeditiously as possible, Entergy Arkansas initiated a tariff docket in February 2018 proposing to establish a tax adjustment rider to provide retail customers with certain tax benefits associated with the Tax Act. For the residential customer class, the unprotected excess accumulated deferred income taxes will be returned to customers over a 21-month period from April 2018 through December 2019. For all other customer classes, the unprotected excess accumulated deferred income taxes will be returned to customers over a 9-month period from April 2018 through December 2018. A true-up provision also was included, with any over- or under-returned unprotected excess accumulated deferred income taxes to be credited or billed to customers during the billing month of January 2020, with any residual amounts of over- or under-returned unprotected excess accumulated deferred income taxes to be flowed through Entergy Arkansas’s energy cost recovery rider. In March 2018 the APSC approved the tax adjustment rider effective with the first billing cycle of April 2018.

Entergy Louisiana

See the Form 10-K for a discussion of the activity of the LPSC and Entergy Louisiana after enactment of the Tax Act in December 2017. At the March 2018 LPSC Business and Executive Session, the LPSC staff provided a report on the tax-related rulemaking and invited additional interventions and comments before a proposed rule is issued. The LPSC staff commented that the proposed rule would likely set forth a generic mechanism that can be used by utilities to reflect the effects of the Tax Act in rates and a process by which utilities can propose utility specific treatment, if desired.

See the “Formula Rate Plan Extension Request” discussion below. In the formula rate plan settlement approved by the LPSC in April 2018 the parties agreed that Entergy Louisiana will return to customers one-half of its eligible unprotected excess deferred income taxes from May 2018 through December 2018 and return to customers the other half from January 2019 through August 2022. In addition, the parties agreed that in order to flow back to customers certain other tax benefits created by the Tax Act, Entergy Louisiana would establish a regulatory liability effective January 1, 2018 in the amount of $9.1 million per month until new base rates under the formula rate plan are established, and this regulatory liability will be returned to customers over the next formula rate plan rate-effective period. Entergy Louisiana recorded a $27 million regulatory liability in the first quarter 2018 pursuant to this provision of the settlement. The LPSC staff and intervenors in the settlement reserved the right to obtain data from Entergy Louisiana to confirm the determination of excess accumulated deferred income taxes resulting from the Tax Act and analysis thereof as part of the formula rate plan review proceeding for the upcoming 2017 test year filing.

Entergy Mississippi

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

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

Entergy New Orleans

As discussed in the Form 10-K, after enactment of the Tax Act the City Council passed a resolution ordering Entergy New Orleans to, effective January 1, 2018, record deferred regulatory liabilities to account for the Tax Act’s effect on Entergy New Orleans’s revenue requirement and to make a filing by mid-March 2018 regarding the Tax Act’s effects on Entergy New Orleans’s operating income and rate base and potential mechanisms for customers to receive benefits of the Tax Act. In March 2018, Entergy New Orleans filed its response to that resolution stating that the Tax Act reduced income tax expense from what is presently reflected in rates by approximately $8.2 million annually for electric operations and by approximately $1.3 million annually for gas operations. In the filing, Entergy New Orleans proposed to return to customers from June 2018 through August 2019 the benefits of the reduction in income tax expense and its unprotected excess accumulated deferred income taxes through a combination of bill credits and investments in energy efficiency programs, grid modernization, and Smart City projects. The City Council’s resolution also directed Entergy New Orleans to request that Entergy Services file with the FERC for revisions of the Unit Power Sales Agreement and MSS-4 replacement tariffs to address the return of excess accumulated deferred income taxes. Entergy has submitted filings of this type to the FERC.

System Energy

In a filing made with the FERC in March 2018, Entergy proposed revisions to the Unit Power Sales Agreement, among other agreements, to reflect the effects of the Tax Act. In the filing System Energy proposes to return all of its unprotected excess accumulated deferred income taxes to its customers by the end of 2018.

Fuel and purchased power cost recovery

Entergy Arkansas

Energy Cost Recovery Rider

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from $0.01547 per kWh to $0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Arkansas Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Act. Entergy Arkansas replied to the Arkansas Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Act are appropriately considered in the APSC's separate proceeding looking at potential implications of the new tax law. The APSC general staff filed a reply to the Arkansas Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. In April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation of the issues suggested by the Attorney General in the proceeding at this time. The redetermined rate became effective with the first billing cycle of April 2018.

Entergy Texas

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