Entergy

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Michael A. Krupa
Director
Nuclear Safety & Licensing

April 27, 2000

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, D.C. 20555

SUBJECT: Entergy Corporation Annual Financial Report [10 CFR 50.71(b)]

River Bend Station
Docket No. 50-458
License No. NPF-47

Grand Gulf Nuclear Station
Docket No. 50-416
License No. NPF-29

Arkansas Nuclear One
Units 1 & 2
Docket Nos. 50-313 & 50-368
License Nos. DPR-51 & NPF-6

Waterford 3 Steam Electric Station
Docket No. 50-382
License No. NPF-38

CNRO-2000/00013

Gentlemen:

In accordance with 10 CFR 50.71(b) attached is a copy of the Entergy Corporation 1999 Annual Report containing required financial statements. This submittal is made jointly on behalf of each nuclear unit in the Entergy Operations Inc. system.

Should there be any questions concerning this submittal, please contact L. A. England of our Corporate staff at (601)368-5766.

Sincerely,

M. A Krupa

MAK/LAE/baa
attachment: Entergy 1999 Annual Report
cc: (See next page)

M004

cc: (All Below w/o Attachments)
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Mr. C. M . Dugger (W-3)
Mr. W. A. Eaton (GGNS)
Mr. R. K. Edington (RBS)
Mr. C. G. Anderson (ANO)
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Entergy

ANNUAL REPORT 1999

DOING WHAT WE DO BEST IN A BIG WAY

HIGHLIGHTS
Entergy Corporation and Subsidiaries

(Dollars in millions, except per share amounts)	1999	% Change	1998	% Change	1997
FINANCIAL RESULTS					
Total operating revenues	$8,773	(23.7%)	$11,495	20.5%	$9,539
Earnings applicable to common stock	$ 552	(25.3%)	$ 739	198.1%	$ 248
Earnings per share	$ 2.25	(25.0%)	$ 3.00	191.3%	$ 1.03
Average shares outstanding (in millions)	245.1	(0.5%)	246.4	2.6%	240.2
Net cash flow provided by operating activities	$1,307	(25.4%)	$ 1,753	(2.2%)	$1,793
Net debt	$5,875	8.8%	$ 5,401	(42.9%)	$9,461
DOMESTIC ELECTRIC UTILITY OPERATING DATA					
Retail kilowatt-hour sales (in millions)	100,519	0.3%	100,224	3.2%	97,113
Peak demand (in megawatts)	20,664	0.4%	20,591	5.4%	19,545
Retail customers – year-end (in thousands)	2,522	1.1%	2,495	1.6%	2,455
Total employees – year-end	12,214	(3.8%)	12,697	(25.8%)	17,108

Financial performance measures reflect the divestiture program that Entergy carried out in 1998 and early 1999 as part of its refocused strategy. Earnings per share of $3.00 in 1998 included a $1.00 per share gain on the sale of London Electricity. Divestitures of over $4 billion in assets are also reflected in decreased revenues and cash flows in 1999, compared with 1998 levels. And the divestiture program is the key factor in reduced debt at year-end 1998 and 1999, compared with debt levels in earlier years.

Entergy's refocused strategy, which we adopted in 1998, means doing what we do best in a big way. Our strategy is based on scale and specialization in core competencies – power development and nuclear generation – and renewed attention to our core utility business. Entergy owns, manages, or invests in nearly 30,000 megawatts of electric generation domestically and internationally. Our utilities deliver electricity to 2.5 million customers in Arkansas, Louisiana, Mississippi, and Texas. We're also a leading provider of wholesale energy marketing and trading services. Highlights of the past year include:

- Entergy's 1999 earnings per share from operations were up 8.3 percent over the 1998 level, when adjusted for weather and other one-time items – achieving our target growth rate of 8 to 10 percent.

- Entergy completed the first U.S. purchase of a nuclear plant. Pilgrim Nuclear Station achieved record efficiency and added nearly 6 cents to 1999 earnings per share.

- Our power development business gained a critical advantage by securing a supply of state-of-the-art turbine generators.

- As Entergy continued to improve customer service, utility regulators received 33 percent fewer customer complaints in 1999.

- The enactment of transition plans in Texas and Arkansas helped resolve uncertainty in the utility's transition to competition and reduced our stranded investment exposure.

Dear Entergy Stakeholders:

In its first full year, Entergy's refocused strategy delivered measurable results. A year ago we talked about strategy – today we can talk about successes. A year ago we talked about change – today the story is consistent performance.

Today we are more financially sound, more focused in our strategy, and more disciplined in our decisions. We're delivering better service to our customers, and we're more committed to our communities and to our social and environmental responsibilities.

1999 performance. Entergy earned $2.25 per share in 1999, compared with $3.00 per share in 1998, which included a gain of $1.00 per share on the sale of London Electricity. Entergy's 1999 operational earnings increased more than 8 percent over those in 1998 when the impacts of weather and other one-time items are removed. Given that we have sold over $4 billion in assets, the fact that 1999 operational earnings were up strongly over 1998 is a positive reflection on both our strategy and our ability to execute.

From May 1998, when new management took the helm, through the end of 1999, Entergy's total shareholder return was 17 percent, outpacing the Standard & Poor's (S&P) Electric Companies Index, which returned a negative 6 percent. Nonetheless, with all the successes of 1999, shareholder return cannot be counted among them. Although our stock continued to perform well against our peers in 1999, Entergy's stock price mirrored a bad year for our entire industry. While the NASDAQ and S&P 500 reached record highs, the S&P Electric Companies Index declined 20 percent. In the first two months of 2000, both the S&P 500 and the S&P Electric Companies Index declined, while Entergy under-performed both measures.

While the decline in Entergy and other electric stocks can be blamed on a number of factors, such as rising interest rates, it largely reflects the many uncertainties facing our industry. Our assignments in 2000 are: to clear up as many of the uncertainties facing Entergy as possible, to articulate a clear vision for Entergy

IT'S NOT THE SIZE, IT'S THE

SCALE

following the transition to competition, and to continue to execute and deliver on our commitments.

Focus and specialization. Over the past year, we've become more convinced of the need to focus on wholesale market opportunities. Our strategy is based on specialization in power development and nuclear operations, complemented by a strong utility business. This strategy aligns what we do well with real market opportunities in a defined geographic area: the eastern United States and Europe.

Entergy is the third-largest power producer in the country, with an outstanding record in both nuclear and fossil-fired operations. These are businesses where we can leverage skills that come with our scale.

We believe nuclear power is an important part of this country's future, but ultimately there will be room for only three or four operators. The business is too complex, the risks too high unless you have a very broad organization, and companies with only one or two plants will exit the market. Entergy will benefit not just from a diverse set of skills and an uncommonly deep organization, but also from a large number of assets to manage the operational and financial risk.

Entergy is also one of the largest operators of gas-fired generation in the United States, and we're the nation's biggest purchaser of natural gas. We have a unique opportunity to expand our position in gas-fired generation, because our home state of Louisiana has the biggest domestic natural gas reserves and an extensive pipeline system. To build on our scale advantage, we have secured from General Electric a substantial number of clean, efficient gas-fired turbines with a proven operating record. At the same time, we have moved aggressively to identify and lock down attractive sites for new plants, many in our home region in the Southeast.

Specializing in nuclear and gas-fired generation also builds on another Entergy strength – environmental leadership. While the United States struggles to address global climate change and regional air quality issues, Entergy's generating fleet has emission rates among the lowest in the nation. Nuclear generation produces no carbon dioxide or any other airborne pollutant. Natural gas is the least carbon-intensive fossil fuel, and gas-fired generation also produces significantly lower emissions of sulfur dioxide, nitrogen oxides, and other pollutants, compared with coal-fired generation.

Energy commodity trading is an essential part of our wholesale strategy. Our focus is not proprietary or speculative trading. We trade to manage the price risk associated with our asset-based strategy and to maximize the value of the assets. We continue to believe that both electric and gas trading capabilities are essential. Gas is the underlying commodity used to fuel generation of electricity, and large customers – such as industrial plants and municipal utilities – want access to both gas and electricity in order to manage their energy needs and minimize their risk exposure.

Execution and discipline. A sound strategy is only the beginning – continuous execution is critical. It's easy to stub your toe in this business. An extended outage at a nuclear plant, a power project behind schedule, or being on the wrong side of a trade in a volatile commodity market can not only impair earnings, but also destroy the market's confidence.

We have proven our operating expertise in electric generation and our ability to develop merchant plant projects in competitive markets. But we have not fully proven our ability to manage the price risk or the construction/start-up risk on the scale and scope that our plan contemplates – seven to ten projects under development at all times. In 2000, we will aggressively seek joint ventures or outsourcing arrangements to improve our ability to manage price risk and to manage the construction of the various power plants we have planned.

While we're confident of our strategy, we must be ready to make adjustments as the market changes. We're well aware that the economically irrational actions of competitors can dramatically change what once appeared to be a favorable market opportunity. We are mindful that U.S. power markets could shift quickly from

"We're focused on earning goodwill by improving service to our customers and by making long-term commitments to and investments in our communities."

Chief Executive Officer J. Wayne Leonard at Entergy's Low-Income Customer Assistance Summit in November 1999. The first-of-its-kind summit brought together representatives of low-income advocacy groups, utility regulatory agencies, nonprofit organizations, and Entergy management. The goal was to open a constructive dialogue on how best to meet the needs of Entergy's low-income and disadvantaged customers in Arkansas, Louisiana, Mississippi, and Texas.

tight to overbuilt markets. We must have the discipline to avoid getting caught up in a bigger-is-better game and suffering the "winner's curse" of overbidding for assets.

We must also have the discipline to stick to what we do well. We believe that trying to do everything in-house is a competitive disadvantage. Build-or-buy strategies can be extremely risky, expensive, and time-consuming. To the extent possible, we want to maintain low fixed costs and high operational flexibility. That means we will continuously seek partnerships and outsourcing arrangements to acquire scale or skill advantages without getting bigger, and without diluting our focus or our earnings.

For example, in 1999 we outsourced Information Technology to a world-class provider. We need to be premier in IT, but we don't need to own the technology. In fact, a rapidly changing technology that is not core to our business is a significant distraction.

In 1999, we exited a number of markets – even in our businesses selected for growth – because we could not overwhelm the limited opportunities available or manage the identified risks. In Australia, a relatively small market, we cancelled a high fixed-cost coal project with substantial environmental and market price risks, and we closed our office there.

Finally, discipline means maintaining our focus on satisfying the expectations of our shareholders while meeting our responsibilities to our customers, our lenders, our employees, our communities, and the environment.

Customer service and competition. We intend to remain in the utility business. The utility is not only a stable source of earnings and cash, it is also the point of contact with ultimate customers. Customers will soon have a choice of suppliers, and we have no intention of ceding this market to others. We are not trying to buy goodwill by aggressively advertising, as some of our competitors are doing. We're focused instead on earning goodwill by improving service to our customers and by making long-term commitments to and investments in our communities.

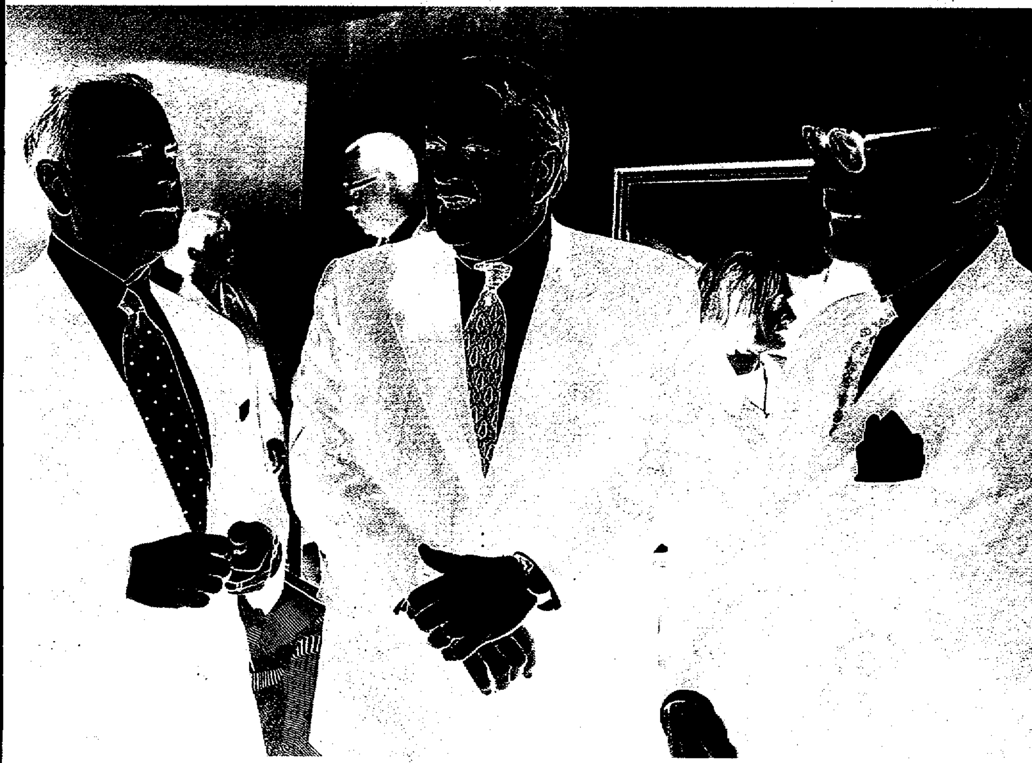
In 1999 we continued to improve performance in all aspects of customer service and reliability. Outages declined 26 percent, and customer complaints declined 33 percent. Our call centers reduced the average response time from about a minute to 15 seconds, and 95 percent of all callers surveyed said they had a favorable experience. While other utilities closed customer service offices, we opened new ones. While more and more utilities centralized operations, we put more and more of the decisions for meeting customer needs close to the people who actually come in contact with the customer.

We believe that the true measure of our performance is how we serve all our customers, including the many in our service area who live on low incomes. We sponsored a low-income summit in New Orleans where we invited low-income advocates and experts to assist us in our efforts.

At the same time, we're working to ensure that we have a fair chance to compete for customers in the future. The enactment of transition legislation in Texas and Arkansas – while a positive procedural step forward – is just the beginning. We are now in the midst of various regulatory filings and planning efforts to implement the transition in these two states. At the same time, we're involved in transition discussions in our other jurisdictions and are hopeful that these will yield positive results this year.

One factor that is critical to creating a competitive market and to realizing the benefits of deregulation is a transmission system that's responsive to market needs. It's increasingly obvious that the Independent System Operator model supported by some will produce a balkanized system lacking appropriate incentives for economic efficiency. Entergy has offered an innovative proposal – an independent transmission company, or Transco, that would operate our system. We were the first utility company to be given permission by the Federal Energy Regulatory Commission to go forward with this plan. We're actively finalizing details, such as pricing mechanisms, and seeking like-minded partners.

"Entergy is the third-largest power producer in the country, with an outstanding record in both nuclear and fossil-fired operations. These are businesses where we can leverage skills that come with our scale."



Chairman Robert v.d. Luft (center) speaks with two new members of Entergy's Board of Directors after the January 2000 Board meeting. Thomas "Mack" McLarty (left) and William Percy have joined the Board in the past year, along with Dennis Reilley, while three veterans – John Cooper, John Palmer, and Robert Pugh have retired. Since 1998, when the Board took decisive action to establish a new direction for Entergy, it has overseen the company's refocused strategy.

Our goals and commitments. As we look to the future, we measure our progress toward clear goals:

- Profitable growth in our wholesale businesses with development of 1,500 megawatts of new generation and acquisition of 1,000 megawatts of nuclear capacity a year.
- Demonstrated success in completing projects that meet our objectives, on time and within budget.
- Successful execution of a strategy to build capabilities that capitalize on our strong position in natural gas.
- Constructive management of the transition to competition in jurisdictions served by our utility companies, to preserve the value of our assets and our ability to compete.
- Continued improvement in the levels of service and reliability we provide our utility customers.
- Continuous improvement in all Entergy operations, and in particular our objective of creating the safest possible work environment, following a 41 percent decline in lost-time incidents in 1999.

Ultimately, we will be measured against our goal of 8 to 10 percent annual earnings growth. To maintain that rate of growth, we will need to manage risks that are new to us, such as changes in commodity prices, particularly prices of natural gas and electricity. We will also need to remain flexible to capture newly available opportunities. These might include acquiring more nuclear plants as they come on the market or selling interests in our current assets if favorable terms are offered.

As we pursue our goals, we are also committed to fulfilling the responsibilities of our corporate citizenship. Our commitment to our communities extends well beyond Entergy's outstanding environmental record, the financial support we provide to our communities, or the countless volunteer hours of our employees.

Entergy's utility service area includes some of the poorest regions of the country. In the Delta Region of Arkansas, Louisiana, and Mississippi, income per capita is half the national average. Here, generation after generation has been caught in an endless cycle of under-funded schools, poor health care, and low wages. Entergy is determined to make a difference in these communities.

A "New Markets Initiative" being considered by Congress is aimed at bringing $15 billion of investment to the Delta and other under-served markets. There is growing bipartisan support for the goals of the initiative. We urge all of you to support this and other efforts not only to create new economic opportunities, but also to provide equal opportunity for our children by improving our nation's health care and public education systems.

Our thanks. We're grateful to you, our stakeholders, for your continued support. We thank the entire Board of Directors for their conscientious effort to question, challenge, and improve our plans and performance, and for their support for our mission to be both financially successful and socially and environmentally responsible. We especially want to recognize three veterans who have retired from the Board – John Cooper, John Palmer, and Bob Pugh – for their counsel and support.

And finally, we thank the management team and the more than 12,000 Entergy employees who prove by their actions every day that "you can count on me." There are a lot of things we do well, but nothing we can't do better. We are all working together to be the best at what we do every day and to make a difference in the communities we serve. We will deliver on our commitments to all our stakeholders, regardless of the obstacles.

Sincerely,

Robert v.d. Luft
Chairman

J. Wayne Leonard
Chief Executive Officer

We're aligning power development and energy marketing in an integrated wholesale strategy. Over the past year, we've refined our power development growth strategy in two ways. Power projects are part of an integrated wholesale energy business that's capitalizing on our position in natural gas and expanding on essential capabilities in energy marketing. We believe success requires focus; therefore, we are concentrating power development activities on a few key geographic areas where we have established strengths.

CONTINUED ON PAGE 14

POWER
DEVELOPMENT

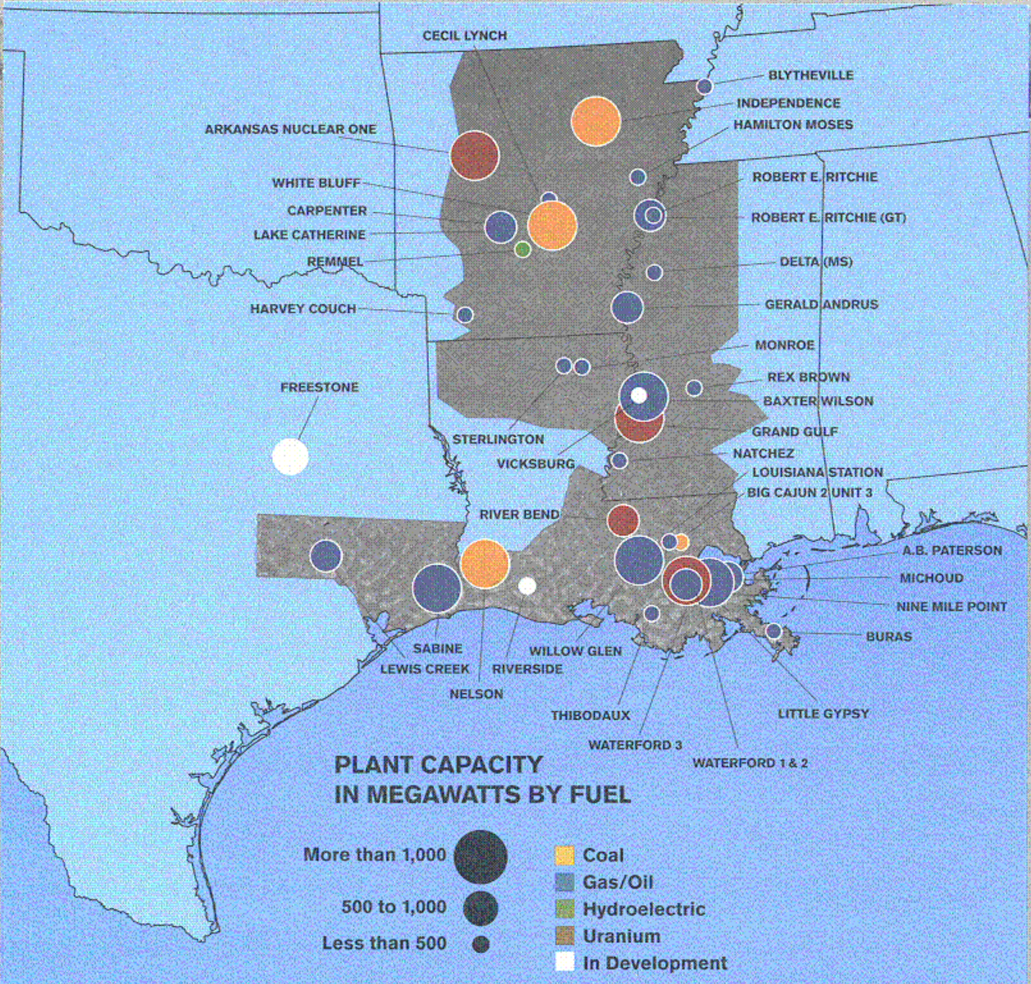
Dave Rutter is director of business development at Entergy Power Group. Dave leads the team that's planning, developing, financing, and constructing the 425-megawatt Riverside project – a joint venture with PPG Industries in Lake Charles, Louisiana.

To integrate our strategic efforts, we've combined Entergy Power Group and Entergy Power Marketing into Entergy Wholesale Operations (EWO). We brought in a new leadership team, closed offices, and combined operations in Houston. We refocused the strategy, exiting Australia and maintaining our position in Latin America, while concentrating efforts on the eastern United States and Europe. Within our areas of focus for power development, our goal is to add more than 1,500 megawatts per year to our portfolio, beginning in 2000. We've allocated $3.9 billion of capital investment to EWO over the next five years to fund projects and opportunities that meet or exceed our risk and return hurdles.

In the fall of 1999, we signed multi-year agreements with General Electric to provide a secure, flexible, economical supply of turbines. The agreements – for 32 gas turbines and four steam turbines – give us competitive advantages in a very tight turbine market. Entergy's scale in power operations enabled us to secure favorable terms and conditions for the agreement. Using consistent technology for our power development projects creates economies of scale and gives us the flexibility to shift resources among our plants. And the GE turbines offer unsurpassed efficiency and environmental benefits.

Commercial operation will begin this year at two state-of-the-art generating plants in the United Kingdom: Saltend and Damhead Creek. These high-efficiency, combined-cycle gas turbine facilities will quickly replace older, higher-cost generation in the market.

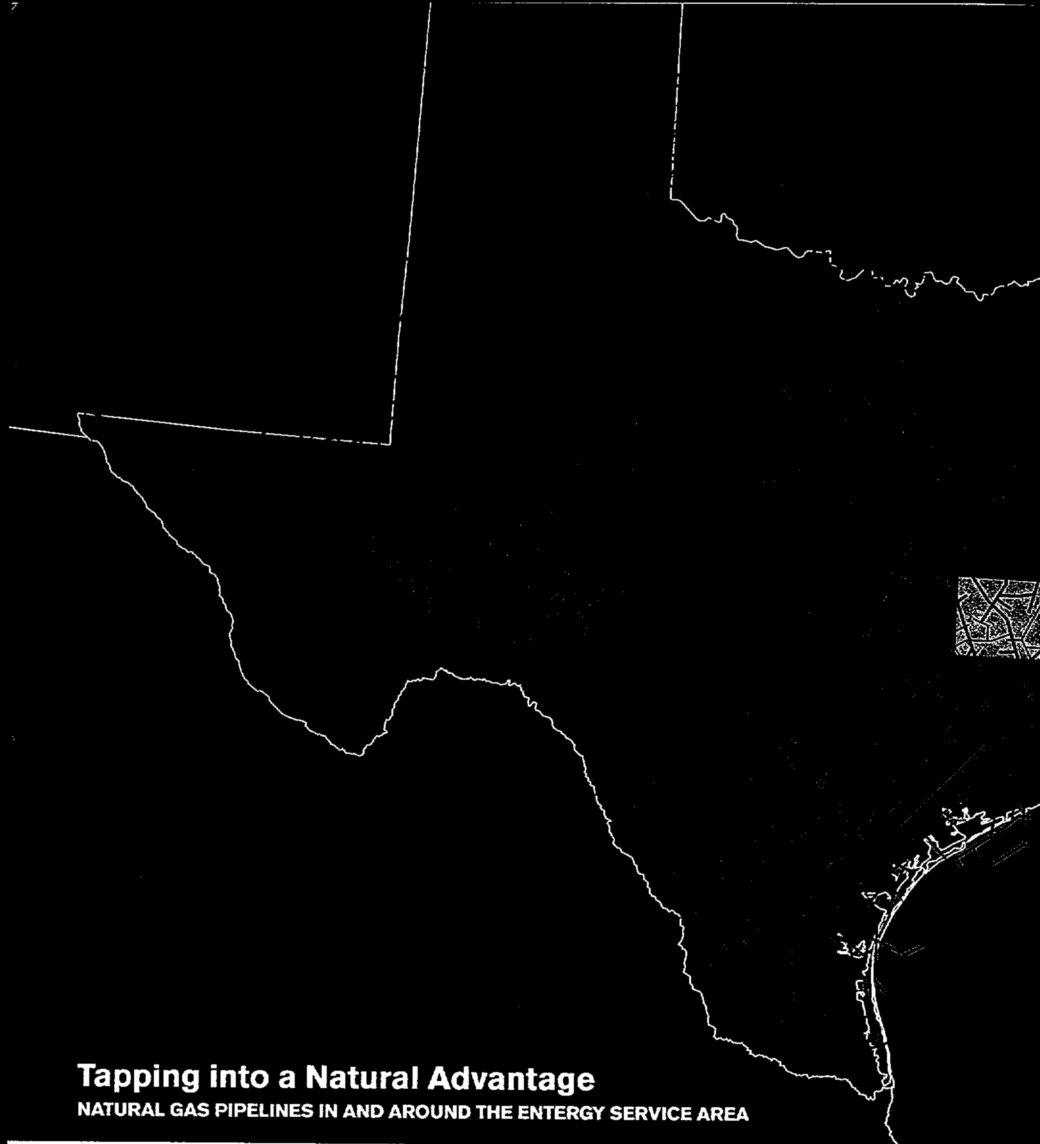
Saltend is a 1,200-megawatt plant – the largest merchant plant built in the United Kingdom to date. Due to construction delays – which should have no impact on the long-term value of the plant – we expect to phase in operations at Saltend and have the full plant on-line in mid-2000. The 800-megawatt Damhead Creek project is expected to reach commercial operation in the fourth quarter of 2000. CONTINUED ON PAGE 18



Building on Our Home Base

ENTERGY GENERATING PLANTS IN AND AROUND OUR UTILITY SERVICE AREA

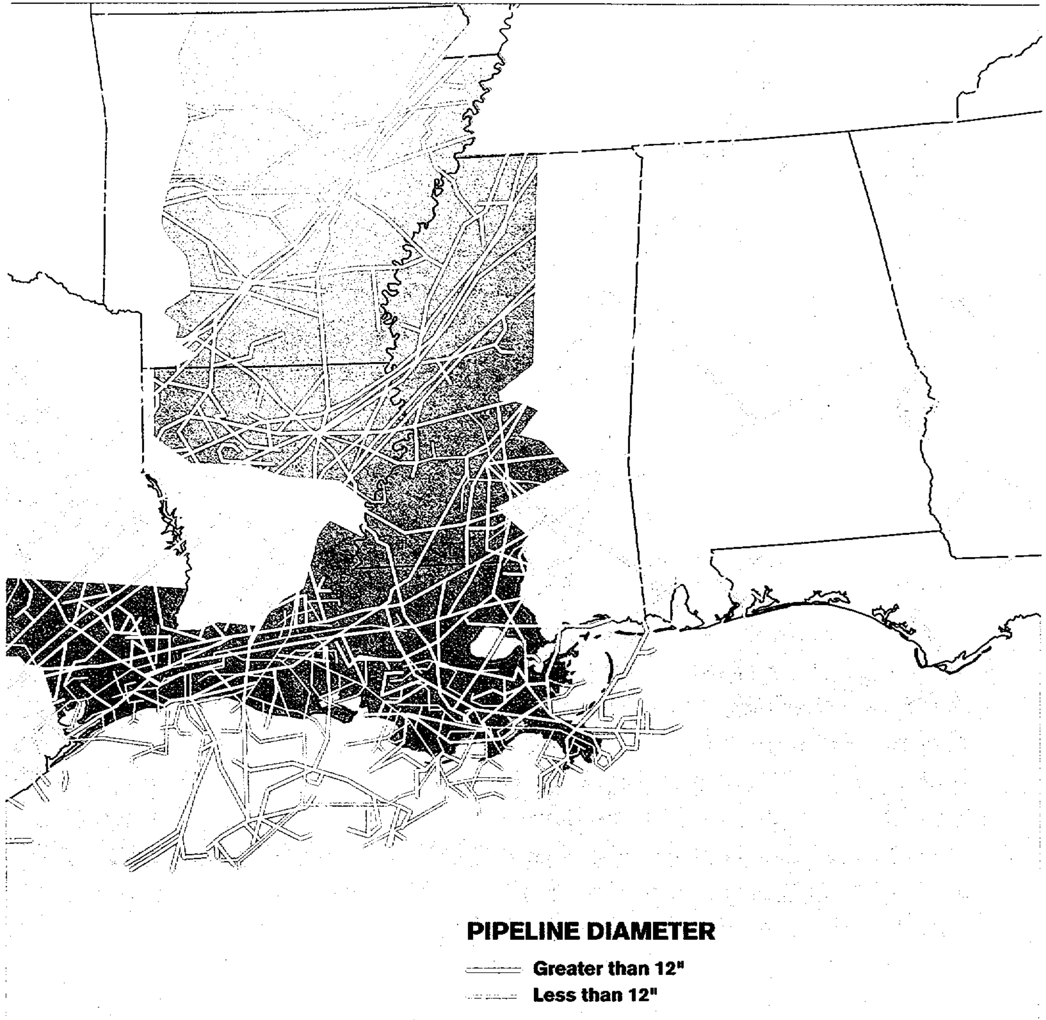
Entergy power development is building on a core strength and focusing on our home base. Entergy owns or leases over 22,000 megawatts of generating capacity in or around our four-state service area. In power development, our primary focus is on our home base. Entergy Wholesale Operations (EWO) expects projects in its home region over the next five years to use more than half of the 32 gas combustion turbines ordered from General Electric. EWO is currently seeking regulatory approvals for a 300-megawatt peaking plant in Vicksburg, Mississippi, planned for operation in 2001. EWO is beginning financing for two additional plants planned for operation in 2002: the 425-megawatt Riverside Plant in Louisiana, jointly owned with PPG Industries, and the 1,000-megawatt Freestone Plant in Texas. In addition, EWO is actively seeking permits for sites inside and outside our service territory for new power plant projects.



Tapping into a Natural Advantage

NATURAL GAS PIPELINES IN AND AROUND THE ENTERGY SERVICE AREA

Entergy's service territory is situated on the largest natural gas supply in the United States. Louisiana alone contains 20 percent of the nation's natural gas resources, with multiple pipelines and significant storage. Entergy maintains one of the largest gas generation fleets in the United States, with 16,000 megawatts of gas-fired generation. Entergy buys more natural gas than anybody else in the United States – more than 425 million mcfs a year. Our wholesale strategy is designed to leverage our strong position in natural gas. We seek to be in a position to seize the considerable arbitrage opportunities in the market – that is, take advantage of changes in the relative prices of gas and electricity. We're pursuing opportunities to create a joint venture that would bring together components of our wholesale business with gas pipeline and marketing operations.


PIPELINE DIAMETER
Greater than 12"
Less than 12"

We're pursuing opportunities to create a joint venture that would bring together components of our wholesale business with gas pipeline and marketing operations. We think Entergy is an attractive partner for a natural gas company, thanks to our 16,000 megawatts of gas-fired generation – the largest fleet in the United States.

We believe that a joint venture makes more sense than paying a premium to acquire natural gas assets or attempting to build capabilities by ourselves. Such a joint venture could catapult Entergy to the top tier of U.S. energy marketers and would immediately contribute to Entergy earnings.

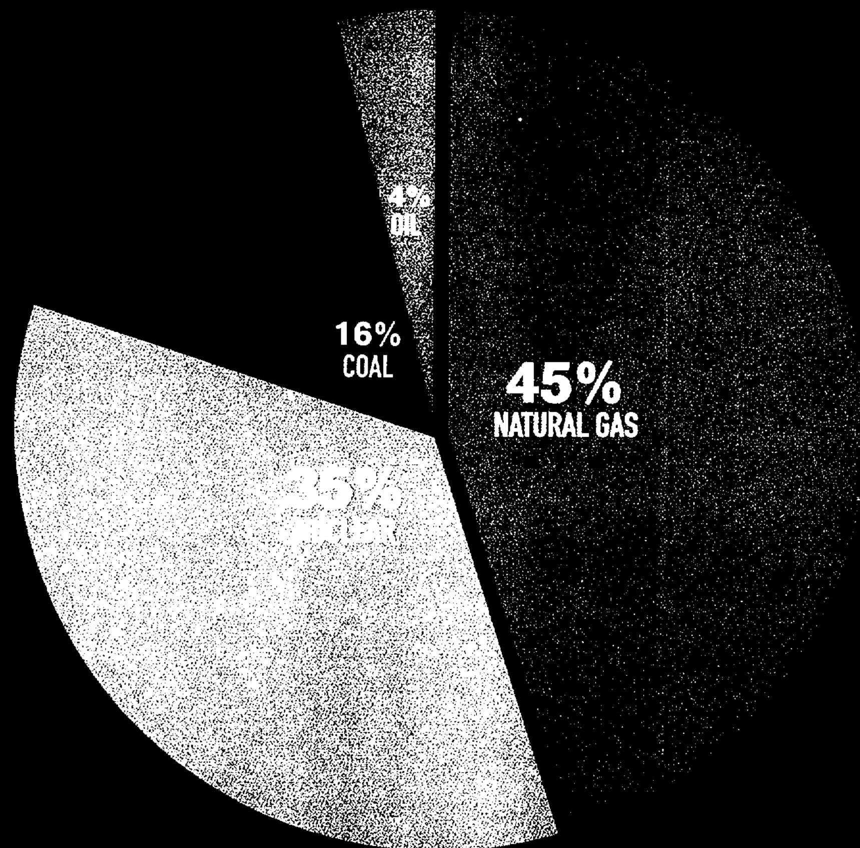
We're tightly focusing our power development activities, making investments in areas where we have developed thorough knowledge of the market and have a unique asset position.

In addition to the United States, another area of focus is Europe. Our objective is to be a major independent supplier to the emerging competitive wholesale electricity markets in targeted European markets. We intend to do this by building a complementary portfolio of generation assets, coupled with state-of-the-art power marketing and trading capabilities. We have a power development team in place with experience on projects in Europe, including two of only three true merchant plants in the United Kingdom, and a power marketing and trading team ranked among the top in the U.K. by an industry publication. In January 2000, EWO proposed development of an 800-megawatt natural gas-fired combined cycle merchant power plant in Spain. Financial close could be as early as 2001, with commercial operation projected to begin in 2004.

As we focused on expanding our presence in Europe and the United States in 1999, we exited from Australia. Our decision to withdraw from the Tarong coal project there is an example of the discipline we're applying to power development. While the project was attractive, there were significant risks we couldn't quantify or control, which created uncertainty about achieving our financial objectives.

Clean, Competitive Electric Generation

SOURCES AND RELATIVE EMISSIONS OF ENTERGY'S DOMESTIC GENERATION



	100 LARGEST UTILITIES		ENTERGY
	High	Average	
Sulfur Dioxide	30.0	7.6	2.6
Nitrogen Oxide	10.0	3.7	2.4
Carbon Dioxide	2,534	1,509	1,228

EMISSIONS IN POUNDS PER MEGAWATT-HOUR OF ELECTRICITY PRODUCED
Source: Natural Resources Defense Council, based on 1996 statistics; Entergy statistics for 1999

Entergy's generating plants have an environmental edge. Clean natural gas and nuclear generation provide 80 percent of Entergy's total production. While potential environmental restrictions related to ozone and global climate change have created uncertainty for many utilities, Entergy is in a favorable position to meet new standards. Per unit of energy, combustion of natural gas emits 42 percent less carbon dioxide than coal, while nuclear generation produces no CO_2. Entergy's sulfur dioxide emission rate is about two-thirds lower than the average for the 100 largest U.S. utilities, and our nitrogen oxide emission rate about one-third lower. Emerging environmental standards not only align well with our current generation portfolio but also support our growth strategies to develop gas-fired generation and to own and operate nuclear plants.

NUCLEAR GENERATION

Marla Hill is an electrician at Arkansas Nuclear One and coordinator of ANO's Industrial Safety Team. ANO was the first, and is still the only nuclear site in the nation, to win VPP STAR status from the U.S. Occupational Safety and Health Administration.

DER

We're building the premier national nuclear company on our proven expertise. In a year when Entergy completed the nation's first nuclear plant purchase, we continued to build the leading national nuclear company with bidding, negotiations, and agreements in process on several additional plants.

We identified nuclear generation as a core strength when we developed our refocused strategy in 1998. We recognized that Entergy is among a select group of premier operators that can benefit from consolidation in the nuclear industry. As a national nuclear operator, we can capture economies of scale and reduce risk.

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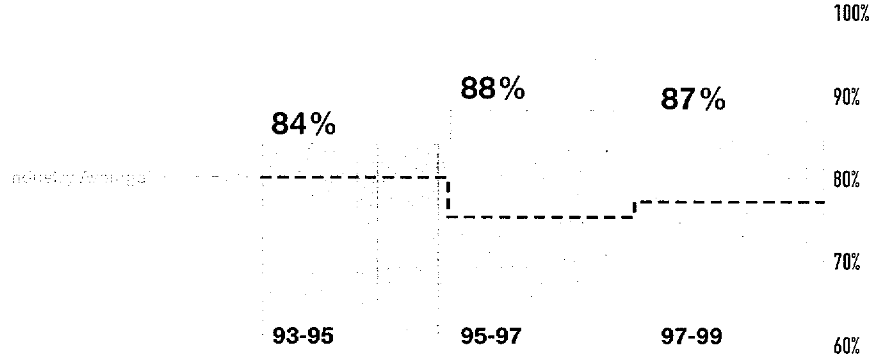
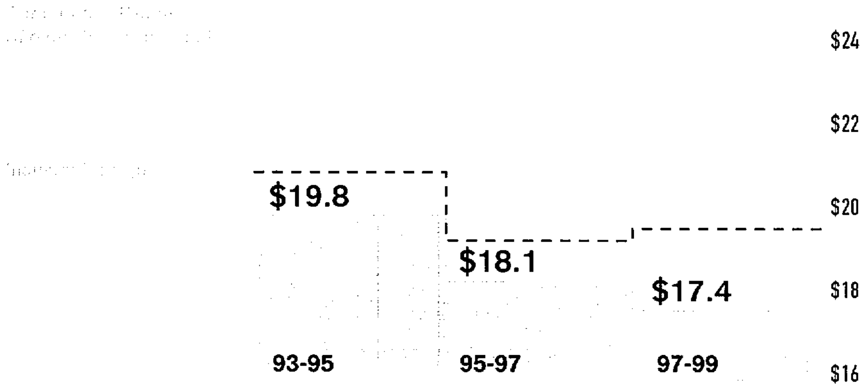
A Premier Nuclear Operator

ENTERGY'S NUCLEAR CAPACITY FACTOR – REGULATED PLANTS



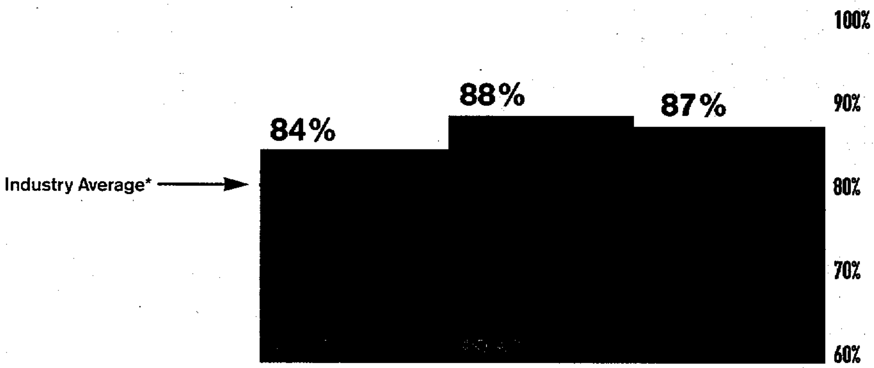
ENTERGY'S NUCLEAR PRODUCTION COSTS – REGULATED PLANTS



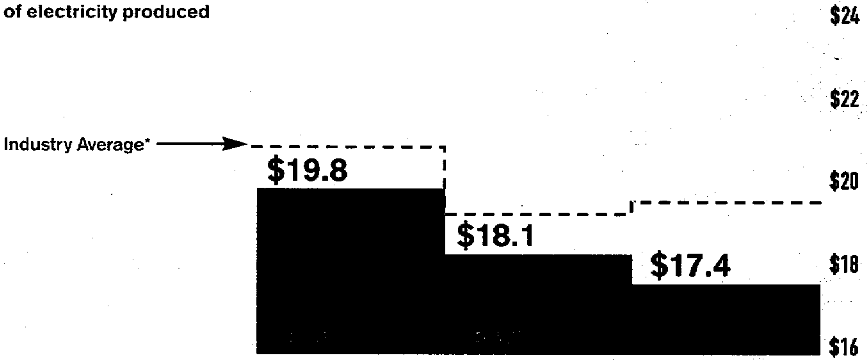
Entergy's regulated nuclear plants rank among the nation's best in reliability, safety, and cost efficiency. [illegible] wholesale generation in a market where few companies have competitive expertise.

A Premier Nuclear Operator

ENTERGY'S NUCLEAR CAPACITY FACTOR – REGULATED PLANTS



ENTERGY'S NUCLEAR PRODUCTION COSTS – REGULATED PLANTS
Per megawatt-hour
of electricity produced



*Industry information not available for 1999; in charts above, industry average for 1996–1998 is used for comparison with Entergy figures for 1997–1999.

Entergy's regulated nuclear plants rank among the nation's best in reliability, safety, and cost efficiency. In the past three years, Entergy's nuclear plants operated at an 87 percent combined capacity factor – a comparison of the plants' actual power output with their maximum capacity. A select group of premier nuclear operators will have the opportunity to create value by improving performance at nuclear plants. We will apply our expertise in plant operations, and add economies of scale as our fleet grows. By expanding our nuclear portfolio, we can seize a unique opportunity to add nuclear wholesale generation in a market where few companies have competitive expertise.

Entergy Nuclear, Inc. (ENI) can capture upside opportunities by applying our expertise to operate plants more efficiently, by making improvements that increase generating capacity, and by extending plants' useful lives. ENI can realize further upside opportunities through synergies with the Entergy Wholesale Operations strategy, such as construction of gas-fired generation on nuclear plant sites and power marketing.

We believe that the competition for nuclear plants is limited to a few operators with records of running plants safely and at high capacity factors. We believe that a typical large plant can contribute to earnings per share within the first year following acquisition. While we seek to manage our financial risk with power purchase agreements – as we have done in our purchase of Pilgrim Nuclear Station – we want to invest in plants that will be competitive after any such agreements expire.

We have evaluated all the nuclear plants in the United States and have a thorough understanding of each unit's strengths and weaknesses. As the transition to competition continues across the United States, we believe companies with one or two plants will divest their nuclear assets. We've begun to see that happening, and we expect a great deal of activity in the next 18 months.

Pilgrim Nuclear Station joined our fleet in July, when Entergy and Boston Edison closed the nation's first nuclear plant sale, less than eight months after the companies agreed to transfer ownership. Operations at the 670-megawatt plant have exceeded our expectations. Pilgrim was the primary driver in 1999 earnings per share of 6 cents from our nuclear growth business.

Since we acquired Pilgrim, it has operated at a 92 percent capacity factor – a comparison of a plant's actual power output with its maximum capacity – through the end of 1999. In fact, December 1999 was the best month of operations in Pilgrim's history, as the plant operated at 99.9 percent of capacity.

Our capital investment plan includes $1.7 billion to purchase and operate additional nuclear plants over the next five years. We expect to acquire five to eight plants, mostly in the Northeast and Midwest, more than doubling our nuclear capacity to more than 10,000 megawatts.

We're making progress in the Northeast – one of our key regions of interest for nuclear expansion. In February 2000, ENI reached agreement with the New York Power Authority to buy NYPA's FitzPatrick and Indian Point 3 nuclear power plants, which have a combined capacity of 1,800 megawatts. On February 24, 2000, another party presented an unsolicited bid. Subsequently, Entergy and the other party revised their offers. The NYPA Board of Trustees is considering both revised offers. Acquiring Indian Point 3 would favorably position Entergy to pursue acquisition of the 1,000-megawatt Indian Point 2 plant. Consolidated Edison recently announced its intention to sell that unit.

In December, ENI contracted with Rochester Gas and Electric Corporation to lease and operate the two Nine Mile Point nuclear plants, with a total of 1,754 megawatts of generating capacity. RG&E exercised its right of first refusal to acquire a controlling interest in Nine Mile Point 2 and to buy Nine Mile Point 1 from Niagara Mohawk. ENI intervened as a party to a proceeding filed with the New York Public Service Commission regarding the sale of ownership interests to a third party. In the proceeding, the staff of the New York Public Service Commission stated that it will explore various alternatives for the future ownership and operation of the Nine Mile plants.

Another aspect of our nuclear strategy is applying our expertise to manage decommissioning for nuclear plants that are ceasing operations, as an additional source of earnings and knowledge. We've been managing nuclear plant decommissioning activities at the Maine Yankee plant since 1998. And in June, we landed our second decommissioning contract at Northeast Utilities' Millstone Unit 1 in Connecticut, where we are pursuing ownership of Units 2 and 3.

Growth Opportunities in Nuclear Operations

U.S. NUCLEAR GENERATING PLANTS

Entergy is building a national nuclear strategy. In a competitive U.S. market, only a few companies will have the skilled personnel and scale of operations necessary to successfully operate nuclear power plants. Opportunities abound with 38 utilities operating 64 sites, mostly in the eastern United States. Entergy's nuclear growth strategy is focused on the Northeast and Midwest. We own and operate six nuclear units, and we have contracts to manage decommissioning at two other units. We have reached agreements to purchase two additional units and to operate two others, and we are among the bidders for another.

Steve Young is a journeyman lineman in the Clinton Network in Mississippi. Steve has been with Entergy for 15 years. He represents the customer focus and solid work ethic behind Entergy's improved customer service and reliability.

UTILITY OPERATIONS

RVI

We're focusing on service and reliability in our core utility business. Entergy's utility operations remain the backbone of our company. The utility represents nearly 85 percent of our assets, contributes over 90 percent of our earnings, and is an important source of cash as we build our growth businesses. It's also important as a point of contact with all types of customers –

we know that success in our wholesale energy businesses requires knowing what customers want.

While our utility business will shrink as the generation component is deregulated, we believe that the distribution business remains a source of value and potential growth. We're experiencing 4 percent annual growth in the commercial and residential segments of our utility business. The strong relationships we continue to build with our retail customers today will be of critical importance tomorrow when customers will be able to choose their retail energy provider.

Our success depends on strong customer relationships, based on reliability, excellent service, competitive prices, and trust. We've allocated $4.2 billion of capital investment over the next five years to our utility business. We have worked with regulators to identify needs and to plan investments in our system to improve reliability and customer service.

Service interruption frequency is down 26 percent from 1998, and complaints to regulators have followed that downward trend. We're also bringing service decision-making closer to the customer – bucking the trend among utilities across the country. While other utilities are closing customer service offices, we've opened them.

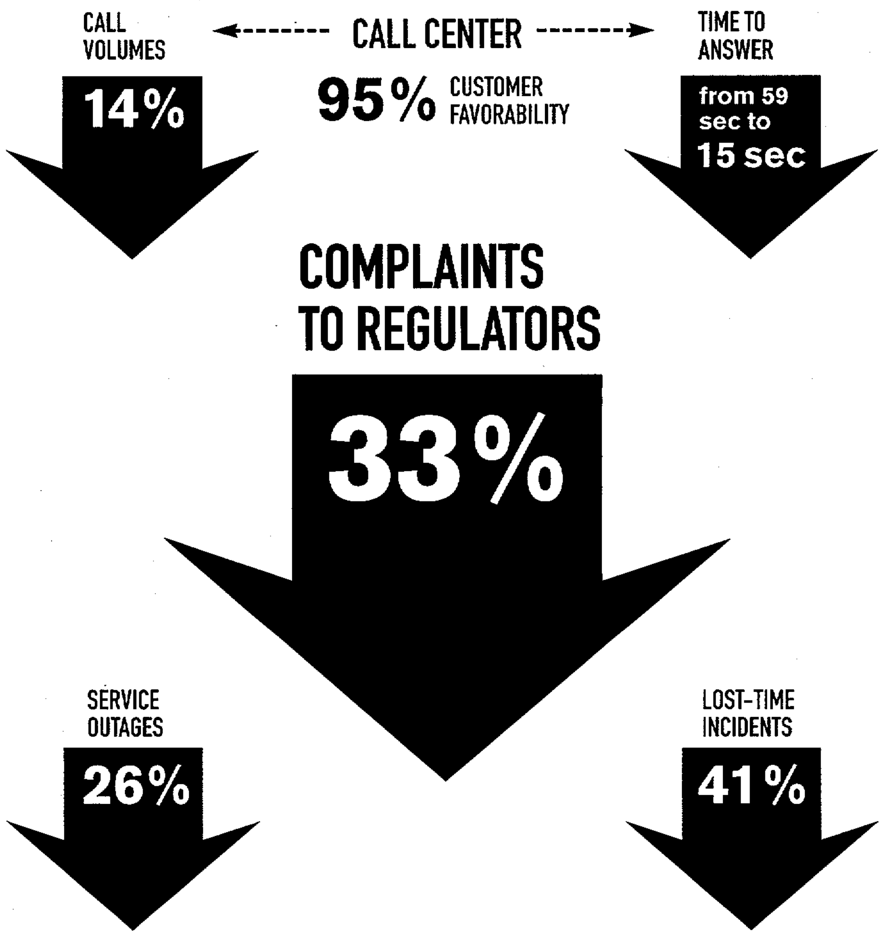
Our demonstrated commitment to customer service is reflected in improved relationships with regulators and other public officials. These relationships are critical to the progress we've made in reducing regulatory and legislative uncertainty in the states where Entergy has utility operations and in our successful transition to competition.

We're focusing on competition, and we've formed a new Transition to Competition Team to lead this effort. In 1999, constructive transition legislation was enacted in Texas and Arkansas, reducing Entergy's potential stranded investment exposure and helping to set a positive precedent for other states. In early 2000, we made the initial filings required by the transition legislation in Arkansas and Texas. We're creating a new competitive retail energy

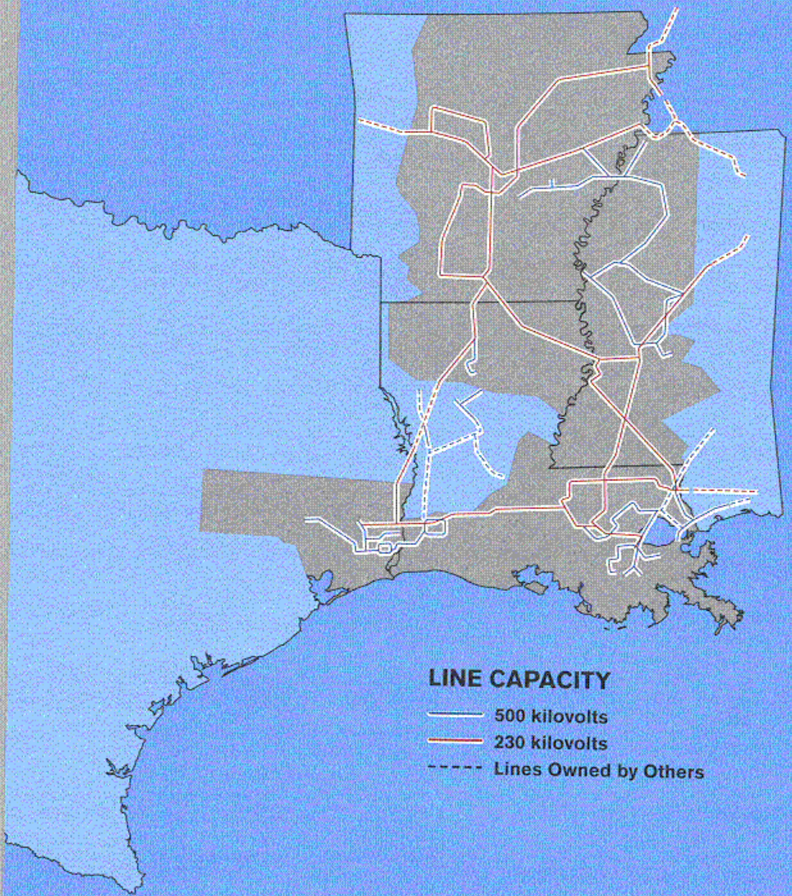
CONTINUED ON PAGE 31

All Signs Point to Improved Service

IMPROVEMENTS IN CUSTOMER SERVICE, 1999 VS. 1998



Entergy is improving service and reliability for utility customers, and they're responding with higher favorability ratings and fewer complaints. The success of Entergy's utility business depends on customer service, reliability, competitive price, and trust. Our ability to work with regulators, in turn, depends on a demonstrated commitment to customer service. Beginning in 1998, we refocused on our core utility business – and our customers. Since that time, we've made substantial investments in improved reliability and customer service, we've improved employee safety, and we've hired more than 500 employees in customer service areas.



Enhancing the Value of Transmission

ENTERGY'S ELECTRIC TRANSMISSION SYSTEM AND UTILITY SERVICE AREA

L-2

Entergy's innovative Transco proposal provides transmission for a competitive generation market. Entergy's transmission system comprises 15,500 miles of interconnected lines, with a book value of $1.6 billion. To support the transition to competitive markets for electric generation, Entergy has proposed an independent transmission company – or Transco – that would operate our system. Transmission assets would be operated by the Transco, in exchange for a passive ownership stake, so we could maintain a stream of earnings from our system and plan any eventual divestiture to realize its full value. At the same time, the Transco structure would help provide an efficient market for generation. The Transco would have a profit incentive to maintain high reliability standards, and it could fund construction of its own facilities to alleviate congestion.

service provider in preparation for retail open access in those states by January 2002.

In Louisiana, we hope to bring an agreement on transition issues to state regulators later this year. Restructuring discussions are also ongoing in Mississippi, although no legislation is expected in the near term.

Electric transmission is a key issue in the transition to competition. Federal and state regulators are focusing on the ownership and operation of utilities' transmission systems, seeking to ensure that all competitive generating companies have access to an efficient market for their power. We need to resolve the transmission issue by January 1, 2002. Our goal is to create a solution that allows us to realize the full value of our investment in transmission, and to create a structure that provides reliable transmission for all users.

Entergy has proposed an independent, incentive-driven transmission company – or Transco – that would control and operate Entergy's transmission system and those of other companies. The Transco would be a limited liability company, governed by an independent board with no ties to Entergy or to any power market participant. Transco employees would be subject to a code of conduct approved by the Federal Energy Regulatory Commission (FERC).

In response to our request for guidance, FERC ruled in July 1999 that a Transco like ours can be acceptable under requirements for ISOs. Our Transco is also consistent with FERC's rule, issued at year-end, requiring utilities to join regional transmission organizations. Based on this positive guidance, we're proceeding to develop our proposal – focusing on issues of structure and transmission pricing – and seeking participation of additional transmission owners. We expect to complete federal and state regulatory approval processes and have the Transco operational no later than January 1, 2002.

Building on success to create value. In 2000 and beyond, Entergy's refocused strategy will build on our initial success of the past year and will continue to create value for shareholders.

We begin 2000 with a strong cash position made possible by the successful divestiture of $4.6 billion in non-core assets in 1998 and early 1999. With expected strong cash flow over the 2000–2004 period, Entergy will be able to maintain a strong cash position and sound financial integrity, even after funding execution of our strategy.

Initially, our wholesale and nuclear businesses will consume cash to fuel growth, but over the five-year period these businesses are expected to yield over $1.1 billion of operating cash flow. And during the same period, the utility should yield about $6.3 billion of cash from operations.

In July 1999, the Board of Directors authorized the purchase of up to $750 million of Entergy common stock. We expect to take 18 to 24 months from date of authorization to complete the program. The stock buyback reflects confidence in our strategy and in our ability to execute it – making Entergy stock a sound investment.

We're moving forward with a sense of urgency, driven by the challenges of competition that are now upon us. Our goals for the next five years include:

- Developing scale and skills in our competitive businesses – with the development of 1,500 megawatts of new generation and the acquisition of 1,000 megawatts of nuclear capacity a year – and maintaining high levels of performance to achieve strong earnings growth.
- Managing the transition to competition in our utility business to enhance the value of our assets and our ability to compete in the new environment, with a strategy based on outstanding customer service.
- Delivering premier returns to shareholders, with annual earnings growth of 8 to 10 percent and strong cash flow over the next five years.

FINANCIAL REVIEW
Entergy Corporation and Subsidiaries

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA

Entergy Corporation and Subsidiaries

In thousands, except percentages and per share amounts	1999	1998[a]	1997[b]	1996[c]	1995
SELECTED FINANCIAL DATA AS REPORTED:					
Operating revenues	$ 8,773,228	$11,494,772	$ 9,538,926	$ 7,163,526	$ 6,273,072
Consolidated net income	$ 595,026	$ 785,629	$ 300,899	$ 490,563	$ 562,534*
Earnings per share	$ 2.25	$ 3.00	$ 1.03	$ 1.83	$ 2.13*
Dividends declared per share	$ 1.20	$ 1.50	$ 1.80	$ 1.80	$ 1.80
Book value per share, year-end	$ 29.78	$ 28.82	$ 27.23	$ 28.51	$ 28.41
Common shares outstanding:					
At year-end	239,037	246,620	245,842	232,960	227,766
Weighted average	245,127	246,396	240,208	229,084	227,670
Total assets	$22,985,087	$22,836,694	$27,000,700	$22,956,025	$22,265,930
Long-term obligations[d]	$ 7,252,697	$ 7,349,349	$10,154,330	$ 8,335,150	$ 7,484,248
Preferred and preference stock	$ 558,105	$ 655,978	$ 673,460	$ 797,941	$ 954,415
Long-term debt (excluding currently maturing debt)	$ 6,612,583	$ 6,596,617	$ 9,068,325	$ 7,590,804	$ 6,777,124
Return on average common equity	7.77%	10.71%	3.71%	6.41%	8.11%
Cash from operations	$ 1,307,369	$ 1,752,698	$ 1,792,771	$ 1,580,253	$ 1,541,438
DOMESTIC UTILITY ELECTRIC REVENUES:					
Residential	$ 2,231,091	$ 2,299,317	$ 2,271,363	$ 2,277,647	$ 2,177,348
Commercial	1,502,267	1,513,050	1,581,878	1,573,251	1,491,818
Industrial	1,878,363	1,829,085	2,018,625	1,987,640	1,810,045
Governmental	163,403	172,368	171,773	169,287	154,032
Total retail	5,775,124	5,813,820	6,043,639	6,007,825	5,633,243
Sales for resale	397,844	448,842	359,881	376,011	334,874
Other	98,446	(126,340)	135,311	67,104	119,901
Total	$ 6,271,414	$ 6,136,322	$ 6,538,831	$ 6,450,940	$ 6,088,018
DOMESTIC UTILITY ELECTRIC SALES: (Millions of KWH)					
Residential	30,631	30,935	28,286	28,303	27,704
Commercial	23,775	23,177	21,671	21,234	20,719
Industrial	43,549	43,453	44,649	44,340	42,260
Governmental	2,564	2,659	2,507	2,449	2,311
Total retail	100,519	100,224	97,113	96,326	92,994
Sales for resale	9,714	11,187	9,707	10,583	10,471
Total	110,233	111,411	106,820	106,909	103,465

* Represents income before cumulative effect of accounting changes.

(a) Includes the effects of the sale of London Electricity and CitiPower in December 1998.

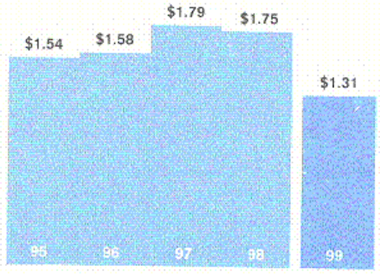
(b) Includes the effects of the London Electricity acquisition in February 1997.

(c) Includes the effects of the CitiPower acquisition in January 1996.

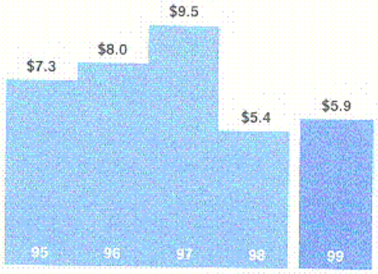
(d) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, preference stock, preferred securities of subsidiary trusts and partnership, and noncurrent capital lease obligations.

EARNINGS PER SHARE
In Dollars

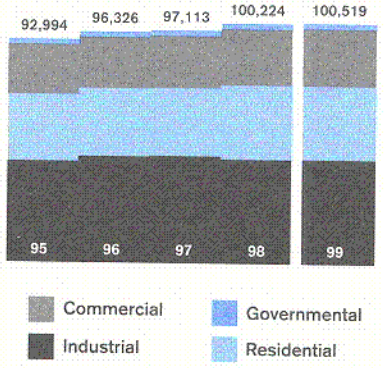
CASH FROM OPERATIONS
In Billions of Dollars



NET DEBT
In Billions of Dollars



DOMESTIC UTILITY RETAIL
ELECTRIC SALES In Millions of KWH



FORWARD-LOOKING INFORMATION

Investors are cautioned that forward-looking statements contained herein with respect to the revenues, earnings, competitive performance, or other prospects for the business of Entergy Corporation or its affiliated companies may be influenced by factors that could cause actual outcomes to be materially different than anticipated. Such factors include, but are not limited to, the effects of weather, the performance of generating units, the risk of owning and operating nuclear plants, fuel prices and availability, regulatory decisions and the effects of changes in law, litigation results, capital spending requirements, the evolution of competition, changes in technology, changes in accounting standards, changes in capital structure and ownership of assets, risks associated with the electricity and other energy commodity markets, interest rate changes and changes in financial markets generally, changes in foreign currency exchange rates, and other factors.

C.3

GLOSSARY

BOSTON EDISON

Boston Edison Company. In July 1999, Entergy's non-utility nuclear power business purchased the Pilgrim Nuclear Station from Boston Edison.

CITIPOWER

CitiPower Pty., an electric distribution company serving Melbourne, Australia and surrounding suburbs, which was acquired by Entergy effective January 5, 1996 and was sold by Entergy effective December 31, 1998.

DOMESTIC UTILITY COMPANIES

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively.

ENTERGY

Entergy Corporation and its various direct and indirect subsidiaries.

ENTERGY CORPORATION

Entergy Corporation, a Delaware corporation.

ENTERGY GULF STATES

Entergy Gulf States, Inc., including its wholly owned subsidiaries – Varibus Corporation, GSG&T, Inc., Prudential Oil & Gas, Inc., and Southern Gulf Railway Company.

ENTERGY LONDON

Entergy London Investments plc, formerly Entergy Power UK plc (including its wholly owned subsidiary, London Electricity plc), which was sold by Entergy effective December 4, 1998.

LONDON ELECTRICITY

London Electricity plc – a regional electric company serving London, England, which was acquired by Entergy London effective February 1, 1997 and was sold by Entergy effective December 4, 1998.

MERGER

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

PILGRIM

Pilgrim Nuclear Station, 670 MW facility located in Plymouth, Massachusetts purchased in July 1999 by Entergy's non-utility nuclear power business.

SYSTEM ENERGY

System Energy Resources, Inc.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Operations

Net cash flow from operations totaled $1.3 billion, $1.8 billion, and $1.8 billion for the years ended December 31, 1999, 1998, and 1997, respectively.

Entergy's consolidated cash flow from operations decreased as compared to 1998 primarily due to less cash provided by competitive businesses. The decrease was also due to the completion of rate phase-in plans for some of the domestic utility companies during 1998.

In 1999, competitive businesses used $9.3 million of operating cash flow from operations compared with $151.7 million they contributed in 1998. This change was primarily due to the sales of London Electricity and CitiPower in December 1998. Both businesses contributed operating cash flow in 1998 but did not contribute at all in 1999. Offsetting the decrease in operating cash flow in 1999 are the sales of Efficient Solutions, Inc. in September 1998 and Entergy Security, Inc. in January 1999. These businesses used operating cash flow in 1998 and used none in 1999. Also, the power marketing and trading business used less operating cash flow in 1999 than in 1998.

In prior years, rate phase-in plans for some of the domestic utility companies contributed to cash flow from operations. But Entergy Gulf States' Louisiana retail phase-in plan for River Bend was completed in February 1998, Entergy Mississippi's phase-in plan for Grand Gulf 1 was completed in September 1998, and Entergy Arkansas' phase-in plan for Grand Gulf 1 was completed in November 1998. Therefore, these phase-in plans did not contribute to operating cash flow in 1999. Entergy New Orleans' phase-in plan for Grand Gulf 1 will be completed in 2001.

Investing Activities

Net cash provided by investing activities decreased in 1999 due to the sales in 1998 of London Electricity and CitiPower, and higher construction expenditures in 1999. The increased construction expenditures were primarily due to construction of the Saltend and Damhead Creek power plants by Entergy's global power development business, spending on customer service and reliability improvements by the domestic utility companies, and the return to service of generation plants at Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans.

The following items partially offset the overall decrease:

• $947.4 million of the proceeds from the sale of London Electricity in 1998 was used to purchase notes receivable which matured in August 1999. Upon maturity, $321.4 million of the proceeds was reinvested in other temporary investments consisting of U.S. dollar-denominated commercial paper and bank deposits; and

- the sales of Entergy Security, Inc. in January 1999 and Entergy Power Edesur Holding, LTD and several telecommunications businesses in June 1999.

Financing Activities

Net cash used in financing activities decreased in 1999 primarily due to:

- the retirement in 1998 of debt associated with the acquisition of London Electricity and CitiPower;
- a reduction in dividend payments made by Entergy Corporation in 1999 compared to 1998.

Partially offsetting the overall decrease were the following uses:

- the 1999 repayment of bank borrowings by Entergy Corporation and Entergy Technology Holding Company (ETHC) with a portion of the proceeds from the sale of Entergy Security, Inc.;
- the redemption of preferred stock in 1999 at Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana; and
- the repurchase of Entergy Corporation common stock.

CAPITAL RESOURCES AND OUTLAYS

Entergy requires capital resources for:

- construction/capital expenditures;
- debt and preferred stock maturities;
- capital investments;
- funding of subsidiaries; and
- dividend and interest payments.

For the years 2000 through 2004, Entergy plans to spend $9.8 billion in a capital investment plan focused on improving service at the domestic utility companies and growing its global power development and nuclear operations businesses. The estimated allocation in the plan is $4.2 billion to the domestic utility companies, $3.9 billion to the global power development business, and $1.7 billion to the nuclear operations business. Management provides more information on construction expenditures and long-term debt and preferred stock maturities in Notes 5, 6, 7, and 9 to the financial statements.

Entergy's sources to meet the above requirements include:

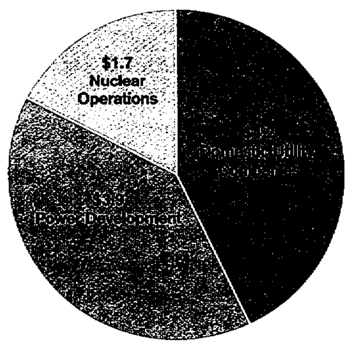
- internally generated funds;
- cash on hand;
- debt or preferred stock issuances;
- bank financing under new or existing facilities;
- short-term borrowings; and
- sales of assets.

The capital investment plan discussed above is subject to modification based on the ongoing effects of transition to competition planning and the ability to recover the regulated utility costs in rates. Additionally, the plan is contingent upon Entergy's ability to access the capital necessary to finance the planned expenditures, and significant borrowings may be necessary for Entergy to implement these capital spending plans.

The domestic utility companies have plans to issue debt in 2000, the proceeds of which will be used for general corporate purposes, including capital expenditures, the retirement of short-term indebtedness, and, in the case of Entergy Gulf States, the mandatory redemption of preference stock. On February 15, 2000, Entergy Mississippi issued $120 million of 7.75% Series First Mortgage Bonds due February 15, 2003. On March 9, 2000, Entergy Arkansas issued $100 million of 7.72% Series First Mortgage Bonds due March 1, 2003. Proceeds of both issuances will be used, in part, for the retirement of short-term indebtedness that was incurred for working capital needs and capital expenditures.

On February 25, 2000, Entergy Corporation obtained a 364-day term loan in the amount of $120 million, accruing interest at a rate of 6.7%. The proceeds are being used to make an open-account advance to Entergy Louisiana in order to repay maturing debt. Entergy Corporation will use any remaining proceeds for general corporate purposes and working capital needs.

CAPITAL INVESTMENT PLAN 2000-2004
In Billions



During 1999, cash from operations, the sale of businesses, and cash on hand met substantially all investing and financing requirements of the domestic utility companies and System Energy. Entergy Corporation received $532.3 million in dividend payments from its subsidiaries in 1999.

All debt and common and preferred stock issuances are subject to regulatory approval. Preferred stock and debt issuances are subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The domestic utility companies have sufficient capacity under these issuance tests to consummate the financings planned for 2000. The domestic utility companies may also establish special purpose trusts or limited partnerships as financing subsidiaries for the purpose of issuing quarterly income preferred securities.

Management expects the domestic utility companies and System Energy to continue to refinance or redeem higher cost debt and preferred stock prior to maturity, to the extent market conditions and interest and dividend rates are favorable.

Entergy's ability to invest in domestic and foreign generation businesses is subject to the Securities Exchange Commission's (SEC's) regulations under the Public Utility Holding Company Act of 1935, as amended (PUHCA). These regulations limit to 50% of consolidated retained earnings the total amount that Entergy may invest in domestic and foreign generation businesses at the time an investment is made. Using the proceeds from the sales of London Electricity and CitiPower, Entergy's foreign exempt utility and exempt wholesale generator subsidiaries have the ability to make significant additional investments in domestic and foreign generation businesses without the need of further investment by Entergy Corporation.

Entergy's global power development business is currently constructing two combined-cycle gas turbine merchant power plants in the UK. Saltend, a 1,200 MW plant in northeast England, will provide steam and electricity to BP Chemicals' nearby industrial complex, with the remaining electricity to be sold into the UK national power pool. Approximately 75 MW of the capacity will be sold to BP Chemicals under a power purchase agreement with a term of 15 years. Originally scheduled for commercial operation in January 2000, Saltend's completion has been delayed due to construction problems at the site. The construction contractor has submitted a revised construction schedule after substantial analysis, and currently estimates a phased-in completion of the three-unit plant with the full plant in service by June 30, 2000. The total cost of Saltend is currently estimated to be approximately $824 million. The second plant, an 800 MW facility known as Damhead Creek, is located in southeast England. It is expected to begin commercial operation in the fourth quarter of 2000. Management estimates the total cost of Damhead Creek at approximately $582 million. The financing of the construction of these two power plants is discussed in Note 7 to the financial statements.

In October 1999, Entergy's global power development business obtained an option to acquire twenty-four GE7FA advanced technology gas turbines, four steam turbines, and eight GE7EA advanced technology gas turbines. Delivery of the turbines is scheduled for 2001 through 2004. The total cost of the turbines, including long-term service agreements with GE Power Systems, is approximately $2.0 billion. Management plans to use the turbines in future generation projects of the global power development business, and anticipates that the acquisition of the turbines will be funded by a combination of cash on hand, project financing, and other external financing. Payments scheduled for the acquisition of these turbines are $273 million in 2000, $415 million in 2001, and $311 million in 2002.

On July 13, 1999, Entergy's non-utility nuclear power business bought the 670 MW Pilgrim Nuclear Station, located in Plymouth, Massachusetts, from Boston Edison. The acquisition included the plant, real estate, materials and supplies, and nuclear fuel for a purchase price of $81 million. The purchase price was funded with a portion of the proceeds from the sales of non-regulated businesses. As part of the Pilgrim purchase, Boston Edison transferred a $471 million decommissioning trust fund to Entergy's non-utility nuclear power business. After a favorable tax determination regarding the trust fund, Entergy returned $43 million of the trust fund to Boston Edison. Based on cost estimates provided by an outside consultant, Entergy believes that Pilgrim's decommissioning fund will be adequate to cover future decommissioning costs for the Pilgrim plant without any additional deposits to the trust.

Entergy's nuclear business has an outstanding offer to NYPA for the acquisition of NYPA's 825 MW James A. FitzPatrick nuclear power plant located near Oswego, New York and NYPA's 980 MW Indian Point 3 nuclear power plant located in Westchester County, New York. On February 24, 2000, NYPA received a competing offer for the purchase of these plants. It is anticipated that the NYPA Board of Trustees will meet in mid to late March to consider the offers. If Entergy's offer is accepted, management expects to close the acquisition by the fourth quarter of 2000. Entergy would pay $50 million in cash at the closing of the purchase, plus seven annual installments of approximately $108 million each commencing one year from the date of the closing. Entergy projects that these installments will be paid from the proceeds of the sale of power from the plants and that Entergy will invest an additional $100 million in the plants.

"In October 1999, Entergy's global power development business obtained an option to acquire twenty-four GE7FA advanced technology gas turbines, four steam turbines, and eight GE7EA advanced technology gas turbines."

Entergy has also made investments in energy-related businesses, including power marketing and trading. Under PUHCA, the SEC imposes a limit equal to 15% of consolidated capitalization on the amount that may be invested in such businesses without specific SEC approval. Entergy's capacity to make additional investments at December 31, 1999 was approximately $2.2 billion.

In 1999, Entergy Corporation paid $291.5 million in cash dividends on its common stock. Declarations of dividends on Entergy's common stock are made at the discretion of the Board. The Board evaluates the level of Entergy common stock dividends based upon Entergy's earnings and financial strength. Dividend restrictions are discussed in Note 8 to the financial statements.

In October 1998, the Board approved a plan for the repurchase of Entergy common stock through December 31, 2001 to fulfill the requirements of various compensation and benefit plans. The stock repurchase plan provides for purchases in the open market of up to 5 million shares, for an aggregate consideration of up to $250 million. In July 1999, the Board approved the commitment of up to an additional $750 million toward the repurchase of Entergy common stock through December 31, 2001. Shares are being purchased on a discretionary basis. See Note 5 to the financial statements for stock repurchases and issuances made during 1999.

Entergy's capital and refinancing requirements and available lines of credit are more thoroughly discussed in Notes 4, 5, 6, 7, 9, and 10 to the financial statements.

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf 1;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

The Capital Funds Agreement and other Grand Gulf 1-related agreements are more thoroughly discussed in Note 9 to the financial statements.

SIGNIFICANT FACTORS AND KNOWN TRENDS

DOMESTIC TRANSITION TO COMPETITION

The electric utility industry for years has been preparing for the advent of competition in its business, particularly in generation operations. For most electric utilities, the transition from a regulated monopoly to a competitive business is challenging and complex. The new electric utility environment presents opportunities to compete for new customers and creates the risk of loss of existing customers. It presents opportunities to enter into new businesses and to restructure existing businesses.

For Entergy, it is a formidable undertaking, made uniquely difficult because the domestic utility companies operate in five retail regulatory jurisdictions and are subject to the System Agreement, which contemplates the integrated operation of Entergy's electric generation and transmission assets throughout the retail service territories. Entergy is striving to achieve consistent paths to competition in all five retail regulatory jurisdictions. Progress was made in 1999 when the Arkansas and Texas legislatures enacted laws to bring about electric utility competition. More progress is expected in 2000 as Entergy continues to work with regulatory and legislative officials in all jurisdictions in designing the rules surrounding a competitive electricity industry.

State Regulatory and Legislative Activity

Arkansas — In April 1999, the Arkansas legislature enacted a law providing for competition in the electric utility industry through retail open access on January 1, 2002. With retail open access, generation operations will become a competitive business, but transmission and distribution operations will continue to be regulated. The Arkansas Public Service Commission (APSC) may delay implementation of retail open access, but not beyond June 30, 2003. The provisions of the new law:

- require utilities to separate (unbundle) their costs into generation, transmission, distribution, and customer service functions;
- require operation of transmission facilities by an organization independent from the generation, distribution, and retail operations;
- provide for the determination of and mitigation measures for generation market power, which could require generation asset divestitures;
- allow for recovery of stranded and transition costs if the costs are approved by the APSC;
- allow for the securitization of approved stranded costs; and
- freeze residential and small business customer rates for three years by utilities that will recover stranded costs.

"Entergy is striving to achieve consistent paths to competition in all five retail regulatory jurisdictions. Progress was made in 1999 when the Arkansas and Texas legislatures enacted laws to bring about electric utility competition."

Entergy Arkansas filed separate generation, transmission, distribution, and customer service rates with the APSC in December 1999. The rates were based on the cost-of-service study that formed the basis of the rates included in the 1997 settlement agreement discussed in Note 2 to the financial statements. Hearings on the rate filing are scheduled for September 2000. If approved, these rates will become effective July 1, 2001. Entergy Arkansas also filed notice with the APSC in December 1999 of its intent to recover stranded costs. The APSC and various participants in the industry, including Entergy Arkansas, are currently in the process of implementing the legislation through various rulemaking and other proceedings.

Texas — In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provides for retail open access by most electric utilities, including Entergy Gulf States, on January 1, 2002. With retail open access, generation and a new retail provider operation will be competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail provider function will be the primary point of contact with the customers for most services beyond initiation of electric service and restoration of service following an outage. The provisions of the new law:

- require a rate freeze through January 1, 2002 with frozen rates beyond that for residential and small commercial customers of incumbent utilities;
- require utilities to separate (unbundle) their generation, transmission and distribution, and retail electric provider functions. Entergy Gulf States filed its plan in January 2000 with the Public Utility Commission of Texas (PUCT) to separate its functions. The plan included separate transmission and distribution companies;
- require operation in a non-discriminatory manner of transmission and distribution facilities by an organization independent from the generation and retail operations by the time competition is implemented;
- allow for recovery of stranded costs incurred in purchasing power and providing electric generation service if the costs are approved by the PUCT;
- allow securitization of regulatory assets and stranded costs;
- provide for the determination of and mitigation measures for generation market power; and
- require utilities to file separated data and proposed transmission, distribution, and competition tariffs by April 1, 2000.

The market power measures include a limit on the ownership of generation assets by a power generation company within a specified region. The implications of this limit are uncertain for Entergy Gulf States and the Entergy system. However, it is possible that Entergy Gulf States could be required to divest some of its generation assets if Entergy Gulf States is found to have generation market power. The legislation also requires affected utilities to sell at auction, at least 60 days before January 1, 2002, entitlements to at least 15% of their installed generation capacity in Texas. The obligation to auction capacity entitlements continues for up to 60 months after January 1, 2002, or until 40% of customers in the jurisdiction have chosen an alternative supplier, whichever comes first.

The PUCT and various participants in the industry are currently in the process of implementing the legislation through various rulemaking and other proceedings. Two significant rules have been issued by the PUCT:

- A code of conduct was approved by the PUCT in December 1999 to ensure that utilities do not allow affiliates to have a business advantage over competitors. The rules allow the continuation of shared services affiliates, such as Entergy Operations and Entergy Services. Entergy adopted an internal code of conduct to ensure compliance with the new rules.

- Rules governing the separated costs filing have been issued. Included is a provision establishing, as an alternative to a market-based return on equity, a presumptively reasonable return on equity for a distribution utility at 200 basis points over its cost of debt. The provision allows the utility to provide evidence that the return should be higher. The rules also provide that the utility may propose a performance-based enhancement to the authorized rate of return, based on distribution and transmission company independence. Management does not agree with the arbitrary level set in the rule, and will seek a higher return in its separated costs filing. A workshop has been held by the PUCT to discuss opportunities to seek a performance-based return.

Louisiana — In March 1999, the Louisiana Public Service Commission (LPSC) deferred making a decision on whether electric industry competition is in the public interest. However, the LPSC staff, outside consultants, and counsel were directed to work together to analyze and resolve issues related to competition and then recommend a plan for its implementation to be considered by the LPSC by January 1, 2001. The LPSC staff, outside consultants, counsel, and industry members are working together to develop a plan to be submitted to the LPSC.

Mississippi — The Mississippi Public Service Commission (MPSC) issued a transition plan in June 1998 and continues to hold periodic hearings and request informational filings regarding various potential effects of retail competition. In February 2000, legislation was introduced to Mississippi to establish a study committee to consider competition and provide a report to the legislature by December 1, 2000. Management does not expect deregulation in Mississippi to occur prior to 2003. See Note 2 to the financial statements for additional information.

New Orleans — In 1997, Entergy New Orleans filed an electric business restructuring plan with the Council of the City of New Orleans, Louisiana (Council). The Council has not established a procedural schedule to consider electricity restructuring or Entergy's plan. The Council is conducting hearings regarding retail gas competition. Entergy New Orleans has filed a plan in that proceeding outlining the conditions under which it could support retail gas competition. The outcome of this proceeding is uncertain.

Federal Regulatory and Legislative Activity

Open Access Transmission and Entergy's Transco Proposal — Competition within the wholesale electric energy market increased with the implementation of open access transmission. Open access allows any supplier to transmit electricity to its customers over transmission facilities owned by a different company. In 1996, the Federal Energy Regulatory Commission (FERC) required all public utilities that it regulates to provide wholesale transmission access to third parties. FERC also required utilities to implement and maintain an open access same-time information system. Entergy's domestic utility companies made filings with FERC to comply with the FERC requirements.

FERC policy strongly favors independent control of transmission operations to enhance competitive wholesale power markets. In response to this policy, Entergy proposed the formation of a regional transmission company (Transco) and sought guidance from FERC on the proposal. The proposed Transco would be:

- a separate, independent, incentive-driven transmission company regulated by FERC;
- governed by an independent board of directors with no ties to Entergy or to any power market participant;
- composed of the transmission system assets transferred to it by the domestic utility companies and other transmission owners;
- operated and maintained by employees who would work exclusively for the Transco and would not be employed by Entergy or the domestic utility companies; and
- passively owned with no voting rights by the domestic utility companies and other members who transfer assets.

In July 1999, FERC responded to Entergy's proposal and stated that passive ownership of a Transco by a generating company or other market participant could meet FERC's current independence and governance requirements under certain circumstances. However, FERC raised concerns about the following issues regarding Entergy's proposal:

- the selection process for the Transco's board of directors;
- the Transco board's fiduciary obligations to the member companies;
- the ability of the Transco to raise additional capital; and
- restrictions on transactions between the Transco and the member companies.

Management expects to make additional filings during 2000 with federal, state, and local regulatory authorities addressing these and other issues and seeking necessary approvals for the formation of the Transco. If approved, the Transco could become operational in 2001.

In a rulemaking that will affect the Transco, FERC issued Order 2000 in December 1999. Order 2000 calls for owners and operators of transmission lines in the United States to join regional transmission organizations (RTOs) on a voluntary basis. Order 2000 requires public utilities that own, operate, or control interstate transmission facilities to file by October 15, 2000 a proposal for how they intend to participate in an RTO or, alternatively, to describe the steps they have taken to do so or the reasons why it is not feasible to participate in an RTO. FERC's Order 2000 requires that RTOs be effective no later than December 15, 2001.

FERC is maintaining flexibility as to the structure of RTOs. For example, it appears that RTOs may be for-profit or not-for-profit and may be organized as joint ventures or legal entities of various types. However, RTOs will be required, among other things, to be independent market participants, to have sufficient regional scope to maintain reliability and efficiency, to be non-discriminatory in granting service, and to maintain operational control over their regional transmission systems.

The Transco, an independent, for-profit transmission company which has already been proposed to FERC by the domestic utility companies, is Entergy's preferred approach for complying with FERC's Order 2000. However, Entergy is also exploring other means for complying with Order 2000.

"Management expects to make additional filings during 2000 with federal, state, and local regulatory authorities addressing these and other issues and seeking necessary approvals for the formation of the Transco. If approved, the Transco could become operational in 2001."

Deregulation Legislation — Over the past several years, a number of bills have been introduced in the United States Congress to deregulate the generation function of the electric power industry. The bills generally have provisions that would give retail consumers the ability to choose their own electric service provider. Entergy Corporation has supported some deregulation legislation in Congress that would lead to an orderly transition to competition and would also repeal PUHCA and the Public Utility Regulatory Policies Act of 1978 (PURPA). Congressional sentiment appears to be against mandating retail competition by a certain date and in favor of clarifying state authority to order retail choice for consumers. Congress adjourned in 1999 without final action on a deregulation bill by a committee of the House or Senate.

Industrial and Commercial Customers

The domestic utility companies face the risk of losing customers due to competition. Some of their large industrial and commercial customers are exploring ways to reduce their energy costs. In particular, cogeneration is an option available to a significant portion of the domestic utility companies' industrial customer base. The domestic utility companies have responded by working with some customers and negotiating electric service contracts that provide service at rates lower than would otherwise be charged. Despite these actions, Entergy Gulf States and Entergy Louisiana have lost revenue in recent years from large industrial customers who have completed cogeneration projects. However, material losses to cogeneration are not expected in 2000.

STATE AND LOCAL RATE REGULATION

The retail regulatory basis for setting rates for electric service is shifting in some jurisdictions from traditional, exclusively cost-of-service regulation to include performance-based elements. Performance-based formula rate plans are designed to reward increased efficiency and productivity, with utility shareholders and customers sharing in the benefits. Entergy Mississippi and Entergy Louisiana have implemented performance-based rate plans. These companies made the following filings resulting in rate reductions in 1999:

- Entergy Louisiana submitted its formula rate plan filing for the 1998 test year and implemented a rate reduction of approximately $15.0 million, effective August 1, 1999. Entergy Louisiana's filing is subject to further review by the LPSC, which may result in an additional change in rates.
- Entergy Mississippi implemented a $13.3 million rate reduction, effective May 1999, based on its formula rate plan filing for the 1998 test year. In June 1999, Entergy Mississippi revised its filing, resulting in an additional rate reduction of approximately $1.5 million, effective July 1999.

"The retail regulatory basis for setting rates for electric service is shifting in some jurisdictions from traditional, exclusively cost-of-service regulation to include performance-based elements. Performance-based formula rate plans are designed to reward increased efficiency and productivity."

All of the domestic utility companies have recently been ordered to grant base rate reductions and have refunded or credited customers for previous overcollections of rates. The continuing pattern of rate reductions reflects completion of rate phase-in plans, lower costs of service ordered by regulators, and lower authorized returns on common equity. The domestic utility companies' retail and wholesale rate matters and proceedings are discussed more thoroughly in Note 2 to the financial statements.

OTHER ELECTRIC UTILITY TRENDS

Utility mergers and joint ventures involving domestic and overseas companies are another continuing trend in the industry. In some areas of the country, utilities have either sold or are attempting to sell all or a substantial portion of their generation assets in order to focus their businesses on transmission and/or distribution services. Entergy, through its global power development and non-utility nuclear power businesses, intends to expand its generation business. While the global power development business is focused on building new power plants or modifying existing plants, the nuclear business expansion plan focuses on acquiring generation assets of other utilities.

In some areas of the United States, municipalities are exploring the possibility of establishing their own electric distribution systems, which would result in both residential and large industrial customers leaving some investor-owned utilities. If the efforts of a municipality are successful, the investor-owned utility may be unable to recover some costs incurred for the purpose of serving those customers.

CONTINUED APPLICATION OF SFAS 71 AND STRANDED COST EXPOSURE

The domestic utility companies' and System Energy's financial statements primarily reflect assets and costs based on existing cost-based ratemaking regulation in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Under traditional ratemaking practice, regulated electric utilities are granted exclusive geographic franchises to sell electricity. In return, the utilities are obligated to make investments and incur obligations to serve customers. Prudently incurred costs are recovered from customers along with a return on investment. Regulators may require utilities to defer collecting from customers some operating costs until a future date. These deferred costs are recorded as regulatory assets in the financial statements. In order to continue applying SFAS 71 to its financial statements, a utility's rates must be set by an independent regulator on a cost-of-service basis and the rates must be charged to and collected from customers.

As the generation portion of the utility industry moves toward competition, it is likely that generation rates will no longer be set on a cost-of-service basis. When that occurs, the generation portion of the business could be required to discontinue application of SFAS 71. The result of discontinuing application of SFAS 71 could be the recording of asset impairments and the removal of regulatory assets and liabilities from the balance sheet. Management believes that definitive outcomes have not yet been determined regarding the transition to competition in each of Entergy's jurisdictions. Therefore, the regulated operations of the domestic utility companies and System Energy continue to apply SFAS 71. Arkansas and Texas have enacted retail open access laws as described above, but Entergy believes that significant issues remain to be addressed by Arkansas and Texas regulators, and the enacted laws do not provide sufficient detail to determine definitively the impact on Entergy Arkansas' and Entergy Gulf States' regulated operations.

As Entergy's domestic utility companies move toward competition, there are costs or commitments that have been incurred under a regulated pricing system that might be impaired or not recovered in a competitive market. These costs are referred to as stranded costs. The restructuring laws enacted in Arkansas and Texas provide an opportunity for the recovery of stranded costs following review and approval by the APSC or the PUCT. Nearly all of Entergy's exposure to stranded costs involves commitments that were approved by regulators. These exposures include the following:

- the allowed cost of constructing its nuclear generating plants (the domestic utility companies' net investment in nuclear generation is provided in Note 1 to the financial statements);

- long-term contracts to purchase power under the Unit Power Sales Agreement and associated with the Vidalia project, which may require paying above-market prices in a competitive environment (detail concerning these obligations is provided in Note 9 to the financial statements);
- nuclear power plant decommissioning costs (detail concerning these costs is provided in Note 9 to the financial statements);
- the construction cost of some fossil-fueled generating plants and related contracts to buy fuel that may be above-market price in a competitive market (detail concerning the domestic utility companies' net investment in generation other than nuclear, which is primarily fossil fueled, is provided in Note 1 to the financial statements, and detail concerning certain fuel contracts is provided in Note 9 to the financial statements); and
- regulatory assets reflected in the balance sheets.

As of December 31, 1999, the amount of these potentially strandable costs for Entergy reflected in the financial statements is approximately $1.8 billion at Entergy Arkansas, $3.3 billion at Entergy Gulf States, $2.5 billion at Entergy Louisiana, and $0.3 billion at Entergy Mississippi. The estimated net present value of the obligations described above that are not reflected in the balance sheets for Entergy is approximately $0.9 billion at Entergy Arkansas, $0.4 billion at Entergy Gulf States, $1.5 billion at Entergy Louisiana, $0.6 billion at Entergy Mississippi, and $0.3 billion at Entergy New Orleans. In the normal course of business, depreciation, amortization, and payments under the contractual obligations will continue to reduce these amounts. The actual amount of these costs and obligations that will be identified as stranded will be determined in regulatory proceedings. These proceedings will commence in Arkansas and Texas in 2000. The outcome of the proceedings cannot be predicted and will depend upon a number of variables including the timing of stranded cost determination, the values attributable to certain strandable assets, assumptions concerning future market prices for electricity, and other factors. In addition, because transition legislation or regulation is not in place in Louisiana, Mississippi, or New Orleans, Entergy cannot predict how those jurisdictions will treat stranded costs and whether Entergy will be able to recover all or a part of the costs in those jurisdictions.

Until the proceedings in Arkansas and Texas provide a greater level of certainty, it is anticipated that both Entergy Arkansas and Entergy Gulf States will continue to apply SFAS 71 to their regulated operations. SFAS 71 will continue to be applied in the Louisiana, Mississippi, and New Orleans jurisdictions pending legislative or regulatory developments relating to transition to competition. If SFAS 71 is no longer applied by the respective domestic utility companies and System Energy, and regulation or legislation does not allow for recovery of all or a portion of its stranded costs, there could be a material adverse impact on the respective domestic utility companies' and

Entergy's financial statements. However, Entergy believes that the amount of costs that will be stranded without a means of recovery or mitigation for the domestic utility companies will be significantly less than the amounts referred to above. The application of SFAS 71 is discussed more thoroughly in Note 1 to the financial statements.

"The restructuring laws enacted in Arkansas and Texas provide an opportunity for the recovery of stranded costs following review and approval by the APSC or the PUCT. Nearly all of Entergy's exposure to stranded costs involves commitments that were approved by regulators."

YEAR 2000 ISSUES

Entergy did not experience any significant problems in operations due to the rollover to year 2000, and there were no power outages caused by the rollover. Entergy will continue to monitor additional dates during 2000 that could be affected by the rollover to year 2000, but does not expect material problems based on its testing and the results of the January 1, 2000 rollover.

Management expects to spend approximately $54 million for maintenance and modification costs related to year 2000 issues between 1998 and mid-2000. Entergy has incurred approximately $51 million of this total through December 1999. The maintenance or modification costs associated with year 2000 compliance are expensed as incurred, while the costs of new software are capitalized and amortized over the software's useful life. The costs are being funded through operating cash flows. In certain of Entergy's jurisdictions, the expenses have been deferred and will be recovered from ratepayers into 2002. Total capitalized costs for projects accelerated due to year 2000 were estimated to be $20 million, which is the amount Entergy has incurred through December 1999.

MARKET RISKS DISCLOSURE

Entergy is exposed to the following market risks:

- the commodity price risk associated with its power marketing and trading business;
- the interest rate risk associated with certain of its variable rate credit facilities; and
- the interest rate and equity price risk associated with its investments in decommissioning trust funds.

Entergy's power marketing and trading business enters into sales and purchases of electricity and natural gas for delivery in the future. Because the market prices of electricity and natural gas can be volatile, Entergy's power marketing and trading business is exposed to risk arising from differences between the fixed prices in its commitments and fluctuating market prices. To mitigate its exposure, Entergy's power marketing and trading business enters into electricity and natural gas futures, swaps, option contracts, and electricity forward agreements. The business also manages its exposure with policies limiting its exposure to market risk and daily monitoring of its potential financial exposure.

Entergy's power marketing and trading business uses a value-at-risk model (VAR) as one measure of market risk for the traded portfolio. VAR acts in conjunction with stress testing, position reporting, and profit and loss reporting in order to measure and control the risk inherent in the traded portfolio. The primary use of VAR is to provide a benchmark for market risk contained in the trading portfolio. VAR does not function as a comprehensive measure of all risks in a portfolio. Furthermore, VAR is only an appropriate risk measure for products traded in relatively liquid markets.

Management's VAR methodology uses a variance/covariance approach to the measurement of market risk. The variance/covariance approach assumes that prices follow a "random-walk" process in which prices are lognormally distributed. This approach requires the following inputs:

- a one-tailed test with a 95% confidence interval that measures the probability of loss;
- a 20-day window for measuring volatility;
- cross-product correlation matrix that measures the tendency of different basis products to move together; and
- inter-temporal correlation matrix that measures the tendency of commodities with different delivery periods to move together.

Power marketing and trading's VAR was approximately $3.3 million as of December 31, 1999 and $6.1 million as of December 31, 1998. During 1999, the average month-end VAR was $3.7 million, with a high month-end VAR of $7.1 million and a low month-end VAR of $2.0 million.

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

Entergy uses interest rate swaps to reduce the impact of interest rate changes on certain variable-rate credit facilities associated with its global power development business. Under the interest rate swap agreements, Entergy receives floating-rate interest payments and pays fixed-rate interest rate payments over the life of the agreements. The floating-rate interest that Entergy receives is approximately equal to the interest it must pay on the variable-rate credit facilities. Therefore, through the use of the swap agreements, Entergy effectively achieves a fixed rate of interest on the credit facilities. These swaps are discussed more thoroughly in Note 7 to the financial statements.

Entergy is exposed to fluctuations in equity prices and interest rates through its nuclear decommissioning trust funds. The Nuclear Regulatory Commission requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, and Pilgrim. The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. Management believes that its exposure to market fluctuations will not affect results of operations for the ANO, River Bend, Grand Gulf, and Waterford 3 trust funds because of the application of regulatory accounting principles. The Pilgrim trust fund holds approximately $341 million of fixed-rate, fixed-income securities as of December 31, 1999. These securities have an average coupon rate of 6.67%, an average duration of 6.2 years, and an average maturity of 9.5 years. The Pilgrim trust fund also holds equity securities worth approximately $81 million as of December 31, 1999. These securities are held in a fund which is designed to approximate the Standard & Poor's 500 Index. The decommissioning trust funds are discussed more thoroughly in Notes 1 and 9 to the financial statements.

"Entergy Corporation's consolidated net income in 1999 decreased compared to 1998 primarily due to the absence of London Electricity's results of operations in 1999 because of the sale of the business in December 1998, and the gains on the sales of London Electricity and CitiPower reflected in 1998 results."

RESULTS OF OPERATIONS

Entergy's results of operations are discussed in two business categories, "Domestic Utility Companies and System Energy" and "Competitive Businesses." Domestic Utility Companies and System Energy is Entergy's predominant business segment, contributing 73% of Entergy's operating revenue and 93% of its net income in 1999. Competitive Businesses include the following segments detailed in Note 13 to the financial statements: power marketing and trading, Entergy London, CitiPower, and all other. "All other" principally includes global power development, non-utility nuclear power, and the parent company, Entergy Corporation. The elimination of power marketing and trading mark-to-market profits on intercompany power transactions is also included in all other. Note 13 to the financial statements provides a detailed breakdown of financial information by business segment.

Net income for the year ended December 31, 1998 reflected the results of operations for Entergy London, CitiPower, Efficient Solutions, Inc., Entergy Security, Inc., Entergy Power Edesur Holdings, and several telecommunications businesses. These businesses were sold between late 1998 and mid-1999, and are therefore not included in some or all of 1999's results of operations.

NET INCOME

Entergy Corporation's consolidated net income in 1999 decreased compared to 1998 primarily due to:

- the absence of London Electricity's results of operations in 1999 because of the sale of the business in December 1998; and
- the gains on the sales of London Electricity and CitiPower reflected in 1998 results.

The decrease is partially offset by gains on the sales of other businesses in 1999, the loss on Efficient Solutions reflected in 1998 results, a 5% increase in domestic utility net income, and a reduction in the net loss for the power marketing and trading business.

Entergy Corporation's consolidated net income in 1998 increased compared to 1997 primarily due to the gains on the sales of London Electricity and CitiPower and the UK windfall profits tax reflected in 1997 results.

DOMESTIC UTILITY COMPANIES AND SYSTEM ENERGY

Revenues and Sales

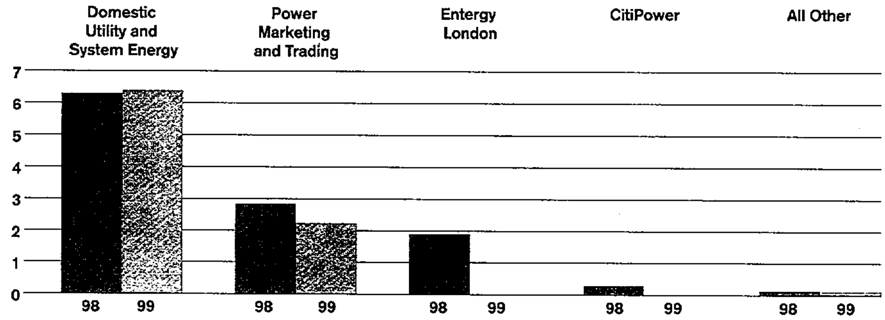
The changes in electric operating revenues for Entergy's domestic utility companies and System Energy for 1999 and 1998 are as follows:

Description	Increase/(Decrease) 1999	1998
	(In millions)	
Base revenues	**$ 81.2**	**$(290.3)**
Rate riders	**(164.1)**	**(108.6)**
Fuel cost recovery	**188.7**	**(80.6)**
Sales volume/weather	**5.3**	**187.3**
Other revenue (including unbilled)	**74.3**	**(191.0)**
Sales for resale	**(50.3)**	**80.7**
Total	**$ 135.1**	**$(402.5)**

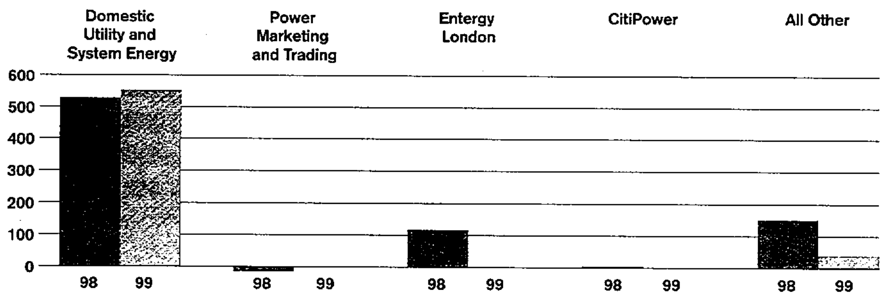
Base Revenues — In 1999, base revenues increased $81.2 million primarily due to:

- a $93.6 million reversal in June 1999 of regulatory reserves associated with the accelerated amortization of accounting order deferrals in conjunction with the

OPERATING REVENUES BY BUSINESS SEGMENT In Billions of Dollars



NET INCOME BY BUSINESS SEGMENT In Millions of Dollars



settlement agreement in Entergy Gulf States' Texas November 1996 and 1998 rate filings. The settlement agreement was approved by the PUCT in June 1999. The net income effect of this reversal is largely offset by the amortization of rate deferrals discussed below; and

- a reduction in the amount of reserves recorded in 1999 at Entergy Gulf States compared to 1998 for the anticipated effects of rate proceedings in Texas.

Partially offsetting these increases were:

- annual base rate reductions implemented for Entergy Gulf States' Louisiana and Texas retail customers in 1998 and 1999 and Entergy Mississippi customers in 1999; and
- reserves recorded by Entergy Gulf States' Louisiana jurisdiction, Entergy Louisiana, and Entergy New Orleans in 1999 for potential rate actions or rate refunds.

In 1998, base revenues decreased primarily due to base rate reductions, reserves for refunds, and other regulatory adjustments totaling $216.5 million ($129.0 million net of tax) at Entergy Gulf States.

These rate reductions and other pending rate proceedings are discussed in Note 2 to the financial statements.

Rate Rider Revenues — Rate rider revenues do not affect net income because specific incurred expenses offset them.

In 1999, rate rider revenues decreased $164.1 million due to a revised Grand Gulf rider implemented at Entergy Arkansas and Entergy Mississippi. The revised rider eliminated revenues attributable to the Grand Gulf phase-in plans, which were completed in 1998, and implemented the Grand Gulf Accelerated Recovery Tariff (GGART), allowing accelerated recovery and payment of a portion of the two companies' Grand Gulf purchased power obligations. The tariffs became effective in January 1999 and October 1998, respectively.

In 1998, rate rider revenues decreased $108.6 million due to the decline in the Grand Gulf 1 cost recovery rate rider revenues at Entergy Arkansas, reflecting scheduled reductions in the phase-in plan that was completed in November 1998. Rate rider revenues also decreased due to reductions required by the settlement agreement between the APSC and Entergy Arkansas. The settlement agreement with the APSC is discussed in Note 2 to the financial statements.

Fuel Cost Recovery Revenues — Fuel cost recovery revenues do not affect net income because they are an increase to revenues that are offset by specific incurred fuel costs.

In 1999, fuel cost recovery revenues increased $188.7 million primarily due to:

- an increased fuel factor and a new fuel surcharge implemented in Entergy Gulf States' Texas jurisdiction in 1999;
- recovery of higher-priced fuel and purchased power costs at Entergy Louisiana due to nuclear outages at Waterford 3 in 1999; and
- an increase in the energy cost recovery rate effective April 1999 and the completion of a customer refund obligation in 1998 which lowered 1998 fuel cost recovery at Entergy Arkansas.

In 1998, fuel cost recovery revenues decreased $80.6 million primarily due to lower pricing at Entergy Louisiana resulting from a change in generation mix.

Sales Volume — In 1998, sales volume increased $187.3 million as a result of significantly warmer weather at all of the domestic utility companies.

Other Revenue — In 1999, other revenue increased $74.3 million primarily due to a change in estimated unbilled revenues for the domestic utility companies. The changed estimate more closely aligns the fuel component of unbilled revenues with regulatory treatment. This change is expected to affect comparisons to applicable prior period amounts through the first quarter of 2000. Comparative impacts are also affected by seasonal variations in demand.

In 1998, other revenue decreased $191 million primarily due to the revenue portion of the gain recognized in December 1997 on the settlement by Entergy Gulf States of litigation with Cajun Electric Cooperative (Cajun), the effect of which was partially offset by regulatory reserves recorded at Entergy Gulf States in 1997. Other revenue also decreased due to unfavorable pricing of unbilled revenues resulting from rate reductions at Entergy Gulf States.

Sales For Resale — In 1999, sales for resale decreased $50.3 million primarily due to the loss of certain municipal and co-op customer contracts at Entergy Arkansas.

In 1998, sales for resale increased due to increased sales to non-associated companies, particularly at Entergy Arkansas, and increased demand at Entergy Gulf States.

Expenses

Fuel and Purchased Power Expenses — In 1999, fuel and purchased power expenses increased due to:

- higher gas and purchased power prices as well as increased gas usage at Entergy Arkansas and Entergy Louisiana;
- higher fuel recovery due to an increased fuel factor and fuel surcharge in Entergy Gulf States' Texas jurisdiction; and
- an increased energy cost recovery rate in 1999 and the completion of a customer refund obligation in 1998 which lowered 1998 fuel cost recovery at Entergy Arkansas.

These increases were partially offset by decreased fuel expenses at Entergy Mississippi as a result of lower total generation.

Other Operation and Maintenance Expenses — In 1999, other operation and maintenance expenses increased primarily due to increased customer service and reliability improvements throughout the system, increases in storm damage accruals and loss reserves across the system, and increases in maintenance work at Entergy Arkansas and Entergy Mississippi.

In 1998, other operation and maintenance expenses increased primarily due to the 1997 settlement of litigation with Cajun, which resulted in the transfer of the 30% interest in River Bend owned by Cajun to Entergy Gulf States. Entergy Gulf States' operating expenses in 1998 included 100% of River Bend's operation and maintenance expenses, as compared to 70% of such expenses for the year ended December 31, 1997.

This increase was partially offset by decreased non-refueling outage related contract work and maintenance performed at Entergy Louisiana and lower contract labor, materials and supplies expense, and insurance and materials and supplies refunds at System Energy.

Depreciation and Amortization Expenses — In 1999, depreciation and amortization expenses decreased due to:

- lower depreciation at Entergy Gulf States as a result of the write-down of the River Bend abeyed plant as required by the Texas rate settlement and a review of plant in-service dates; and
- reduction in principal payments associated with the sale and leaseback in 1989 of a portion of Grand Gulf 1 at System Energy.

Other Regulatory Charges — In 1999, other regulatory charges decreased due to:

- lower accruals for transition costs in 1999 at Entergy Arkansas;
- a change in the amortization period for deferred River Bend finance charges in the Entergy Gulf States' Texas retail jurisdiction; and
- deferral of Year 2000 costs at Entergy Gulf States and Entergy Louisiana in accordance with an LPSC order.

These decreases were partially offset by increased charges at System Energy as a result of the implementation of the GGART at Entergy Arkansas and Entergy Mississippi.

In 1998, other regulatory charges increased primarily due to:

- additional accruals of $74.0 million ($45.0 million net of tax) for the transition cost account at Entergy Arkansas; and
- the decrease in the under-recovery of Grand Gulf 1-related costs at Entergy Mississippi.

The increase was partially offset by the $15.3 million ($9.3 million net of tax) reversal of 1997 reserves at Entergy Arkansas for previously deferred radioactive waste facility costs in December 1998.

Entergy Arkansas' settlement agreement with the APSC established the transition cost account to collect earnings in excess of an allowed return on equity for offset against potential stranded costs when retail access is implemented.

Amortization of Rate Deferrals — In 1999, amortization of rate deferrals decreased due to the completion of Grand Gulf 1 rate phase-in plans at Entergy Arkansas and Entergy Mississippi in 1998. These decreases were partially offset by increased amortization at Entergy Gulf States due to a reduction of accounting order deferrals in June 1999 in accordance with the Texas settlement agreement.

In 1998, amortization of rate deferrals decreased because of the completion of rate phase-in plans at Entergy Arkansas, Entergy Gulf States (Louisiana jurisdiction), and Entergy Mississippi.

Other

Other Income — In 1999, other income increased primarily due to an increase in Allowance for Funds Used During Construction (AFUDC) resulting from an adjustment recorded in the third quarter of 1999 on certain capital projects.

In 1998, other income increased primarily due to lower reserves for regulatory adjustments recorded in 1998 than in 1997 at Entergy Gulf States.

This increase was partially offset by interest income related to the settlement by Entergy Gulf States of litigation with Cajun recorded in December 1997.

Interest Charges — In 1999, interest on long-term debt decreased due to retirement and refinancing of long-term debt at the domestic utility companies and System Energy.

Other interest increased in 1999 primarily due to interest on the potential refund of System Energy's proposed rate increase.

In 1998, interest charges decreased due to the retirement of certain long-term debt at the domestic utility companies and System Energy.

COMPETITIVE BUSINESSES

Revenues and Sales

Competitive business revenues decreased approximately $2.8 billion for the year ended December 31, 1999. The decrease was primarily due to the sales of Entergy London and CitiPower in 1998 and decreased sales revenues in the power marketing and trading business. The decreased sales revenues in the power marketing and trading business resulted from decreased electricity trading volume in the peak summer months in 1999 compared to 1998. However, the impact on net income from these decreased revenues was more than offset by decreased fuel and purchased power expenses as discussed below, resulting in a reduction in operating loss for this business for the year ended December 31, 1999. The decrease in revenues was partially offset by an increase for the non-utility nuclear business resulting primarily from acquisition and operation of the Pilgrim plant in 1999.

Competitive business revenues increased $2.4 billion in 1998 primarily due to increased sales volume in the power marketing and trading business. This business' volume increased dramatically in 1998 due to increased marketing efforts and significantly warmer weather. The impact on net income from these revenues is offset by increased power purchased for resale as discussed below.

Expenses

Fuel and Purchased Power Expenses — Fuel and purchased power expenses decreased for the year ended December 31, 1999, primarily due to:

- the business sales previously discussed;
- decreased electricity trading volume in the power marketing and trading business; and
- a $44 million ($27 million net of tax) counterparty default incurred in 1998 by the power marketing and trading business.

These decreases are partially offset by increased gas trading volume in the power marketing and trading business.

In 1998, purchased power expenses increased primarily due to significantly increased power trading by the power marketing and trading business. The power marketing and trading business also incurred a $44 million ($27 million net of tax) counterparty default in 1998.

Other Operation and Maintenance Expenses — Other operation and maintenance expenses decreased for the year ended December 31, 1999 primarily due to the business sales previously discussed. The decrease was partially offset by:

- an increase for the power marketing and trading business resulting primarily from increased risk management and back-office support; and
- an increase for the non-utility nuclear power business resulting primarily from acquisition and operation of the Pilgrim plant in 1999.

In 1998, other operation and maintenance expenses increased primarily due to:

- acquisition of security companies whose operation and maintenance expenses were included in 1998 but not in 1997; and
- higher transmission expenses for the power marketing and trading business due to significantly increased power trading sales volume.

Other

Other Income — Other income decreased for the year ended December 31, 1999, due primarily to the gains recorded in 1998 on the sales of Entergy London of $327.3 million ($246.8 million net of tax) and CitiPower of $29.8 million ($19.3 million net of tax). The decrease was partially offset by the following:

- interest income of $58.5 million in 1999 on the proceeds of the sales of Entergy London and CitiPower;
- a $26.7 million ($17 million net of tax) gain on the sale of Entergy Power Edesur Holdings in June 1999;
- a $12.9 million ($8.0 million net of tax) gain on the sale of Entergy Hyperion Telecommunications in June 1999;
- a $22.0 million ($6.4 million net of tax) gain on the sale of Entergy Security, Inc. in January 1999, including a true-up recognized in December 1999;

- a $7.6 million ($4.9 million net of tax) favorable adjustment to the final sale price of CitiPower in January 1999;
- a $68.6 million ($35.9 million net of tax) loss on the sale of Efficient Solutions, Inc. (formerly Entergy Integrated Solutions, Inc.) in September 1998;
- $32.8 million ($21.3 million net of tax) of write-downs of Entergy's investments in two Asian projects in 1998; and
- favorable experience on warranty reserves for the businesses sold during 1998.

In 1998, other income increased primarily due to the gains recorded on the sales of Entergy London of $327.3 million ($246.8 million net of tax) and CitiPower of $29.8 million ($19.3 million net of tax).

This increase in 1998 was partially offset by:

- the $68.6 million ($35.9 million net of tax) loss on the sale of Efficient Solutions, Inc. in September 1998; and
- $32.8 million ($21.3 million net of tax) of write-downs of Entergy's investments in electric generation projects in Asia, one of which was sold.

INCOME TAXES

The effective income tax rates for 1999, 1998, and 1997 were 37.5%, 25.3%, and 61.0%, respectively. The effective income tax rate increased in 1999 primarily due to the items discussed below that occurred in 1998. The increase was partially offset by the recording of deferred tax benefits in 1999 related to expected utilization of foreign tax credits.

The effective income tax rate decreased in 1998 principally due to:

- the UK windfall profits tax of $234.1 million at Entergy London recognized in 1997;
- the tax effects of the settlement by Entergy Gulf States of litigation with Cajun in 1997;
- recognition of $44 million of deferred tax benefits in 1998 related to expected utilization of Entergy's capital loss carryforwards; and
- a $31.7 million reduction in taxes because of reductions in the UK corporation tax rate from 31% to 30% in the third quarter of 1998.

These decreases were partially offset by a reduction in the UK corporation tax rate from 33% to 31% in 1997, which lowered taxes in 1997 by $64.7 million.

REPORT OF MANAGEMENT

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

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

The Audit Committee of our Board of Directors, composed solely of Directors who are not employees of our company, meets with the independent auditors, management, and internal accountants periodically to discuss internal accounting controls and auditing and financial reporting matters. The Audit Committee appoints the independent accountants, subject to ratification by the shareholders. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets periodically with the independent auditors and the chief internal auditor without management, providing free access to the Committee.

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

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

J. WAYNE LEONARD
Chief Executive Officer

C. JOHN WILDER
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of retained earnings, comprehensive income and paid-in-capital, and of cash flows present fairly, in all material respects, the financial position of Entergy Corporation and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 17, 2000

CONSOLIDATED STATEMENTS OF INCOME

Entergy Corporation and Subsidiaries

In thousands, except share data, for the years ended December 31,	1999	1998	1997
OPERATING REVENUES:			
Domestic electric	$6,271,414	$6,136,322	$6,538,831
Natural gas	110,355	115,355	137,345
Steam products	15,852	43,167	43,664
Competitive businesses	2,375,607	5,199,928	2,819,086
Total	8,773,228	11,494,772	9,538,926
OPERATING EXPENSES:			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	2,082,875	1,706,028	1,677,041
Purchased power	2,442,484	4,585,444	2,318,811
Nuclear refueling outage expenses	76,057	83,885	73,857
Other operating and maintenance	1,705,545	1,988,040	1,886,149
Decommissioning	45,988	46,750	52,552
Taxes other than income taxes	339,284	362,153	365,439
Depreciation and amortization	698,881	938,179	927,456
Other regulatory charges (credits) – net	8,113	35,136	(18,545)
Amortization of rate deferrals	122,347	237,302	421,803
Total	7,521,574	9,982,917	7,704,563
Operating income	1,251,654	1,511,855	1,834,363
OTHER INCOME (DEDUCTIONS):			
Allowance for equity funds used during construction	29,291	12,465	10,057
Gain on sale of assets – net	71,926	274,941	26,432
Miscellaneous – net	154,423	85,618	(236,340)
Total	255,640	373,024	(199,851)
INTEREST AND OTHER CHARGES:			
Interest on long-term debt	476,877	735,601	797,266
Other interest – net	82,471	65,047	51,624
Distributions on preferred securities of subsidiaries	18,838	42,628	21,319
Allowance for borrowed funds used during construction	(22,585)	(10,761)	(7,937)
Total	555,601	832,515	862,272
INCOME BEFORE INCOME TAXES	951,693	1,052,364	772,240
Income taxes	356,667	266,735	471,341
CONSOLIDATED NET INCOME	595,026	785,629	300,899
Preferred dividend requirements and other	42,567	46,560	53,216
EARNINGS APPLICABLE TO COMMON STOCK	$ 552,459	$ 739,069	$ 247,683
Earnings per average common share:			
Basic and diluted	$2.25	$3.00	$1.03
Dividends declared per common share	$1.20	$1.50	$1.80
Average number of common shares outstanding:			
Basic	245,127,460	246,396,469	240,207,539
Diluted	245,326,883	246,572,328	240,347,697

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME, AND PAID-IN CAPITAL

Entergy Corporation and Subsidiaries

In thousands, for the years ended December 31,	1999		1998		1997	
RETAINED EARNINGS:						
Retained Earnings – Beginning of period	$2,526,888		$2,157,912		$2,341,703	
Add – Earnings applicable to common stock	552,459	$552,459	739,069	$739,069	247,683	$247,683
Deduct:						
Dividends declared on common stock	294,352		369,498		432,268	
Capital stock and other expenses	(1,472)		595		(794)	
Total	292,880		370,093		431,474	
Retained Earnings – End of period	$2,786,467		$2,526,888		$2,157,912	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):						
Balance at beginning of period	$(46,739)		$(69,817)		$21,725	
Foreign currency translation adjustments	(22,043)	(22,043)	23,078	23,078	(91,542)	(91,542)
Net unrealized investment losses	(5,023)	(5,023)	—	—	—	—
Balance at end of period	$(73,805)		$(46,739)		$(69,817)	
Comprehensive Income		$525,393		$762,147		$156,141
PAID-IN CAPITAL:						
Paid-in Capital – Beginning of period	$4,630,609		$4,613,572		$4,320,591	
Add:						
Gain on reacquisition of subsidiaries' preferred stock	—		—		273	
Common stock issuances related to stock plans	5,554		17,037		292,870	
Total	5,554		17,037		293,143	
Deduct:						
Capital stock discount and other expenses	—		—		162	
Total	—		—		162	
Paid-in Capital – End of period	$4,636,163		$4,630,609		$4,613,572	

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, as of December 31,	1999	1998
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Cash	$ 108,198	$ 386,764
Temporary cash investments – at cost, which approximates market	1,105,521	797,731
Total cash and cash equivalents	1,213,719	1,184,495
Other temporary investments – at cost, which approximates market	321,351	—
Notes receivable	2,161	959,328
Accounts receivable:		
Customer	290,331	280,648
Allowance for doubtful accounts	(9,507)	(10,300)
Other	207,898	197,362
Accrued unbilled revenues	298,616	245,350
Total receivables	787,338	713,060
Deferred fuel costs	240,661	169,589
Fuel inventory – at average cost	94,419	90,408
Materials and supplies – at average cost	392,403	374,674
Rate deferrals	30,394	37,507
Deferred nuclear refueling outage costs	58,119	37,138
Prepayments and other	78,567	77,749
Total	3,219,132	3,643,948
Other Property and Investments:		
Investment in subsidiary companies – at equity	214	214
Decommissioning trust funds	1,246,023	709,018
Non-utility property – at cost (less accumulated depreciation)	317,165	275,421
Non-regulated investments	198,003	487,586
Other – at cost (less accumulated depreciation)	16,714	16,041
Total	1,778,119	1,488,280
Utility Plant:		
Electric	23,163,161	22,704,572
Plant acquisition adjustment	406,929	423,195
Property under capital lease	768,500	789,045
Natural gas	186,041	183,621
Steam products	—	80,537
Construction work in progress	1,500,617	911,278
Nuclear fuel under capital lease	286,476	282,595
Nuclear fuel	87,693	29,690
Total Utility Plant	26,399,417	25,404,533
Less – accumulated depreciation and amortization	10,898,661	10,075,951
Utility plant – net	15,500,756	15,328,582
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	16,581	125,095
SFAS 109 regulatory assets – net	1,068,006	1,141,318
Unamortized loss on reacquired debt	198,631	191,786
Other regulatory assets	637,870	528,179
Long-term receivables	32,260	34,617
Other	533,732	354,889
Total	2,487,080	2,375,884
TOTAL ASSETS	$22,985,087	$22,836,694

See Notes to Consolidated Financial Statements.

In thousands, as of December 31,	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Currently maturing long-term debt	$ 194,555	$ 255,221
Notes payable	120,715	296,790
Accounts payable	707,678	522,072
Customer deposits	161,909	148,972
Taxes accrued	445,677	284,847
Accumulated deferred income taxes	72,640	31,976
Nuclear refueling outage costs	11,216	16,991
Interest accrued	129,028	185,688
Co-owner advances	7,018	4,073
Obligations under capital leases	178,247	176,270
Other	125,749	58,909
Total	2,154,432	1,981,809
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,310,340	3,538,332
Accumulated deferred investment tax credits	519,910	565,744
Obligations under capital leases	205,464	220,209
FERC settlement – refund obligation	37,337	43,159
Other regulatory liabilities	199,139	153,163
Decommissioning	703,453	243,400
Transition to competition	157,034	90,623
Regulatory reserves	378,307	674,310
Accumulated provisions	279,425	252,321
Other	535,156	498,989
Total	6,325,565	6,280,250
Long-term debt	6,612,583	6,596,617
Preferred stock with sinking fund	69,650	167,523
Preference stock	150,000	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated deferrable debentures	215,000	215,000
Shareholders' Equity:		
Preferred stock without sinking fund	338,455	338,455
Common stock, $.01 par value, authorized 500,000,000 shares; issued 247,082,345 shares in 1999 and 246,829,076 shares in 1998	2,471	2,468
Paid-in capital	4,636,163	4,630,609
Retained earnings	2,786,467	2,526,888
Accumulated other comprehensive loss:		
Cumulative foreign currency translation adjustment	(68,782)	(46,739)
Net unrealized investment losses	(5,023)	—
Less – treasury stock, at cost (8,045,434 shares in 1999 and 208,907 shares in 1998)	231,894	6,186
Total	7,457,857	7,445,495
Commitments and Contingencies (Notes 2, 9, 10, and 11)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$22,985,087	$22,836,694

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands, for the years ended December 31,	1999	1998	1997
OPERATING ACTIVITIES:			
Consolidated net income	$595,026	$785,629	$300,899
Noncash items included in net income:			
Gain on Cajun settlement	—	—	(246,022)
Amortization of rate deferrals	122,347	237,302	421,803
Reserve for regulatory adjustments	10,531	130,603	381,285
Other regulatory charges (credits) – net	8,113	35,136	(18,545)
Depreciation, amortization, and decommissioning	744,869	984,929	980,008
Deferred income taxes and investment tax credits	(204,644)	(64,563)	(252,955)
Allowance for equity funds used during construction	(29,291)	(12,465)	(10,057)
Gain on sale of assets – net	(71,926)	(274,941)	(26,432)
Changes in working capital (net of effects from acquisitions and dispositions):			
Receivables	9,246	24,176	(99,411)
Fuel inventory	(1,359)	28,439	20,272
Accounts payable	35,233	31,229	181,243
Taxes accrued	158,733	58,505	143,151
Interest accrued	(56,552)	(37,937)	(9,849)
Deferred fuel	(71,072)	(18,993)	(28,412)
Other working capital accounts	45,285	43,209	(102,303)
Provision for estimated losses and reserves	(59,464)	(133,880)	(22,423)
Changes in other regulatory assets	(36,379)	(13,684)	28,016
Proceeds from settlement of Cajun litigation	—	—	102,299
Other	108,673	(49,996)	50,204
Net cash flow provided by operating activities	1,307,369	1,752,698	1,792,771
INVESTING ACTIVITIES:			
Construction/capital expenditures	(1,195,750)	(1,143,612)	(847,223)
Allowances for equity funds used during construction	29,291	12,465	10,057
Nuclear fuel purchases	(137,649)	(102,747)	(89,237)
Proceeds from sale/leaseback of nuclear fuel	137,093	128,210	144,442
Proceeds from sale of businesses	351,082	2,275,014	54,153
Investment in other nonregulated/nonutility properties	(81,273)	(85,014)	(2,039,370)
Proceeds from notes receivable	956,356	—	—
Purchases of other temporary investments	(321,351)	(947,444)	—
Decommissioning trust contributions and realized change in trust assets	(61,766)	(73,641)	(68,139)
Other	(42,258)	—	(15,966)
Net cash flow provided by (used in) investing activities	(366,225)	63,231	(2,851,283)

See Notes to Consolidated Financial Statements.

In thousands, for the years ended December 31,	1999	1998	1997
FINANCING ACTIVITIES:			
Proceeds from the issuance of:			
Long-term debt	1,113,370	1,904,074	2,047,282
Preferred securities of subsidiary trusts and partnerships	—	—	382,323
Common stock	15,320	19,341	305,379
Retirement of:			
Long-term debt	(1,195,451)	(3,151,680)	(751,669)
Repurchase of common stock	(245,004)	(2,964)	—
Redemption of preferred stock	(98,597)	(17,481)	(124,367)
Changes in short-term borrowings – net	(165,506)	205,412	142,025
Dividends paid:			
Common stock	(291,483)	(373,441)	(438,183)
Preferred stock	(43,621)	(46,809)	(51,270)
Net cash flow provided by (used in) financing activities	(910,972)	(1,463,548)	1,511,520
Effect of exchange rates on cash and cash equivalents	(948)	1,567	(11,164)
Net increase in cash and cash equivalents	29,224	353,948	441,844
Cash and cash equivalents at beginning of period	1,184,495	830,547	388,703
Cash and cash equivalents at end of period	$1,213,719	$1,184,495	$830,547
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest – net of amount capitalized	$601,739	$833,728	$831,307
Income taxes	373,537	273,935	390,238
Noncash investing and financing activities:			
Change in unrealized appreciation of decommissioning trust assets	$ 41,582	$ 46,325	$ 30,951
Treasury shares issued to acquire security business	—	—	$ 21,464
Net assets acquired from Cajun settlement	—	—	$319,056
Decommissioning trust fund acquired from Pilgrim acquisition	$471,284	—	—

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries, including the domestic utility companies and System Energy.

As required by generally accepted accounting principles, all significant intercompany transactions have been eliminated in the consolidated financial statements. The domestic utility companies and System Energy maintain accounts in accordance with FERC and other regulatory guidelines. Certain previously reported amounts have been reclassified to conform to current classifications, with no effect on net income or shareholders' equity.

Entergy Corporation sold its investments in Entergy London and CitiPower in December 1998. Accordingly, the consolidated balance sheet does not include amounts for these entities as of December 31, 1998. The consolidated statements of income and cash flows for 1998 include amounts for Entergy London and CitiPower through the dates of their respective sales.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

REVENUES AND FUEL COSTS

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electricity primarily to retail customers in Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electricity primarily to retail customers in Texas and Louisiana. Entergy Gulf States also distributes gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electricity and gas to retail customers in the City of New Orleans, except for Algiers, where Entergy Louisiana is the electricity supplier.

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

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

UTILITY PLANT

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

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

Total net utility plant of $15.5 billion as of December 31, 1999, includes $8.2 billion of production plant, of which $6.8 billion is nuclear; $1.6 billion of transmission plant; $3.2 billion of distribution plant; and $2.5 billion of other plant.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives and costs of removal of the various classes of property. Depreciation rates on average depreciable property approximated 2.9% in 1999, 3.0% in 1998, and 3.2% in 1997.

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

JOINTLY-OWNED GENERATING STATIONS

Certain Entergy subsidiaries jointly own electric generating facilities with third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 1999, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations	Fuel Type	Total Megawatt Capability	Ownership[1]	Investment	Accumulated Depreciation
				(In millions)	
Grand Gulf Unit 1	**Nuclear**	**1,200**	**90.00%[1]**	**$3,483**	**$1,313**
Independence Units 1 and 2	**Coal**	**1,678**	**47.90%**	**456**	**195**
White Bluff Units 1 and 2	**Coal**	**1,659**	**57.00%**	**404**	**205**
Roy S. Nelson Unit 6	**Coal**	**550**	**70.00%**	**403**	**199**
Big Cajun 2 Unit 3	**Coal**	**540**	**42.00%**	**227**	**106**

(1) Includes an 11.5% leasehold interest held by System Energy. System Energy's Grand Gulf 1 lease obligations are discussed in Note 10 to the financial statements.

INCOME TAXES

Entergy Corporation and its subsidiaries file a U.S. consolidated federal income tax return. Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. SEC regulations require that no Entergy subsidiary pay more taxes than it would have paid if a separate income tax return had been filed. In accordance with SFAS 109, "Accounting for Income Taxes," deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities, and for certain credits available for carryforward.

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

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

REACQUIRED DEBT

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy has recorded on the consolidated balance sheet $136 million of additional value in its decommissioning trust funds. This increase represents the amount by which the fair value of the securities held in such funds exceeds the amounts deposited plus the earnings on the deposits. In accordance with the regulatory treatment for decommissioning trust funds, the domestic utility companies and System Energy have recorded an offsetting amount in unrealized gains on investment securities as a regulatory liability in other deferred credits.

Decommissioning trust funds for Pilgrim do not receive regulatory treatment. Accordingly, unrealized gains recorded on the assets in Pilgrim's trust funds are recognized as a separate component of shareholders' equity because these assets are classified as available for sale.

FOREIGN CURRENCY TRANSLATION

All assets and liabilities of Entergy's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of the period. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation adjustments are reflected in a separate component of shareholders' equity. Current exchange rates are used for U.S. dollar disclosures of future obligations denominated in foreign currencies.

EARNINGS PER SHARE

The average number of common shares outstanding for the presentation of diluted earnings per share were greater by approximately 199,000 shares in 1999, 176,000 shares in 1998, and 140,000 shares in 1997, than the number of such shares for the presentation of basic earnings per share due to Entergy's stock option and other stock compensation plans discussed more thoroughly in Note 5 to the financial statements.

Options to purchase approximately 5,205,000, 149,000, and 225,000 shares of common stock at various prices were outstanding at the end of 1999, 1998, and 1997, respectively, but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares at the end of each of the years presented.

APPLICATION OF SFAS 71

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

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

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

As described in "Management's Financial Discussion and Analysis – Significant Factors and Known Trends," management believes that definitive outcomes have not yet been determined regarding transition to competition in any of Entergy's jurisdictions. Therefore, the regulated operations of the domestic utility companies and System Energy continue to apply SFAS 71. Arkansas and Texas have enacted retail open access laws, but Entergy believes that significant issues remain to be addressed by Arkansas and Texas regulators, and the enacted laws do not provide sufficient detail to reasonably determine the impact on Entergy Arkansas' and Entergy Gulf States' regulated operations.

TRANSITION TO COMPETITION LIABILITIES

In conjunction with the transition to competition of the electric utility industry in certain jurisdictions in which the domestic utility companies operate, regulatory mechanisms have been established to mitigate potential stranded costs. These mechanisms include the transition cost account at Entergy Arkansas, which is discussed further in Note 2 to the financial statements. Also included is a provision in the Texas transition legislation that allows depreciation on transmission and distribution assets to be directed toward generation assets. The liabilities recorded as a result of these mechanisms are classified as "transition to competition" deferred credits.

DOMESTIC OPERATING COMPANY DEREGULATED OPERATIONS

Entergy Gulf States does not apply regulatory accounting principles to its wholesale jurisdiction, steam department, Louisiana retail deregulated portion of River Bend, and the 30% interest in River Bend formerly owned by Cajun. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 24%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Gulf States to sell the electricity from the deregulated assets to Louisiana retail customers at 4.6 cents per KWH or off-system at higher prices, with certain provisions for sharing such incremental revenue above 4.6 cents per KWH between ratepayers and shareholders.

The results of these deregulated operations before interest charges for the years ended December 31, 1999, 1998, and 1997 are as follows (in thousands):

	1999	1998	1997
Operating revenues	**$166,509**	$178,303	$155,471
Operating expenses			
Fuel, operating, and maintenance	126,917	137,579	89,987
Depreciation	35,141	39,497	36,351
Total operating expense	162,058	177,076	126,338
Income tax expense	628	1,154	9,416
Net income from deregulated utility operations	$ 3,823	$ 73	$ 19,717

The net investment associated with these deregulated operations as of December 31, 1999 and 1998 was approximately $835 million and $864 million, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Entergy periodically reviews long-lived assets whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the net cash flows expected to result from such operations and assets. Projected net cash flows depend on the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy over the remaining life of the assets.

Assets regulated under traditional cost-of-service ratemaking, and thereby subject to SFAS 71 accounting, are generally not subject to impairment because this form of regulation assures that all allowed costs are subject to recovery. However, certain deregulated assets and other operations of the domestic utility companies totaling approximately $1.2 billion (pre-tax) could be affected in the future. Those assets include Entergy Arkansas' and Entergy Louisiana's retained shares of Grand Gulf 1, Entergy Gulf States' Louisiana deregulated asset plan, the Texas jurisdictional abeyed portion of the River Bend plant and the portion of River Bend transferred from Cajun, and wholesale operations. Additionally, as noted above, the discontinuation of SFAS 71 regulatory accounting principles would require that Entergy review the affected assets for impairment.

DERIVATIVE FINANCIAL INSTRUMENTS AND COMMODITY DERIVATIVES

As a part of its overall risk management strategy, Entergy uses a variety of derivative financial instruments and commodity derivatives, including interest rate swaps and natural gas and electricity futures, forwards, and options.

Entergy accounts for derivative financial instruments used to mitigate interest rate risk in accordance with hedge accounting. Gains or losses from rate swaps used for such purposes that are sold or terminated are deferred and amortized over the remaining life of the debt instrument being hedged by the interest rate swap. If the debt instrument being hedged by the interest rate swaps is extinguished, any gain or loss attributable to the swap would be recognized in the period of the transaction. Additional information concerning Entergy's interest rate swaps outstanding as of December 31, 1999 is included in Note 7 to the financial statements.

Entergy's power marketing and trading business engages in price risk management activities for trading purposes. To conduct these activities, the business uses futures, forwards, swaps, and options, and uses the mark-to-market method of accounting. Under the mark-to-market method of accounting, forwards, futures, swaps, options, and other financial instruments with third parties are reflected at market value in the balance sheets. Changes in the assets and liabilities from these instruments (resulting primarily from newly originated transactions and the impact of price movements) are recognized currently in the statements of income. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value, and volatility factors underlying the commitments.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective for Entergy in 2001. This statement requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, and measured at fair value. The statement also requires the designation and reassessment of all hedging relationships. The changes in fair value of derivatives will be recognized in earnings or in comprehensive income, depending on the type of hedge relationship involved. Entergy has not completed its analysis of the effect that the adoption of SFAS 133 will have on its financial position, results of operations, or cash flows.

In February 2000, the FASB issued an SFAS exposure draft which would be effective for fiscal years beginning after June 15, 2001. The proposed SFAS would require initial measurement and recognition of the liability for closure and removal of long-lived assets, including decommissioning, at fair value at the time the SFAS is adopted. Determination of fair value will likely require the estimation and discounting of future cash flows using an expected present value technique. An asset partially offsetting the liability would be determined by further discounting the liability to the time it was first incurred, which is initial contamination of a nuclear plant. This asset and the related accumulated depreciation would be presented with other plant costs on the balance sheet because the cost of decommissioning/closing the plant would be recognized as part of the total cost of the plant asset. Any difference between the liability recognized and the related net asset recognized at the time the proposed SFAS is adopted would be treated as a cumulative effective adjustment in the statement of income, unless it is probable that the difference will ultimately be recoverable from or refundable to customers. In that case, a regulatory asset or liability would be recorded. Decommissioning expense following the effective date of the proposed SFAS would be determined independently of the regulatory treatment of such expense and could be higher than the current level of expense being recognized. Amortization of any regulatory asset or liability recorded at the time of adoption of the SFAS would mitigate any impact on net income.

2. RATE AND REGULATORY MATTERS

ELECTRIC INDUSTRY RESTRUCTURING

Arkansas

In April 1999, the Arkansas legislature enacted a law providing for competition in the electric utility industry through retail open access on January 1, 2002. With retail open access, generation operations will become a competitive business, but transmission and distribution operations will continue to be regulated. The APSC may delay implementation of retail open access, but not beyond June 30, 2003. The provisions of the new law:

- require utilities to separate (unbundle) their costs into generation, transmission, distribution, and customer service functions;
- require operation of transmission facilities by an organization independent from the generation, distribution, and retail operations;
- provide for the determination of and mitigation measures for generation market power, which could require generation asset divestitures;
- allow for recovery of stranded and transition costs if the costs are approved by the APSC;
- allow for the securitization of approved stranded costs; and
- freeze residential and small business customer rates for three years by utilities that will recover stranded costs.

Entergy Arkansas filed separate generation, transmission, distribution, and customer service rates with the APSC in December 1999. The rates were based on the cost-of-service study that formed the basis of the rates included in the 1997 settlement agreement. Hearings on the rate filing are scheduled for September 2000. If approved, these rates will become effective July 1, 2001. Entergy Arkansas also filed notice with the APSC in December 1999 of its intent to recover stranded costs. The APSC and various participants in the industry, including Entergy Arkansas, are currently in the process of implementing the legislation through various rulemaking and other proceedings.

Texas

In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provides for retail open access by most electric utilities, including Entergy Gulf States, on January 1, 2002. With retail open access, generation and a new retail provider operation will be competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail provider function will be the primary point of contact with the customers for most services beyond initiation of electric service and restoration of service following an outage. The provisions of the new law:

- require a rate freeze through January 1, 2002 with frozen rates beyond that for residential and small commercial customers of incumbent utilities;
- require utilities to separate (unbundle) their generation, transmission and distribution, and retail electric provider functions. Entergy Gulf States filed its plan in January 2000 with the PUCT to separate its functions. The plan included separate transmission and distribution companies;
- require operation in a non-discriminatory manner of transmission and distribution facilities by an organization independent from the generation and retail operations by the time competition is implemented;
- allow for recovery of stranded costs incurred in purchasing power and providing electric generation service if the costs are approved by the PUCT;
- allow securitization of regulatory assets and stranded costs;
- provide for the determination of and mitigation measures for generation market power; and
- require utilities to file separated data and proposed transmission, distribution, and competition tariffs by April 1, 2000.

The market power measures include a limit on the ownership of generation assets by a power generation company within a specified region. The implications of this limit are uncertain for Entergy Gulf States and the Entergy system. However, it is possible that Entergy Gulf States could be required to divest some of its generation assets if Entergy Gulf States is found to have generation market power. The legislation also requires affected utilities to sell at auction, at least 60 days before January 1, 2002, entitlements to at least 15% of their installed generation capacity in Texas. The obligation to auction capacity entitlements continues for up to 60 months after January 1, 2002, or until 40% of customers in the jurisdiction have chosen an alternative supplier, whichever comes first.

The PUCT and various participants in the industry are currently in the process of implementing the legislation through various rulemaking and other proceedings. Two significant rules have been issued by the PUCT:

- A code of conduct was approved by the PUCT in December 1999 to ensure that utilities do not allow affiliates to have a business advantage over competitors. The rules allow the continuation of shared services affiliates, such as Entergy Operations and Entergy Services. Entergy adopted an internal code of conduct to ensure compliance with the new rules.
- Rules governing the separated costs filing have been issued. Included is a provision establishing, as an alternative to a market-based return on equity, a presumptively reasonable return on equity for a distribution utility at 200 basis points over its cost of debt. The provision allows the utility to provide evidence that the return should be higher. The rules also provide that the utility may propose a performance-based enhancement to the authorized rate of return, based on distribution and transmission company independence. Management does not agree with the arbitrary level set in the rule and will seek a higher return in its separated costs filing. A workshop has been held by the PUCT to discuss opportunities to seek a performance-based return.

Louisiana

In September 1996, Entergy Gulf States and Entergy Louisiana filed proposals with the LPSC designed to achieve an orderly transition to retail electric competition in Louisiana, while protecting certain classes of ratepayers from bearing the burden of cost shifting. In 1997 and 1998, the LPSC identified areas and issues for consideration in the generic rulemaking docket on competition in the electric utility industry. In March 1999, the LPSC deferred making a decision on whether electric restructuring in Louisiana is in the public interest, but approved the development of a Louisiana specific plan for possible future implementation. The LPSC staff, outside consultants, and counsel were directed to work together to analyze and resolve outstanding issues and recommend a plan for the implementation of retail competition for consideration by the LPSC by January 1, 2001. The LPSC staff, outside consultants, counsel, and industry members are working together to develop a plan to be submitted to the LPSC.

Mississippi

Since 1996, Entergy Mississippi and the MPSC have been addressing issues regarding an orderly transition to a more competitive retail market for electricity. As a result, the MPSC issued, for informational purposes and to spur discussion, a proposed transition plan in June 1998. The plan provided for retail competition in Mississippi to begin January 1, 2001 and for recovery of allowable stranded costs through a non-bypassable charge during a transition period between January 2001 and the end of 2004. In preparing for competition, the MPSC has conducted hearings on:

- market power and reliability studies filed by the two investor-owned utilities in Mississippi;
- certification requirements and load dispatch and control rules;
- cost of service issues;
- holding company issues;

- rules and regulations that possibly could be promulgated, after appropriate state legislation, to implement retail electric competition;
- stranded costs; and
- rate caps and performance-based rates.

In February 2000, legislation was introduced in Mississippi to establish a study committee to consider retail competition and provide a report to the legislature by December 1, 2000. If this legislation passes, the transition plan discussed above would be put on hold until this report has been reviewed. Management does not expect deregulation in Mississippi to occur prior to 2003.

New Orleans

Entergy New Orleans filed an electric transition to competition plan in September 1997. This plan is similar to those filed for the other domestic utility companies. No procedural schedule has been established for consideration of that plan by the Council.

In October 1998, the Council established a procedural schedule to determine if natural gas retail competition is in the public interest. In April 1999, Entergy New Orleans filed a plan that would allow for gas retail open access in New Orleans. The plan outlines the conditions under which Entergy New Orleans could support gas retail open access should the Council find it in the public interest. Hearings on retail competition for gas service were held in November 1999. No further action has been taken by the Council.

RETAIL RATE PROCEEDINGS

Filings with the APSC

Entergy Arkansas is operating under the terms of a settlement agreement approved by the APSC in December 1997 that provides for the following:

- accelerated payment of Entergy Arkansas' Grand Gulf purchased power obligation in an amount totaling $165.3 million over the period from January 1999 to June 2004;
- collecting earnings in excess of an 11% return on equity in a transition cost account to offset stranded costs when retail access is implemented;
- a rate freeze until at least July 1, 2001; and
- rate decreases totaling $200 million over the two-year period 1998-1999. The net income effect from the rate reductions was approximately $22 million.

During 1999, Entergy Arkansas' operating expenses reflected reserves of $15.4 million ($9.5 million net of taxes) to record the 1999 accrual of excess earnings and an adjustment of the 1998 accrual. As of December 31, 1999, the transition cost account balance was $109.9 million. Additional reserves may also be required in 2000 based on earnings reviews.

In March 1999, Entergy Arkansas filed its annually redetermined energy cost rate with the APSC in accordance with the Energy Cost Recovery Rider formula and special circumstances agreement. The filing reflected that an increase was warranted to offset an under-recovery of the energy costs for 1998. The increased energy cost rate is effective April 1999 through March 2000.

Filings with the PUCT and Texas Cities

Rate Proceedings — In June 1999, the PUCT approved the settlement agreement that Entergy Gulf States entered into in February 1999. The settlement agreement resolved Entergy Gulf States' 1996 and 1998 rate proceedings and all of the settling parties' pending appeals in other matters, except for the appeal in the River Bend abeyed cost recovery proceeding discussed below. The Office of Public Utility Counsel, an intervenor in the proceeding, has appealed certain aspects of this settlement to Travis County District Court. Entergy Gulf States cannot predict the impact of the appeal. The settlement agreement provides for the following:

- an annual $4.2 million base rate reduction, effective March 1, 1999, which is in addition to the annual $69 million base rate reduction (net of River Bend accounting order deferrals) in the PUCT's second order on rehearing in October 1998;
- a methodology for semi-annual revisions of the fixed fuel factor based on the market price of natural gas;
- a base rate freeze through June 1, 2000. The Texas restructuring law extends the base rate freeze through December 2001;
- amortization of the remaining River Bend accounting order deferrals as of January 1, 1999, over three years on a straight-line basis, and the accounting order deferrals will not be recognized in any subsequent base rate case or stranded cost calculation;
- the dismissal of all pending appeals of the settling parties relating to Entergy Gulf States' proceedings with the PUCT, except the River Bend abeyed plant costs appeal discussed below; and
- the potential recovery in the River Bend appeal is limited to $115 million net plant in service as of January 1, 2002, less depreciation over the remaining life of the plant beginning January 1, 2002 through the date the plant costs are included in rate base, and any such recovery will not be used to increase rates above the level agreed to in the settlement agreement.

As a result of the settlement agreement, in June 1999, Entergy Gulf States:

- removed from its balance sheet a $207.3 million deferred asset and the associated provision recorded for unrecovered purchased power costs and deferred revenue from Nelson Industrial Steam Company, which had no net income impact on Entergy Gulf States;
- removed the reserve recorded in December 1997 for River Bend plant costs held in abeyance and reduced the plant asset, resulting in other income of $4.8 million; and

- removed the $93.9 million reserve recorded in 1998 for the amortization of River Bend accounting order deferrals to reflect the three-year amortization schedule detailed in the agreement. The income impact of this removal was largely offset by an increase in the rate of amortization of the accounting order deferrals.

In June 1999, the PUCT instituted a proceeding to consider the final adjustment of the rate refunds ordered as a result of Entergy Gulf States' November 1996 rate case. These refunds were required to occur over the fourteen-month period from August 1998 through September 1999. The PUCT issued an order in July 1999 adopting a calculation methodology which required Entergy Gulf States to refund an additional $25 million. This refund was recorded as a reduction in operating revenues.

In September and October 1999, seven cities in Entergy Gulf States' Texas service territory enacted ordinances purporting to require Entergy Gulf States to "book and hold in a suspense account all revenues from the sale of River Bend power attributable to the 30% share acquired from Cajun pending regulatory determination of the appropriate regulatory treatment of such power." The ordinances had an effective date of December 1997. Entergy Gulf States filed for a review of the ordinances at the PUCT in October 1999. In November 1999, Entergy Gulf States and the cities entered into a settlement agreement under which the parties agreed that the ordinances only required Entergy Gulf States to provide monthly informational reports concerning certain expenses, revenues, and operations associated with the 30% share. Entergy Gulf States treats the 30% share as a non-regulated operation.

Recovery of River Bend Costs — In March 1998, the PUCT disallowed recovery of $1.4 billion of company-wide abeyed River Bend plant costs which have been held in abeyance since 1988. Entergy Gulf States appealed the PUCT's decision on this matter to the Travis County District Court in Texas. In June 1999, subsequent to the settlement agreement discussed above, Entergy Gulf States removed the reserve for River Bend plant costs held in abeyance and reduced the value of the plant asset. The settlement agreement limits potential recovery of the remaining plant asset, less depreciation, to $115 million, beginning January 1, 2002 through the date the plant costs are included in rate base, and any such recovery will not be used to increase rates above the level as agreed to in the settlement agreement. The settlement agreement also prohibits Entergy Gulf States from acting on its appeal until January 1, 2002. Based on advice of counsel, management believes that it is probable that the matter will be remanded again to the PUCT for a further ruling on the prudence of the abeyed plant costs and it is reasonably possible that some portion of these costs will be included in rate base. However, no assurance can be given that additional reserves or write-offs will not be required in the future.

PUCT Fuel Cost Review — In September 1998, Entergy Gulf States filed an application with the PUCT for an increase in its fixed fuel factor and for a surcharge to Texas retail customers for the cumulative under-recovery of fuel and purchased power costs. The PUCT issued an order in December 1998 approving the implementation of a revised fuel factor and fuel and purchased power surcharge that would result in recovery of $112.1 million of under-recovered fuel costs, inclusive of interest, over a 24-month period. These increases were implemented in the first billing cycle in February 1999. North Star Steel Texas, Inc. has appealed the PUCT's order to the State District Court in Travis County, Texas. Entergy Gulf States cannot predict the outcome of this appeal.

Based on the settlement agreement discussed above, Entergy Gulf States adopted a methodology for calculating its fixed fuel factor based on the market price of natural gas. This calculation and any necessary adjustments began semi-annually as of March 1, 1999 and are scheduled to continue until December 2001. The calculation for the factor to be implemented March 1, 1999 showed that the fuel factor adopted in the December 1998 PUCT order should be reduced. This fuel factor reduction was approved by the PUCT in February 1999. The calculation for the factor to be implemented September 1, 1999 showed, and the PUCT approved on an interim basis, an increase in the fuel factor.

The amounts collected under Entergy Gulf States' fixed fuel factor are, and will continue to be, the subject of fuel reconciliation proceedings before the PUCT, including a fuel reconciliation case filed by Entergy Gulf States in July 1999. In February 2000, Entergy Gulf States reached a unanimous settlement with all parties to the proceeding. Entergy Gulf States is reconciling approximately $731 million (after excluding approximately $14 million related to Cajun issues to be handled in a subsequent proceeding) of fuel and purchased power costs. The settlement reduces Entergy Gulf States' requested surcharge in the reconciliation filing from $14.7 million to $2.2 million. Although the settlement terms are still being finalized, the parties will ask the PUCT to allow the remaining $2.2 million surcharge to be recovered beginning with the April 2000 billing cycle and continue until January 2001. In addition, Entergy Gulf States agreed to file a fuel reconciliation case by January 12, 2001 covering the period from March 1, 1999 through August 31, 2000.

In September 1999, Entergy Gulf States filed an application with the PUCT requesting an interim fuel surcharge to collect under-recovered fuel and purchased power expenses from March 1999 through July 1999. In December 1999, the PUCT approved the collection of $33.9 million over a five-month period beginning January 2000. The fuel and purchased power expenses contained in this surcharge will be subject to future fuel reconciliation proceedings.

Filings with the LPSC

Annual Earnings Reviews — In May 1995, Entergy Gulf States filed its second required post-Merger earnings analysis with the LPSC. Hearings on this review were held in December 1995. In October 1996, the LPSC ordered a $33.3 million annual base rate reduction and a $9.6 million refund. One component of the rate reduction removes from base rates approximately $13.4 million annually of costs that will be recovered in the future through the fuel adjustment clause. Subsequently, Entergy Gulf States appealed the LPSC's order and obtained an injunction to stay the order, except insofar as it requires the $13.4 million reduction, which Entergy Gulf States implemented in November 1996. In addition, pursuant to an October 1996 settlement with the LPSC, Entergy Gulf States will be allowed to recover $8.1 million annually related to certain gas transportation and storage facilities costs. This amount will be applied as an offset to any refunds required. In April 1999, a Louisiana Supreme Court decision reduced the refund that Entergy Gulf States is required to make from $9.6 million to $6.0 million. The case has been remanded to the LPSC and management is continuing to evaluate the implications of this decision.

In May 1996, Entergy Gulf States filed its third required post-Merger earnings analysis with the LPSC. Based on this filing, Entergy Gulf States implemented a $5.3 million annual rate reduction in June 1996. In September 1998, the LPSC issued an order in the third required post-Merger earnings analysis that required a refund of $44.8 million for the period June 1996 through May 1997, and a prospective rate reduction of $54.6 million effective September 20, 1998. The decision is on appeal to the Louisiana Supreme Court.

In May 1997, Entergy Gulf States filed its fourth post-Merger earnings analysis with the LPSC. Hearings were concluded in 1998 and a final decision by the LPSC is expected during the second or third quarter of 2000.

In May 1998, Entergy Gulf States filed its fifth required post-Merger earnings analysis with the LPSC. This filing will be subject to review by the LPSC and may result in a change in rates. Hearings were held in May 1999 and a decision by the LPSC is expected in the fourth quarter of 2000 or the first quarter of 2001. In a bifurcated proceeding, the LPSC investigated transactions between Entergy Gulf States and other Entergy affiliates. Hearings were held in December 1999.

In May 1999, Entergy Gulf States filed its sixth required post-Merger earnings analysis with the LPSC. Hearings were held in February 2000. The timing of a final decision in the proceeding is not certain.

Entergy Gulf States' operating revenues during the fourth quarter of 1998 reflected reserves of $102.2 million ($60.9 million net of taxes) based on management's estimates of the probable outcome of the annual earnings reviews as well as the effects of the LPSC fuel cost review discussed below. Additional reserves of $36.1 million ($22.2 million net of taxes), including interest, are reflected in operating revenues in 1999. Proceedings on issues in the second, third, fourth, fifth, and sixth post-Merger earnings analyses will continue.

LPSC Fuel Cost Review — In September 1996, the LPSC completed the second phase of its review of Entergy Gulf States' fuel costs, which covered the period October 1991 through December 1994. In October 1996, the LPSC ordered a $34.2 million refund. The refund includes a disallowance of $14.3 million of capital costs (including interest) related to certain gas transportation and storage facilities, which were recovered through the fuel clause, and which have been refunded pursuant to an October 1996 settlement with the LPSC. Entergy Gulf States will be permitted to recover these costs in the future through base rates. In January 1999, the Louisiana Supreme Court affirmed the LPSC's October 1996 order. In accordance with this decision, Entergy Gulf States refunded $26.2 million, including interest, in August 1999. Management reserved for this refund in 1998 in connection with estimates of the probable outcome of this proceeding and the annual earnings reviews discussed above.

Formula Rate Plan Filings — In May 1997, Entergy Louisiana made its second annual performance-based formula rate plan filing with the LPSC for the 1996 test year. This filing resulted in a total rate reduction of approximately $54.5 million, which was implemented in July 1997. At the same time, rates were reduced by an additional $0.7 million and by an additional $2.9 million effective March 1998. Upon completion of the hearing process in December 1998, the LPSC issued an order requiring an additional rate reduction and refund, although the resulting amounts were not quantified. Entergy Louisiana has appealed this order and obtained a preliminary injunction pending a final decision on appeal.

In September 1998, Entergy Louisiana made its third annual performance-based formula rate plan filing with the LPSC for the 1997 test year. Entergy Louisiana settled this filing with the LPSC in the third quarter of 1999. The settlement required no further change in Entergy Louisiana's base rates. Entergy Louisiana will recover a $4.3 million excess credit as an offset to future rate reductions.

In April 1999, Entergy Louisiana submitted its fourth annual performance-based formula rate plan filing for the 1998 test year. The filing indicated that a $20.7 million base rate reduction might be appropriate. An interim rate reduction of $15.0 million was implemented effective August 1, 1999. Entergy Louisiana's filing will be subject to further review by the LPSC, which may result in an additional change in rates. Entergy Louisiana has provided reserves for the potential of further rate reductions. Hearings are scheduled with the LPSC in May 2000.

Fuel Adjustment Clause Litigation — In May 1998, a group of ratepayers filed a complaint against Entergy Corporation, Entergy Power, and Entergy Louisiana in state court in Orleans Parish purportedly on behalf of all Entergy Louisiana ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with the costs included in fuel filings with the LPSC and passed through to ratepayers. Among other things, plaintiffs allege that Entergy Louisiana improperly introduced certain costs into the calculation of the fuel charges, including imprudently purchased high-cost electricity from its affiliates and imprudently purchased high-cost gas. Plaintiffs allege that these practices violated Louisiana's antitrust laws. In addition, plaintiffs seek to recover interest and attorney fees. Exceptions have been filed by Entergy, asserting that this dispute should be litigated before the LPSC and FERC. At the appropriate time, if necessary, Entergy will raise its defenses to the antitrust claims. At present, the suit in state court is stayed by stipulation of the parties.

Plaintiffs also filed this complaint with the LPSC to initiate a review by the LPSC of Entergy Louisiana's monthly fuel adjustment charge filings and to force restitution to ratepayers of all costs that the plaintiffs allege were improperly included in those fuel adjustment filings. Marathon Oil Company and Louisiana Energy Users Group have also intervened in the LPSC proceeding. Discovery at the LPSC has been conducted and is expected to continue. Direct testimony was filed with the LPSC by plaintiffs and the intervenors in July 1999. In their testimony for the period 1989 through 1998, plaintiffs purport to quantify many of their claims in an amount totaling $544 million, plus interest. The plaintiffs will likely assert additional damages for the period 1974 through 1988. The Entergy companies filed responsive and rebuttal testimony in September 1999. Rebuttal testimony by the plaintiffs and intervenors was filed in November 1999. Direct testimony of the LPSC staff will be filed in April 2000, to which Entergy will be permitted to respond. Hearings before the LPSC are scheduled to begin in September 2000. Entergy intends to defend this matter vigorously, both in court and at the LPSC. The outcome of the lawsuit and the LPSC proceeding cannot be predicted at this time. Management has provided reserves for this, other litigation, and Entergy Louisiana's formula rate plan proceedings based on its estimate of the outcome of these proceedings.

Filings with the MPSC

In March 1999, Entergy Mississippi submitted its annual performance-based formula rate plan filing for the 1998 test year. In April 1999, the MPSC approved a prospective rate reduction of $13.3 million. This rate reduction went into effect May 1, 1999. In June 1999, Entergy Mississippi revised its March 1999 filing to include a portion of refinanced long-term debt not included in the original filing. This revision resulted in an additional rate reduction of approximately $1.5 million, effective July 1999.

Filings with the Council

1997 Settlement — Entergy New Orleans submitted its cost of service and revenue requirement filing in September 1997 to the Council. In connection with this filing, Entergy New Orleans filed a settlement agreement with the Council, which was approved in November 1998. The settlement agreement required the following:

- base rate reductions for Entergy New Orleans' electric customers of $7.1 million effective January 1, 1999, $3.2 million effective October 1, 1999, and $16.1 million effective October 1, 2000;
- a base rate reduction for Entergy New Orleans' gas customers of $1.9 million effective January 1999; and
- no base rate increases prior to October 1, 2001.

Natural Gas — The Council held hearings in May 1999 regarding the prudence of Entergy New Orleans' natural gas purchasing practices.

Fuel Adjustment Clause Litigation — In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorney fees. Exceptions to the plaintiffs' allegations were filed by Entergy, asserting, among other things, that jurisdiction over these issues rests with the Council and FERC. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. At present, the suit in state court is stayed by stipulation of the parties.

Plaintiffs also filed this complaint with the Council in order to initiate a review by the Council of their allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Discovery has begun in the proceedings before the Council. The plaintiffs have not yet stated the amount of damages they claim. Entergy intends to defend this matter vigorously, both in court and before the Council. The ultimate outcome of the lawsuit and the Council proceeding cannot be predicted at this time.

RIVER BEND COST DEFERRALS

Entergy Gulf States was amortizing $182 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges over a 20-year period; however the PUCT recently accelerated the recovery of these deferrals to a three-year recovery period ending May 1999. The settlement agreement discussed above dismissed Entergy Gulf States' appeal regarding these deferrals and allowed Entergy Gulf States to amortize the remainder of the accelerated balance as of January 1, 1999, over three years on a straight-line basis ending December 31, 2001.

GRAND GULF 1 DEFERRALS AND RETAINED SHARES

Under the settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas retains 22% of its 36% share of Grand Gulf 1-related costs and recovers the remaining 78% of its share in rates. In the event that Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided energy cost, which is currently less than Entergy Arkansas' cost of energy from its retained share.

In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. Entergy Louisiana retains and does not recover from retail ratepayers, 18% of its 14% share of the costs of Grand Gulf 1 capacity and energy and recovers the remaining 82% of its share in rates. Entergy Louisiana is allowed to recover through the fuel adjustment clause 4.6 cents per KWH for the energy related to its retained portion of these costs. Non-fuel operation and maintenance costs for Grand Gulf 1 are recovered through Entergy Louisiana's base rates. Alternatively, Entergy Louisiana may sell such energy to nonaffiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval.

Under various rate settlements with the Council in 1986, 1988, and 1991, Entergy New Orleans agreed to absorb and not recover from ratepayers a total of $96.2 million of its Grand Gulf 1 costs. Entergy New Orleans was permitted to implement annual rate increases in decreasing amounts each year through 1995, and to defer certain costs and related carrying charges for recovery on a schedule extending from 1991 through 2001. As of December 31, 1999, the uncollected balance of Entergy New Orleans' deferred costs was $35.8 million.

FERC SETTLEMENT

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

PROPOSED RATE INCREASE

System Energy applied to FERC in May 1995 for a $65.5 million rate increase. The request seeks changes to System Energy's rate schedule, including increases in the revenue requirement associated with decommissioning costs, the depreciation rate, and the rate of return on common equity. The request also includes a proposed change in the accounting recognition of nuclear refueling outage costs from that of expensing those costs as incurred to the deferral and amortization method described in Note 1 to the financial statements. In December 1995, System Energy implemented the $65.5 million rate increase, subject to refund, for which a portion has been reserved. After holding hearings in 1996, a FERC Administrative Law Judge (ALJ) found that portions of System Energy's request should be rejected, including a proposed increase in return on common equity from 11% to 13% and a requested change in decommissioning cost methodology. The ALJ recommended a decrease in the return on common equity from 11% to 10.86%. Other portions of System Energy's request for a rate increase were approved by the ALJ. All of the ALJ's findings are advisory, and may be accepted, modified, or rejected by FERC in a final order.

If FERC were to approve the ALJ's findings, System Energy would be required to make a refund of money collected under its proposed tariff in the amount of $228.2 million as of December 31, 1999, together with interest in the amount of $39.6 million. As of December 31, 1999, System Energy has fully provided reserves for this potential refund. It is not certain when FERC may issue a final order in this rate proceeding or whether FERC will accept, modify, or reject the ALJ's findings. Although management believes that the recorded reserves are adequate to reflect the probable outcome of this proceeding, additional reserves or write-offs could be required in the future.

Entergy Mississippi's allocation of the proposed System Energy wholesale rate increase is $21.6 million annually. In July 1995, Entergy Mississippi filed a schedule with the MPSC that defers the retail recovery of the System Energy rate increase. The deferral plan, which was approved by the MPSC, began in December 1995, the effective date of the System Energy rate increase, and will end after the issuance of a final order by FERC. Under this plan, the deferral period was anticipated to have ended by September 1998, and the deferred amount would have been amortized over 48 months beginning in October 1998. Although the deferral period under the plan has ended, FERC has not yet issued an order. For that reason, Entergy Mississippi filed a revised deferral plan with the MPSC in August 1998 that provides for recovery, effective with October 1998 billings, of $11.8 million of the System Energy rate increase that was approved by the FERC ALJ's initial decision in July 1996. The $11.8 million is being amortized over the original 48-month period, which began in October 1998. The amount of System Energy's proposed increase in excess of the $11.8 million will continue to be deferred until the issuance of a final order by FERC, or October 2000, whichever occurs first. These deferred amounts, plus carrying charges, will be amortized over a 45-month period beginning in October 2000.

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

GRAND GULF ACCELERATED RECOVERY TARIFF

In April 1998, FERC approved the GGART that Entergy Arkansas filed as part of the settlement agreement that the APSC approved in December 1997. The tariff was designed to allow Entergy Arkansas to pay down a portion of its Grand Gulf purchased power obligation in advance of the implementation of retail access in Arkansas. The tariff provides for the acceleration of $165.3 million of its obligation over the period January 1, 1999 through June 30, 2004. The settlement agreement with the APSC is discussed above in "Filings with the APSC."

In September 1998, FERC approved the GGART for Entergy Mississippi's allocable portion of Grand Gulf, which was filed with FERC in August 1998. The tariff provides for the acceleration of Entergy Mississippi's Grand Gulf purchased power obligation in an amount totaling $221.3 million over the period October 1, 1998 through June 30, 2004.

3. INCOME TAXES

Income tax expenses for 1999, 1998, and 1997 consist of the following (in thousands):

In thousands, for the years ended December 31,	1999	1998	1997
Current:			
Federal	$452,568	$235,979	$433,444
Foreign	27,730	28,156	237,337
State	65,834	67,163	76,905
Total	546,132	331,298	747,686
Deferred – net	(153,304)	(109,474)	(312,691)
Investment tax credit			
adjustments – net	(36,161)	44,911	36,346
Recorded income tax expense	$356,667	$266,735	$471,341

Entergy's total income taxes differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 1999, 1998, and 1997 are (amounts in thousands):

In thousands, for the years ended December 31,	1999	1998	1997
Computed at statutory rate (35%)	$333,093	$368,327	$270,284
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	49,487	37,494	33,272
Depreciation	49,460	40,578	25,471
Rate deferrals – net	(254)	(511)	3,484
Amortization of investment tax credits	(29,015)	(21,285)	(19,592)
Flow-through/permanent differences	(8,042)	(3,570)	(6,537)
U.S. tax/benefit on foreign income	(9,584)	108,194	—
Non-taxable gain on sale of foreign assets	—	(20,283)	—
Foreign subsidiary basis difference	—	(58,235)	—
Reduced rate on gain on sale of foreign assets	—	(56,712)	—
Change in U.K. statutory rate	—	(31,703)	(64,670)
Non-deductible franchise fees	—	7,315	17,234
Interest on perpetual instruments	—	(5,467)	(9,094)
U.K. windfall profits tax	—	—	234,080
Change in valuation allowance	(46,315)	(106,636)	—
Other – net	17,837	9,229	(12,591)
Total income taxes	$356,667	$266,735	$471,341
Effective income tax rate	37.5%	25.3%	61.0%

Significant components of Entergy's net deferred tax liabilities as of December 31, 1999 and 1998, are as follows (in thousands):

In thousands, for the years ended December 31,	1999	1998
DEFERRED TAX LIABILITIES:		
Net regulatory assets/(liabilities)	$(1,268,257)	$(1,334,014)
Plant-related basis differences	(3,041,135)	(3,053,837)
Rate deferrals	(77,652)	(97,071)
Gain on sale of assets	—	(80,500)
Other	(201,958)	(55,700)
Total	$(4,589,002)	$(4,621,122)
DEFERRED TAX ASSETS:		
Accumulated deferred investment tax credit	178,153	192,696
Investment tax credit carryforwards	—	8,979
Net operating loss carryforwards	2,137	2,137
Capital loss carryforwards	62,754	65,939
Foreign tax credits	116,701	135,727
Alternative minimum tax credit	40,658	40,658
Sale and leaseback	230,690	240,067
Removal cost	108,572	108,858
Unbilled revenues	40,761	36,802
Pension-related items	32,734	30,911
Rate refund	142,984	110,312
Reserve for regulatory adjustments	124,078	158,839
Transition cost accrual	43,127	35,374
FERC Settlement	12,638	15,057
Other	161,074	10,719
Valuation allowance	(91,039)	(142,261)
Total	$ 1,206,022	$ 1,050,814
Net deferred tax liability	$(3,382,980)	$(3,570,308)

As of December 31, 1999, Entergy has net operating loss carryforwards of $24.5 million for state income tax purposes, all related to Entergy Gulf States. If the state net operating loss carryforwards are not utilized against income from its subsidiaries, they will expire between 2000 and 2004. The alternative minimum tax (AMT) credit carryforwards as of December 31, 1999 were $40.7 million, all related to Entergy Gulf States. This AMT credit can be carried forward indefinitely and may be applied solely against the federal income tax liability of Entergy Gulf States.

The valuation allowance is provided primarily against foreign tax credit carryforwards, which can be utilized against future United States taxes on foreign source income. If these carryforwards are not utilized, they will expire between 2000 and 2004.

At December 31, 1999, unremitted earnings of foreign subsidiaries were approximately $29.5 million. Since it is Entergy's intention to indefinitely reinvest these earnings, no U.S. taxes have been provided. Upon distribution of these earnings in the form of dividends or otherwise, Entergy could be subject to U.S. income taxes (subject to foreign tax credits) and withholding taxes payable to various foreign countries.

4. LINES OF CREDIT AND RELATED SHORT-TERM BORROWINGS

The short-term borrowings of the domestic utility companies and System Energy are limited to amounts authorized by the SEC. The current limits authorized are effective through November 30, 2001. In addition to borrowing from commercial banks, Entergy companies are authorized to borrow from the Entergy System Money Pool (money pool). The money pool is an inter-company borrowing arrangement designed to reduce the domestic utility companies' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the SEC authorized limits. The following are the SEC-authorized limits and borrowings from the money pool for the domestic utility companies and System Energy as of December 31, 1999 (there were no borrowings outstanding from external sources):

In millions	Authorized	Outstanding Borrowings
Entergy Arkansas	$ 235	$ 40.6
Entergy Gulf States	340	36.1
Entergy Louisiana	225	91.5
Entergy Mississippi	103	50.0
Entergy New Orleans	35	9.7
System Energy	140	—
Total	$1,078	$227.9

Other Entergy companies have SEC authorization to borrow from Entergy Corporation through the money pool and from external sources in an aggregate principal amount up to $265 million. These Entergy companies had $116.6 million outstanding as of December 31, 1999 borrowed from the money pool. Some of these borrowings are restricted as to use and are collateralized by certain assets.

In September 1999, Entergy Corporation amended its $250 million, 364-day bank credit facility. As of December 31, 1999, $120 million was outstanding under this facility. The weighted-average interest rate on Entergy's outstanding borrowings as of December 31, 1999 and 1998 was 7.48% and 5.97%, respectively. The commitment fee for this facility is currently .15% of the line amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior debt ratings of the domestic utility companies. There is further discussion of commitments for long-term financing arrangements in Note 7 to the financial statements.

On February 25, 2000, Entergy Corporation obtained a 364-day term loan in the amount of $120 million, the proceeds of which are being used to make an open-account advance to Entergy Louisiana in order to repay maturing debt. Entergy Corporation will use any remaining proceeds for general corporate purposes and working capital needs.

5. PREFERRED, PREFERENCE, AND COMMON STOCK

The number of shares authorized and outstanding, and dollar value of preferred and preference stock for Entergy as of December 31, 1999 and 1998 were:

	Shares Authorized and Outstanding		Total Dollar Value		Call Price Per Share as of December 31,
Dollars in thousands, as of December 31,	1999	1998	1999	1998	1999
PREFERENCE STOCK					
Cumulative, without par value:					
7.00% Series [a][b]	6,000,000	6,000,000	$150,000	$150,000	
PREFERRED STOCK					
Without sinking fund:					
Cumulative, $100 par value:					
4.16% – 5.56% Series	1,201,715	1,201,715	$120,172	$120,172	$102.50 – $108.00
6.08% – 8.56% Series	1,662,829	1,662,829	166,283	166,283	101.80 – 103.78
Cumulative, $25 par value:					
8.00% – 9.68% Series	1,480,000	1,480,000	37,000	37,000	25.00
Cumulative, $0.01 par value:					
$1.96 Series[a]	600,000	600,000	15,000	15,000	25.00
Total without sinking fund	4,944,544	4,944,544	$338,455	$338,455	
With sinking fund:					
Cumulative, $100 par value:					
7.00% – 12.00% Series[b]	350,000	1,273,971	$35,000	$127,396	
Adjustable Rate – A, 7.02%[c]	144,000	156,000	14,400	15,600	100.00
Adjustable Rate – B, 7.03%[c]	202,500	225,000	20,250	22,500	100.00
Cumulative, $25 par value:					
9.92% – 12.64% Series	—	81,085	—	2,027	
Total with sinking fund	696,500	1,736,056	$69,650	$167,523	
Fair Value of Preferred Stock and Preference Stock with sinking fund[d]			$218,721	$314,255	

(a) The total dollar value represents the liquidation value of $25 per share.

(b) These series are not redeemable as of December 31, 1999, but become mandatorily redeemable on July 15, 2000.

(c) Represents weighted-average annualized rates for 1999.

(d) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is additional disclosure of fair value of financial instruments in Note 14 to the financial statements.

Changes in the preferred stock, with and without sinking fund, of the domestic utility companies during the last three years were:

	Number of Shares		
	1999	1998	1997
Preferred stock retirements			
$100 par value	(958,471)	(134,812)	(1,129,812)
$25 par value	(81,085)	(160,000)	(460,000)

Cash sinking fund requirements and mandatory redemptions for the next five years for preferred and preference stock, outstanding as of December 31, 1999, are (in millions): 2000 – $153.5, 2001 – $38.5, 2002 – $3.5, 2003 – $3.5, and 2004 – $3.5. Entergy Gulf States has the annual non-cumulative option to redeem, at par, additional amounts of certain series of its outstanding preferred stock.

In October 1998, the Board approved a plan for the repurchase of Entergy common stock through December 31, 2001, to fulfill the requirements of various compensation and benefit plans. The stock repurchase plan provides for purchases in the open market of up to five million shares of Entergy common stock for an aggregate consideration of up to $250 million. In July 1999, the Board approved the commitment of up to an additional $750 million toward the repurchase of Entergy common stock through December 31, 2001. In 1999, Entergy Corporation repurchased 8,484,000 shares of its common stock for an aggregate purchase price of approximately $245 million. Shares are purchased on a discretionary basis.

Entergy Corporation reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), the Equity Ownership Plan of Entergy Corporation and Subsidiaries (Equity Ownership Plan), and certain other stock benefit plans. The Directors' Plan awards to nonemployee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation previously repurchased common stock. Shares awarded under the Directors' Plan were 11,400 during 1999; 5,100 during 1998; and 9,104 during 1997.

During 1999, Entergy Corporation issued 350,568 shares of its previously repurchased common stock to satisfy stock options exercised and stock purchases under the Equity Plan. In addition, Entergy Corporation received proceeds of $7.5 million from the issuance of 253,269 shares of common stock under its dividend reinvestment and stock purchase plan during 1999.

The Equity Ownership Plan grants stock options, equity awards, and incentive awards to key employees of the domestic utility companies. The costs of equity and incentive awards are charged to income over the period of the grant or restricted period, as appropriate. Amounts charged to compensation expense in 1999 were immaterial. Stock options, which comprise 50% of the shares targeted for distribution under the Equity Ownership Plan, are granted at exercise prices not less than market value on the date of grant. The options granted prior to 1999 were generally exercisable six months from the date of grant, with the exception of 40,000 options granted on December 1, 1998, which became exercisable on January 1, 2000. The majority of options granted in 1999 will become exercisable equally over a three-year period. Options are not exercisable beyond ten years from the date of the grant.

Entergy does not recognize compensation expense for stock options issued with exercise prices at market value on the date of grant. The impact on Entergy's net income for each of the years 1999, 1998, and 1997 would have been $15.5 million, $278,000, and $296,000, respectively, had compensation cost for the stock options been recognized based on the fair value of options at the grant date for awards under the option plan.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following stock option weighted-average assumptions:

	1999	1998	1997
Stock price volatility	20.3%	20.9%	19.3%
Expected term in years	5	5	5
Risk-free interest rate	4.7%	5.1%	6.3%
Dividend yield	4.0%	5.4%	6.8%
Dividend payment	$1.20	$1.58	$1.80

To meet the requirements of the Employee Stock Investment Plan (ESIP), the SEC authorized Entergy Corporation to issue or acquire, through March 31, 2000, up to 2,000,000 shares of its common stock to be held as treasury shares. The ESIP is authorized through the 1999 plan year ending March 31, 2000. Entergy Corporation may issue either treasury shares or previously authorized but unissued shares to satisfy ESIP requirements. Under the terms of the ESIP, employees can choose each year to have up to 10% of their regular annual salary (not to exceed $25,000) withheld to purchase the Company's common stock at a purchase price equal to 85% of the lower of the market value on the first or last business day of the plan year ending March 31. Under the plan, the number of subscribed shares was 285,505 in 1999; 294,108 in 1998; and 319,457 in 1997.

The fair value of ESIP shares granted was estimated on the date of the grant using the Black-Scholes option-pricing model with expected ESIP weighted-average assumptions:

	1999	1998	1997
Stock price volatility	20.9%	24.1%	19.3%
Expected term in years	1	1	1
Risk-free interest rate	4.6%	5.1%	6.1%
Dividend yield	4.3%	6.1%	7.4%
Dividend payment	$1.20	$1.80	$1.80

The weighted-average fair value of those purchase rights granted was $5.90, $6.32, and $4.75 in 1999, 1998, and 1997, respectively. The impact on Entergy's net income would have been ($3,086), ($256,000), and $98,000 in 1999, 1998, and 1997, respectively, had compensation cost for the ESIP been determined based on the fair value at the grant date for awards under the ESIP.

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (Savings Plan). The Savings Plan is a defined contribution plan covering eligible employees of Entergy and its subsidiaries who have completed certain service requirements. The Savings Plan provides that the employing Entergy subsidiary may make matching contributions to the plan in an amount equal to 50% of the participant's basic contribution, up to 6% of their salary, in shares of Entergy Corporation common stock. Entergy's subsidiaries' contributions to the Savings Plan, and any income thereon, are invested in shares of Entergy Corporation common stock. Entergy's subsidiaries contributed $14.5 million in 1999, $13.6 million in 1998, and $13.2 million in 1997 to the Savings Plan.

Nonstatutory stock option transactions are summarized as follows:

	1999		1998		1997	
	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning-of-year balance	**901,639**	**$26.21**	**1,176,308**	**$25.12**	**1,053,308**	**$24.94**
Options granted	**5,354,189**	**29.88**	**125,000**	**29.46**	**255,000**	**25.84**
Options exercised	**(213,084)**	**23.69**	**(350,169)**	**23.37**	**(2,500)**	**23.38**
Options forfeited	**(411,638)**	**30.34**	**(49,500)**	**28.56**	**(129,500)**	**25.10**
End-of-year balance	**5,631,106**	**$29.50**	**901,639**	**$26.21**	**1,176,308**	**$25.12**
Options exercisable at year-end	**612,531**		**861,639**		**421,909**	
Weighted average fair value of options granted	**$4.72**		**$4.11**		**$3.10**	

The following table summarizes information about stock options outstanding as of December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	As of 12/31/99	Weighted-Average Remaining Contractual Life-Years	Weighted-Average Exercise Price	Number Exercisable at 12/31/99	Weighted-Average Exercise Price
$20 – $30	**5,173,076**	**8.8**	**$29.29**	**533,312**	**$24.83**
$30 – $40	**458,030**	**8.3**	**$31.81**	**79,219**	**$35.99**
$20 – $40	**5,631,106**	**8.7**	**$29.50**	**612,531**	**$26.27**

6. COMPANY-OBLIGATED REDEEMABLE PREFERRED SECURITIES

Entergy Arkansas Capital I, Entergy Louisiana Capital I, and Entergy Gulf States Capital I (Trusts) were established as financing subsidiaries of Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States, respectively, for the purpose of issuing common and preferred securities. The Trusts issue Cumulative Quarterly Income Preferred Securities (Preferred Securities) to the public and issue common securities to their parent companies. Proceeds from such issues are used to purchase junior subordinated deferrable interest debentures (Debentures) from the parent company. The Debentures held by each Trust are its only assets. Each Trust uses interest payments received on the Debentures owned by it to make cash distributions on the Preferred Securities.

Trusts	Date Of Issue	Preferred Securities Issued	Common Securities Issued	Interest Rate Securities/ Debentures	Trust's Investment in Debentures	Fair Market Value of Preferred Securities at 12-31-99
		(In millions)			(In millions)	
Arkansas Capital I	**8-14-96**	**$60.0**	**$1.9**	**8.50%**	**$61.9**	**$60.3**
Louisiana Capital I	**7-16-96**	**$70.0**	**$2.2**	**9.00%**	**$72.2**	**$70.0**
Gulf States Capital I	**1-28-97**	**$85.0**	**$2.6**	**8.75%**	**$87.6**	**$77.4**

The Preferred Securities of the Trusts mature in the years 2045 and 2046. The Preferred Securities are redeemable at 100% of their principal amount at the option of Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States beginning in 2001 and 2002, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the Debentures. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States have, pursuant to certain agreements, fully and unconditionally guaranteed payment of distributions on the Preferred Securities issued by their respective trusts. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States are the owners of all of the common securities of their individual Trusts, which constitute 3% of each Trust's total capital.

7. LONG-TERM DEBT

The long-term debt of Entergy Corporation's subsidiaries as of December 31, 1999 and 1998, was (in thousands):

Maturities		Interest Rates			
From	To	From	To	1999	1998
First Mortgage Bonds					
1999	2004	5.800%	8.250%	$1,337,109	$1,640,709
2005	2010	6.500%	7.500%	428,000	428,000
2020	2026	7.000%	8.940%	819,950	833,237
G&R Bonds					
2000	2012	6.200%	8.250%	415,000	290,000
2013	2026	7.550%	8.650%	175,000	300,000
Governmental Obligations[a]					
1999	2010	5.450%	8.500%	22,315	39,537
2011	2020	5.600%	9.500%	569,535	886,135
2021	2030	4.850%	8.000%	1,051,750	729,200
Debentures					
1999	2000	7.380%	7.800%	75,000	75,000
Saltend Project Senior Credit Facility, average rate 6.93%, due 2014				578,681	320,485
Damhead Creek Project Senior Credit Facility, average rate 5.98%, due 2016				342,929	166,482
Long-Term DOE Obligation (Note 9)				136,088	129,891
Waterford 3 Lease Obligation 7.45% (Note 10)				330,306	353,600
Grand Gulf Lease Obligation 7.02% (Note 10)				465,480	481,301
EP Edegel, Inc. Note Payable, 7.7% due 2000				67,000	67,000
Other Long-Term Debt				10,391	134,313
Unamortized Premium and Discount – Net				(17,396)	(23,052)
Total Long-Term Debt				6,807,138	6,851,838
Less Amount Due Within One Year				194,555	255,221
Long-Term Debt Excluding Amount Due Within One Year				$6,612,583	$6,596,617
Fair Value of Long-Term Debt[b]				$5,815,189	$6,244,711

(a) Consists of pollution control bonds, certain series of which are secured by non-interest bearing first mortgage bonds.

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

For the years 2000, 2001, 2002, 2003, and 2004 Entergy Corporation's subsidiaries have long-term debt maturities (excluding lease obligations) and annual cash sinking fund requirements for debt outstanding as of December 31, 1999, totaling (in millions) $181, $276, $380, $129, and $442, respectively. In addition, other sinking fund requirements will be satisfied by cash or by certification of property additions at the rate of 167% of such requirements. The amounts associated with this provision total approximately $49.6 million for each of the years 2000-2004.

On February 15, 2000, Entergy Mississippi issued $120 million of 7.75% Series First Mortgage Bonds due February 15, 2003. On March 9, 2000, Entergy Arkansas issued $100 million of 7.72% Series First Mortgage Bonds due March 1, 2003. The proceeds of both issuances will be used for general corporate purposes, including the retirement of short-term indebtedness that was incurred for working capital needs and capital expenditures.

Entergy Power Development Corporation (EPDC) maintains a credit facility of BPS100 million ($161.5 million) to finance the acquisition of the Damhead Creek Project, assist in the financing of the Saltend project, and for general corporate purposes in connection with the acquisition and development of power generation, distribution or transmission facilities. As of December 31, 1999, there were no cash advances outstanding under this facility. Approximately BPS6.8 million ($10.5 million) was outstanding as of December 31, 1998. The interest rate on the outstanding cash advances was 5.88% and 6.97% as of December 31, 1999 and 1998, respectively. The commitment fee is .17% of the undrawn amount. In addition, EPDC has BPS89.7 million ($144.9 million) of letters of credit under the credit facility to support project commitments on the Saltend and Damhead Creek projects.

Saltend Cogeneration Company Limited (SCCL), an indirect wholly-owned subsidiary of EPDC, maintains a BPS586 million ($946.4 million) non-recourse senior credit facility providing bridge and term loan facilities, cost overrun and working capital facilities, and contingent letter of credit and guarantee facilities (the Senior Credit Facility) to finance the construction and operation of a 1,200 MW gas-fired power plant in northeast England. Borrowings under the Senior Credit Facility are repayable over a 15-year period beginning December 31, 2000. In addition, SCCL has also entered into a BPS72 million ($116.3 million) subordinated credit facility (the Subordinated Credit Facility) which is to be drawn down by the earlier of completion of construction or August 31, 2000. The proceeds of borrowings under the Subordinated Credit Facility will be used to repay a portion of the Senior Credit Facility. The Subordinated Credit Facility is repayable over a 10-year period beginning December 31, 2000. All of the assets of SCCL are pledged as collateral under the Senior Credit Facility and the Subordinated Credit Facility.

In February 1998, SCCL entered into 15-year interest rate swap agreements for 85% of the debt outstanding under the bridge and term loan portion of the Senior Credit Facility on an average fixed-rate basis of 6.44%. SCCL is exposed to market risks from movements in interest rates in the unlikely event that the counterparties to the interest rate swap agreements were to default on contractual payments. At December 31, 1999, SCCL had outstanding interest rate swap agreements totalling a notional amount of $603.2 million. The estimated fair value of the interest rate swap agreements, which represent the estimated amount SCCL would have received to terminate the swaps at December 31, 1999, was a net asset of $3.4 million. Under the Senior Credit Facility and the Subordinated Credit Facility, SCCL's ability to make distributions of dividends, loans, or advances to EPDC is restricted by, among other things, the requirement to pay permitted project costs, make debt repayments, and maintain cash reserves.

In December 1998, Damhead Creek Finance Limited (DCFL), an indirect wholly-owned subsidiary of EPDC, entered into a BPS463.4 million ($748.4 million) non-recourse senior credit facility providing (among other things) bridge and term loan facilities, cost overrun and working capital facilities, and contingent letter of credit and guarantee facilities (the Senior Credit Facility) to finance the construction and operation of an 800 MW gas-fired power plant in southeast England. Borrowings under the Senior Credit Facility are repayable after completion of construction over a fifteen-year period beginning December 31, 2001. DCFL also entered into a BPS36.1 million ($58.3 million) subordinated credit facility (the Subordinated Credit Facility) which is to be drawn down by the earlier of commercial operation or July 22, 2001. Borrowings under the Subordinated Credit Facility will be used to repay a portion of the Senior Credit Facility. The Subordinated Credit Facility is payable over a ten-year period beginning December 31, 2001. Pursuant to a corporate restructuring in April 1999, Damhead Finance LDC (DFLDC), an indirect wholly-owned subsidiary of EPDC, replaced DCFL as borrower under the Senior Credit Facility and the Subordinated Credit Facility. All of the assets of DFLDC are pledged as collateral under the Senior Credit Facility and the Subordinated Credit Facility. Furthermore, the Senior Credit Facility requires DFLDC to enter into interest rate hedge agreements for a majority of the project debt from the earlier of commercial operation or the date the long term interest rate for the agreed interest rate hedging strategy exceeds 8%. Under the Senior Credit Facility and the Subordinated Credit Facility, DFLDC's ability to make distributions of dividends, loans, or advances to EPDC is restricted by, among other things, the requirement to pay permitted project costs, make debt repayments, and maintain cash reserves.

8. DIVIDEND RESTRICTIONS

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. Additionally, PUHCA prohibits Entergy Corporation's subsidiaries from making loans or advances to Entergy Corporation. As of December 31, 1999, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $199.3 million and $15.8 million, respectively. During 1999, cash dividends paid to Entergy Corporation by its subsidiaries totaled $532.3 million.

9. COMMITMENTS AND CONTINGENCIES

CAPITAL REQUIREMENTS AND FINANCING

For the years 2000 through 2004, Entergy plans to spend $9.8 billion in a capital investment plan focused on improving service at the domestic utility companies and growing its global power development and nuclear operations businesses. The estimated allocation in the plan is $4.2 billion to the domestic utility companies, $3.9 billion to the global power development business, and $1.7 billion to the nuclear operations business. This plan is contingent upon Entergy's ability to access the capital necessary to finance the planned expenditures. Construction expenditures (including environmental expenditures and AFUDC, but excluding nuclear fuel) for Entergy are estimated at $1.5 billion in 2000, $1.7 billion in 2001, and $1.8 billion in 2002. Included in these totals are estimated construction expenditures for the domestic utility companies and System Energy as follows:

(In millions)	2000	2001	2002	Total
Entergy Arkansas	$350	$248	$188	$786
Entergy Gulf States	298	269	204	771
Entergy Louisiana	202	188	162	552
Entergy Mississippi	115	122	123	360
Entergy New Orleans	50	46	45	141
System Energy	39	20	12	71

The domestic utility companies' anticipated spending is focused mainly on (i) distribution and transmission projects that will support continued reliability improvements; (ii) return to service of generation stations that have been held in reserve shutdown status; and (iii) transitioning to a more competitive environment. Projected construction expenditures for the replacement of ANO 2's steam generators, which is scheduled for the third quarter of 2000, are included in Entergy Arkansas' estimated figures above. Entergy will also require $1.0 billion during the period 2000-2002 to meet long-term debt and preferred stock maturities and cash sinking fund requirements. Entergy plans to meet these requirements primarily with internally generated funds and cash on hand, supplemented by proceeds from the issuance of debt, outstanding credit facilities, and project financing. Certain domestic utility companies and System Energy may also continue the reacquisition or refinancing of all or a portion of certain outstanding series of preferred stock and long-term debt. See "Management's Financial Discussion and Analysis–Liquidity and Capital Resources" for additional discussion of Entergy's capital spending plans.

SALES WARRANTIES AND INDEMNITIES

In the Entergy London and CitiPower sales transactions, Entergy or its subsidiaries made certain warranties to the purchasers. These warranties include representations regarding litigation, accuracy of financial accounts, and the adequacy of existing tax provisions. Notice of a claim on the CitiPower warranties must be given by December 2000, and Entergy's potential liability is limited to A$100 million ($66 million). Notice of a claim on the Entergy London warranties must be given for certain items by December 1999, and for the tax warranties, must be given by June 30, 2001. Entergy's liability is limited to BPS1.4 billion ($2.3 billion) on certain tax warranties and BPS140 million ($226 million) on the remaining warranties. No such notices have been received. Entergy has also agreed to maintain the net asset value of the subsidiary that sold Entergy London at $700 million through June 30, 2001. Management periodically reviews reserve levels for these warranties and believes it has adequately provided for the ultimate resolution of such matters as of December 31, 1999.

FUEL PURCHASE AGREEMENTS

Entergy Arkansas has long-term contracts for the supply of low-sulfur coal to White Bluff Steam Electric Generating Station and Independence Steam Electric Generating Station (which is also 25% owned by Entergy Mississippi). These contracts, which expire in 2002 and 2011, provide for approximately 85% of Entergy Arkansas' expected annual coal requirements. Additional requirements are satisfied by spot market purchases.

Entergy Gulf States has a contract for a supply of low-sulfur coal for Nelson Unit 6, which should be sufficient to satisfy the fuel requirements at Nelson Unit 6 through 2010. Effective April 1, 2000, Louisiana Generating LLC will assume ownership of the Cajun portion of the Big Cajun generating facilities. The management of Louisiana Generating LLC has advised Entergy Gulf States that it has executed coal supply and transportation contracts that should provide an adequate supply of coal for the operation of Big Cajun 2, Unit 3 for the foreseeable future.

In June 1992, Entergy Louisiana agreed to a 20-year natural gas supply contract. Entergy Louisiana agreed to purchase natural gas in annual amounts equal to approximately one-third of its projected annual fuel requirements for certain generating units.

Annual demand charges associated with this contract are estimated to be $7.6 million. Such charges aggregate $99 million for the years 2000 through 2012.

Entergy's global power development business has entered into gas supply contracts at the project level to supply up to 100% of the gas requirements for the Saltend and Damhead Creek power plants located in the UK. Both contracts have 15-year terms and include a take-or-pay obligation for approximately 75% of the gas requirement for each plant. Under the terms of Saltend's contract and based on its current construction schedule, Entergy's global power development business may incur certain liabilities with regard to this gas prior to the projects reaching commercial operation. The disposition of the gas will be managed under the terms of the contract, and the financial effect on the Saltend project is expected to be minimal.

SALES AGREEMENTS/POWER PURCHASES

In 1988, Entergy Gulf States entered into a joint venture with a primary term of 20 years with Conoco, Inc., Citgo Petroleum Corporation, and Vista Chemical Company (collectively the Industrial Participants), whereby Entergy Gulf States' Nelson Units 1 and 2 were sold to Nelson Industrial Steam Company, a partnership consisting of the Industrial Participants and Entergy Gulf States. The Industrial Participants supply the fuel for the units, while Entergy Gulf States operates the units at the discretion of the Industrial Participants and purchases the electricity produced by the units. Entergy Gulf States purchased electricity from the joint venture totaling $51.4 million in 1999, $57.5 million in 1998, and $70.7 million in 1997.

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately $70.3 million in 1999, $77.8 million in 1998, and $64.6 million in 1997. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately $85.2 million in 2000, and a total of $3.5 billion for the years 2001 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

NUCLEAR INSURANCE

The Price-Anderson Act limits public liability of a nuclear plant owner for a single nuclear incident to approximately $9.5 billion. Protection for this liability is provided through a combination of private insurance (currently $200 million each for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and Entergy's non-utility nuclear power business) and an industry assessment program. Under the assessment program, the maximum payment requirement for each nuclear incident would be $88.1 million per reactor, payable at a rate of $10 million per licensed reactor per incident per year. Entergy has six licensed reactors, including Pilgrim. As a co-licensee of Grand Gulf 1 with System Energy, Southern Mississippi Electric Power Agency (SMEPA) would share 10% of this obligation. In addition, each owner/licensee of Entergy's six nuclear units participates in a private insurance program that provides coverage for worker tort claims filed for bodily injury caused by radiation exposure. The program provides for a maximum assessment of approximately $18.6 million for the six nuclear units in the event that losses exceed accumulated reserve funds.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and Entergy's non-utility nuclear power business are also members of certain insurance programs that provide coverage for property damage, including decontamination and premature decommissioning expense, to members' nuclear generating plants. As of December 31, 1999, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy were each insured against such losses up to $2.3 billion. Entergy's non-utility nuclear power business is insured for $1.115 billion in property damages for Pilgrim under these insurance programs. In addition, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy's non-utility nuclear power business are members of an insurance program that covers certain replacement power and business interruption costs incurred due to prolonged nuclear unit outages. Under the property damage and replacement power/business interruption insurance programs, these Entergy subsidiaries could be subject to assessments if losses exceed the accumulated funds available to the insurers. As of December 31, 1999, the maximum amounts of such possible assessments were: Entergy Arkansas – $16.6 million; Entergy Gulf States – $14.1 million; Entergy Louisiana – $15.3 million; Entergy Mississippi – $0.5 million; Entergy New Orleans – $0.3 million; System Energy – $12.7 million, and Entergy's non-utility nuclear power business – $7.3 million. Under its agreement with System Energy, SMEPA would share in System Energy's obligation.

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

SPENT NUCLEAR FUEL AND DECOMMISSIONING COSTS

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and Entergy's non-utility nuclear power business provide for estimated future disposal costs for spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982.

The affected Entergy companies entered into contracts with the United States Department of Energy (DOE), whereby the DOE will furnish disposal service at a cost of one mill per net KWH generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy Arkansas is the only Entergy company that generated electricity with nuclear fuel prior to that date and has recorded a liability as of December 31, 1999 of approximately $136 million for the one-time fee. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy's non-utility nuclear power business has accepted assignment of the Pilgrim spent fuel disposal contract with the DOE previously held by Boston Edison. Boston Edison has paid to the DOE the fees for all generation prior to the July 1999 purchase 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 by the domestic utility companies in applications to regulatory authorities.

Delays have occurred in the DOE's program for the acceptance and disposal of spent nuclear fuel at a permanent repository. Considerable uncertainty exists regarding the time frame under which the DOE will begin to accept spent fuel from Entergy facilities for storage or disposal.

Pending DOE acceptance and disposal of spent nuclear fuel, the owners of nuclear plants are responsible for their own spent fuel storage. Current on-site spent fuel storage capacity at Grand Gulf 1 and River Bend is estimated to be sufficient until approximately 2005 and 2003, respectively. The spent fuel pool at Waterford 3 was recently expanded through the replacement of the existing storage racks with higher density storage racks. This expansion should provide sufficient storage for Waterford 3 until after 2010. An ANO storage facility using dry casks began operation in 1996 and is being expanded in 2000. Current on-site spent fuel storage capacity at ANO, including the current expansion, is estimated to be sufficient until approximately 2002. This facility may be further expanded as required. The spent fuel storage facility at Pilgrim is expected to provide storage capacity until approximately 2003. Entergy plans to modify the facility to provide sufficient spent fuel storage capacity through approximately 2012.

The cost of adding additional spent fuel storage capacity as needed at each site will be reassessed in 2000. In December 1999, Entergy Arkansas, System Energy, and Entergy Gulf States issued requests for proposals for additional dry storage capacity at ANO, Grand Gulf 1, and River Bend, respectively.

Total approved decommissioning costs for rate recovery purposes as of December 31, 1999, for the domestic utility companies' nuclear power plants, excluding the co-owner share of Grand Gulf 1, have been estimated as follows:

(In millions)	Total Estimated Approved Decommissioning Costs
ANO 1 and ANO 2 (based on a 1998 cost study reflecting 1997 dollars)	$ 813.1
River Bend (based on a 1996 cost study reflecting 1996 dollars)	419.0
Waterford 3 (based on a 1994 updated study in 1993 dollars)	320.1
Grand Gulf 1 (based on a 1994 cost study using 1993 dollars)	365.9
	$1,918.1

Decommissioning cost updates were prepared for Waterford 3 and Grand Gulf in 1999 and produced revised decommissioning cost updates of $481.5 million and $540.8 million, respectively. The cost update for Waterford 3 will be included in a filing with the LPSC in the second quarter of 2000. The cost update for Grand Gulf has not yet been filed with FERC.

Entergy Arkansas and Entergy Louisiana are authorized to recover in rates amounts that, when added to estimated investment income, should be sufficient to meet the above approved decommissioning costs for ANO and Waterford 3, respectively.

As part of the Pilgrim purchase, Boston Edison funded a $471.3 million decommissioning trust fund, which was transferred to Entergy's non-utility nuclear power business. After a favorable tax determination regarding the trust fund, Entergy returned $43 million of the trust fund to Boston Edison. Based on cost estimates provided by an outside consultant, Entergy believes that Pilgrim's decommissioning fund will be adequate to cover future decommissioning costs for the Pilgrim plant without any additional deposits to the trust.

In the Texas retail jurisdiction, Entergy Gulf States is recovering in rates River Bend decommissioning costs that total $385.2 million, based on a 1996 cost study. Entergy Gulf States included decommissioning costs of $513.3 million based on a 1998 cost update amount of $562.7 million in the PUCT rate review filed in November 1998. The PUCT ordered that Entergy Gulf States continue funding at the level based on the 1996 study. In the Louisiana retail jurisdiction, Entergy Gulf States included decommissioning costs, based on the 1996 study, in the LPSC rate reviews filed in May 1996, 1997, and 1998. In June 1996, a rate change was implemented that included decommissioning revenue requirements based on the 1996 study. In September 1998, the LPSC issued an order accepting the 1996 cost study amount of $419 million. In the May 1999 rate review, Entergy Gulf States included decommissioning costs based on the 1998 update of $562.7 million.

System Energy was previously recovering in rates amounts sufficient to fund $198 million (in 1989 dollars) of its Grand Gulf 1 decommissioning costs. System Energy included updated decommissioning costs (based on the 1994 study) in its pending rate increase filing with FERC. Rates requested in this proceeding were placed into effect in December 1995, subject to refund. FERC has not yet issued an order in the rate case.

Entergy periodically reviews and updates estimated decommissioning costs. Although Entergy is presently under-recovering for Grand Gulf, Waterford 3, and River Bend based on the above estimates, applications have been and will continue to be made to the appropriate regulatory authorities to reflect projected decommissioning costs in rates. The amounts recovered in rates are deposited in trust funds and reported at market value based upon market quotes or as determined by widely used pricing services. These trust fund assets largely offset the accumulated decommissioning liability that is recorded as accumulated depreciation for Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana, and are recorded as deferred credits for System Energy and Entergy's non-utility nuclear power business. The liability associated with the trust funds received from Cajun with the transfer of Cajun's 30% share of River Bend is also recorded as a deferred credit by Entergy Gulf States.

The cumulative liabilities and actual decommissioning expenses recorded in 1999 by Entergy were as follows:

(In millions)	Cumulative Liabilities as of December 31, 1998	1999 Trust Earnings	1999 Decommissioning Expenses	Other	Cumulative Liabilities as of December 31, 1999
ANO 1 and ANO 2	$253.4	$ 7.6	$10.7	$ —	$ 271.7
River Bend	190.3	5.6	7.6	—	203.5
Waterford 3	71.9	2.3	8.8	—	83.0
Grand Gulf 1	107.3	3.2	18.9	—	129.4
Pilgrim(1)	—	—	6.8	428.0	434.8
	$622.9	$18.7	$52.8	$428.0	$1,122.4

(1) The $428 million reflected above for Pilgrim represents Entergy's estimate of the present value of Pilgrim's decommissioning liability at the time of Entergy's purchase of Pilgrim. Pilgrim's trust earnings are not shown as an increase to its decommissioning liability because it is not subject to regulatory treatment.

In 1998 and 1997, ANO's decommissioning expense was $15.6 million and $17.3 million, respectively; River Bend's decommissioning expense was $3.4 million and $8.9 million, respectively; Waterford 3's decommissioning expense was $8.8 million in both years, and Grand Gulf 1's decommissioning expense was $18.9 million in both years. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment.

The Energy Policy Act contains a provision that assesses domestic nuclear utilities with fees for the decontamination and decommissioning of the DOE's past uranium enrichment operations. The decontamination and decommissioning assessments are being used to set up a fund into which contributions from utilities and the federal government will be placed. Annual assessments (in 1999 dollars), which will be adjusted annually for inflation, are for 15 years and are approximately $3.9 million for Entergy Arkansas, $1.0 million for Entergy Gulf States, $1.5 million for Entergy Louisiana, and $1.6 million for System Energy. DOE fees are included in other current liabilities and other noncurrent liabilities and, as of December 31, 1999, recorded liabilities were $27.0 million for Entergy Arkansas, $4.7 million for Entergy Gulf States, $10.3 million for Entergy Louisiana, and $10.0 million for System Energy. These liabilities were offset in the consolidated financial statements by regulatory assets. FERC requires that utilities treat these assessments as costs of fuel as they are amortized and recover these costs through rates in the same manner as other fuel costs.

ANO MATTERS

Cracks in steam generator tubes at ANO 2 were discovered and repaired during an outage in March 1992. Further inspections and repairs were conducted during subsequent refueling and mid-cycle outages, including the most recent mid-cycle outage in November 1999. Turbine modifications were installed in May 1997 to restore most of the output lost due to steam generator fouling and tube plugging. In October 1996, the Board authorized Entergy Arkansas and Entergy Operations to fabricate and install replacement steam generators at ANO 2. Entergy Operations thereafter entered into contracts for the design, fabrication, and installation of replacement steam generators. In December 1998, the APSC issued an order finding replacement of the ANO 2 steam generators is in the public interest. It is anticipated that the steam generators will be installed during a planned refueling outage in September 2000. Entergy estimates the cost of fabrication and replacement of the steam generators to be approximately $150 million.

ENVIRONMENTAL ISSUES

Entergy Gulf States has been designated as a Potentially Responsible Party (PRP) for the clean-up of certain hazardous waste disposal sites. Entergy Gulf States is currently negotiating with the EPA and state authorities regarding the cleanup of these sites. Several class action and other suits have been filed in state and federal courts seeking relief from Entergy Gulf States and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States' premises. While the amounts at issue in the clean-up efforts and suits may be substantial, Entergy Gulf States believes that its results of operations and financial condition will not be materially adversely affected by the outcome of the suits. As of December 31, 1999, a remaining provision of $19.1 million existed relating to the clean-up of the remaining sites at which Entergy Gulf States has been designated as a PRP.

During 1993, the Louisiana Department of Environmental Quality (LDEQ) issued new rules for solid waste regulation, including regulation of wastewater impoundments. Entergy Louisiana and Entergy New Orleans have determined that certain of their power plant wastewater impoundments were affected by these regulations and have chosen to upgrade or close them. As a result, a remaining recorded liability in the amount of $5.9 million for Entergy Louisiana and $0.5 million for Entergy New Orleans existed at December 31, 1999 for wastewater upgrades and closures. Completion of this work is pending LDEQ approval.

EMPLOYMENT LITIGATION

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits filed by former employees asserting that they were wrongfully terminated and/or discriminated against on the basis of age, race, and/or sex. Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are vigorously defending these suits and deny any liability to the plaintiffs. However, no assurance can be given as to the outcome of these cases.

CAJUN – COAL CONTRACTS

Entergy Gulf States filed declaratory judgment actions in the U.S. Bankruptcy Court in which the Cajun bankruptcy case is pending. These actions were filed to seek rulings declaring that Entergy Gulf States is not liable for damages to certain coal suppliers and the rail and barge companies that transport coal to Big Cajun 2, Unit 3 if their contracts were rejected in the bankruptcy proceeding. Collectively, the coal suppliers and transporters asserted claims in the Cajun bankruptcy case that exceeded $1.6 billion. In October 1999, the bankruptcy court confirmed a plan of reorganization in the bankruptcy case pursuant to a settlement agreement among the parties. The settlement agreement and plan of reorganization effectively release Entergy Gulf States from any claims asserted by the coal suppliers and transporters for Big Cajun 2. The settlement agreement is subject to regulatory approvals.

GRAND GULF 1-RELATED AGREEMENTS

Capital Funds Agreement

Entergy Corporation has agreed to supply System Energy with sufficient capital to (i) maintain System Energy's equity capital at an amount equal to a minimum of 35% of its total capitalization (excluding short-term debt), and (ii) permit the continued commercial operation of Grand Gulf 1 and pay in full all indebtedness for borrowed money of System Energy when due. In addition, under supplements to the Capital Funds Agreement assigning System Energy's rights as security for specific debt of System Energy, Entergy Corporation has agreed to make cash capital contributions to enable System Energy to make payments on such debt when due.

System Energy has entered into agreements with Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans whereby they are obligated to purchase their respective entitlements of capacity and energy from System Energy's 90% ownership and leasehold interest in Grand Gulf 1, and to make payments that, together with other available funds, are adequate to cover System Energy's operating expenses. System Energy would have to secure funds from other sources, including Entergy Corporation's obligations under the Capital Funds Agreement, to cover any shortfalls from payments received from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under these agreements.

LITIGATION

In addition to those discussed above, Entergy and the domestic utility companies are involved in a number of legal proceedings and claims in the ordinary course of their business. While management is unable to predict the outcome of such litigation, it is not expected that the ultimate resolution of these matters will have a material adverse effect on results of operations, cash flows, or financial condition of these entities.

10. LEASES

GENERAL

As of December 31, 1999, Entergy had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum lease payments as follows:

Year	Capital Leases	Operating Leases
	(In thousands)	
2000	$ 25,379	$ 88,978
2001	23,676	77,761
2002	19,414	60,338
2003	19,414	43,422
2004	19,414	40,173
Years thereafter	39,882	127,346
Minimum lease payments	$147,179	$438,018
Less: Amount representing interest	48,570	
Present value of net minimum lease payments	$ 98,609	

Rental expense for Entergy's leases (excluding nuclear fuel leases and the Grand Gulf 1 and Waterford 3 sale and leaseback transactions) amounted to approximately $65.2 million, $69.4 million, and $70.7 million, in 1999, 1998, and 1997, respectively. In addition to the above rental expense, Entergy Arkansas and Entergy Gulf States railcar operating lease payments, which are recorded in fuel expense, amounted to approximately $13.7 million and $2.7 million, respectively, in 1999, 1998, and 1997. The railcar lease payments are recorded as fuel expense in accordance with regulatory treatment.

NUCLEAR FUEL LEASES

As of December 31, 1999, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each had arrangements to lease nuclear fuel in an aggregate amount up to $410 million. As of December 31, 1999, the unrecovered cost base of Entergy Arkansas', Entergy Gulf States', Entergy Louisiana's, and System Energy's nuclear fuel leases amounted to approximately $286 million. The lessors finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of intermediate-term notes. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have termination dates of December 2000, December 2000, January 2002, and February 2001, respectively. Such termination dates may be extended from time to time with the consent of the lenders. The intermediate-term notes issued pursuant to these fuel lease arrangements have varying maturities through March 15, 2002. It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. However, if such additional financing cannot be arranged, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense charged to operations by the domestic utility companies and System Energy in 1999, 1998, and 1997 was $137.8 million (including interest of $14.5 million), $158.8 million (including interest of $16.6 million), and $149.9 million (including interest of $18.7 million), respectively.

SALE AND LEASEBACK TRANSACTIONS

In 1988 and 1989, System Energy and Entergy Louisiana, respectively sold and leased back portions of their ownership interests in Grand Gulf 1 and Waterford 3 for 26½-year and 28-year lease terms, respectively. Both companies have options to terminate the leases, to repurchase the sold interests, or to renew the leases at the end of their terms.

Under System Energy's sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable for the benefit of the equity investors by System Energy under the leases. The current letters of credit are effective until March 20, 2003.

Entergy Louisiana did not exercise its option to repurchase the undivided interests in Waterford 3 in September 1994. As a result, Entergy Louisiana was required to provide collateral for the equity portion of certain amounts payable by Entergy Louisiana under the leases. Such collateral was in the form of a new series of non-interest-bearing first mortgage bonds in the aggregate principal amount of $208.2 million issued by Entergy Louisiana in September 1994.

In July 1997, Entergy Louisiana caused the Waterford 3 lessors to issue $307.6 million aggregate principal amount of Waterford 3 Secured Lease Obligation Bonds, 8.09% Series due 2017, to refinance the outstanding bonds originally issued to finance the purchase of the undivided interests by the lessors. The lease payments have been reduced to reflect the lower interest costs.

As of December 31, 1999, System Energy and Entergy Louisiana had future minimum lease payments, recorded as long-term debt (reflecting an overall implicit rate of 7.02% and 7.45%, respectively) as follows:

Year	System Energy	Entergy Louisiana
	(In thousands)	
2000	$ 42,753	$ 42,573
2001	46,803	40,909
2002	53,827	39,246
2003	48,524	59,709
2004	36,133	31,739
Years thereafter	574,782	440,690
Total	802,822	654,866
Less: Amount representing interest	337,342	324,560
Present value of net minimum lease payments	$465,480	$330,306

11. POSTRETIREMENT BENEFITS

PENSION PLANS

Entergy has two postretirement benefit plans, "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees," covering substantially all of its domestic employees. The pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts.

Total 1999, 1998, and 1997 pension cost of Entergy, including amounts capitalized, included the following components (in thousands):

	1999	1998	1997
Service cost – benefits earned during the period	$ 39,327	$ 45,470	$ 47,703
Interest cost on projected benefit obligation	104,591	192,132	193,665
Expected return on plan assets	(130,535)	(233,058)	(220,641)
Net amortization and deferral	1,622	1,719	1,720
Net pension cost	$ 15,005	$ 6,263	$ 22,447

The funded status of Entergy's various pension plans as of December 31, 1999 and 1998 was (in thousands):

	1999	1998
CHANGE IN PROJECTED BENEFIT OBLIGATION (PBO)		
Balance at beginning of year	$1,553,251	$2,495,107
Service cost	39,327	45,470
Interest cost	104,591	192,132
Actuarial (gain)/loss	(126,715)	142,217
Benefits paid	(80,580)	(161,999)
Acquisition/disposition of subsidiaries[a]	9,727	(1,159,676)
Balance at end of year	$1,499,601	$1,553,251
CHANGE IN PLAN ASSETS		
Fair value of assets at beginning of year	$1,791,192	$3,133,232
Actual return on plan assets	241,460	472,181
Employer contributions	13,106	72,596
Benefits paid	(80,580)	(161,999)
Disposition of subsidiaries[a]	—	(1,724,818)
Fair value of assets at end of year	$1,965,178	$1,791,192
Funded status	$ 465,577	$ 237,941
Unrecognized transition asset	(17,446)	(24,798)
Unrecognized prior service cost	30,092	32,748
Unrecognized net (gain)/loss	(483,741)	(239,781)
Prepaid/(accrued) pension costs	$ (5,518)	$ 6,110

(a) Reflects the disposition of London Electricity and CitiPower effective December 1998.

OTHER POSTRETIREMENT BENEFITS

Entergy also provides health care and life insurance benefits for retired employees. Substantially all domestic employees may become eligible for these benefits if they reach retirement age while still working for Entergy.

Effective January 1, 1993, Entergy adopted SFAS 106, which required a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. At January 1, 1993, the actuarially determined accumulated postretirement benefit obligation (APBO) earned by retirees and active employees was estimated to be approximately $241.4 million and $128 million for Entergy (other than Entergy Gulf States) and for Entergy Gulf States, respectively. Such obligations are being amortized over a 20-year period which began in 1993.

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

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

Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, the portion of Entergy Gulf States regulated by the PUCT, and System Energy fund postretirement benefit obligations collected in rates. System Energy is funding on behalf of Entergy Operations postretirement benefits associated with Grand Gulf 1. Entergy Louisiana and Entergy Gulf States continue to recover a portion of these benefits regulated by the LPSC and FERC on a pay-as-you-go basis. The assets of the various postretirement benefit plans other than pensions include common stocks, fixed-income securities, and a money market fund.

Total 1999, 1998, and 1997 postretirement benefit costs of Entergy, including amounts capitalized and deferred, included the following components (in thousands):

	1999	1998	1997
Service cost – benefits earned during the period	**$16,950**	**$13,878**	**$13,991**
Interest cost on APBO	**29,467**	**28,443**	**29,317**
Expected return on assets	**(8,208)**	**(5,260)**	**(3,386)**
Net amortization and deferral	**16,466**	**14,417**	**15,864**
Net postretirement benefit cost	**$54,675**	**$51,478**	**$55,786**

The funded status of Entergy's postretirement plans as of December 31, 1999 and 1998 was (in thousands):

	1999	1998
CHANGE IN APBO		
Balance at beginning of year	$444,509	$ 427,962
Service cost	16,950	13,878
Interest cost	29,467	28,443
Actuarial gain	(40,202)	1,322
Benefits paid	(25,881)	(27,096)
Acquisition of subsidiary	4,929	—
Balance at end of year	$429,772	$ 444,509
CHANGE IN PLAN ASSETS		
Fair value of assets at beginning of year	$ 89,579	$59,687
Actual return on plan assets	7,134	4,616
Employer contributions	43,576	52,372
Benefits paid	(25,881)	(27,096)
Acquisition of subsidiary	5,800	—
Fair value of assets at end of year	$120,208	$ 89,579
Funded status	$(309,564)	$(354,930)
Unrecognized transition obligation	149,141	160,613
Unrecognized prior service cost	335	379
Unrecognized net (gain)/loss	(19,374)	24,704
Prepaid/(accrued) postretirement benefit liability	$(179,462)	$(169,234)

The assumed health care cost trend rate used in measuring the APBO of Entergy was 5.5% for 2000, gradually decreasing each successive year until it reaches 5.0% in 2005 and beyond. A one percentage-point increase in the assumed health care cost trend rate for 1999 would have increased the APBO and the sum of the service cost and interest cost of Entergy as of December 31, 1999 by approximately $34.5 million and $5.3 million, respectively. A one percentage-point decrease in the assumed health care cost trend rate for 1999 would have decreased the APBO and the sum of the service cost and interest cost of Entergy as of December 31, 1999 by approximately $29.2 million and $4.4 million, respectively.

The significant actuarial assumptions used in determining the pension PBO and the SFAS 106 APBO for 1999, 1998, and 1997 were as follows:

	1999	1998	1997
Weighted-average discount rate	7.50%	6.75%	7.25%
Weighted-average rate of increase in future compensation levels	4.60%	4.60%	4.60%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%

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

12. DISPOSITIONS AND ACQUISITIONS

BUSINESS DISPOSITIONS

As part of the new strategic plan adopted by Entergy in August 1998, Entergy sold several businesses during 1998, including the following:

Business	Pre-tax Gain (Loss) on Sale (In millions)
London Electricity	**$327**
CitiPower[a]	**38**
Efficient Solutions, Inc.	**(69)**

(a) The gain on the CitiPower sale reflects a $7.6 million favorable adjustment to the final sales price in January 1999.

In keeping with this plan, in January 1999, Entergy disposed of its security monitoring subsidiary, Entergy Security, Inc. at a minimal gain. Several telecommunication businesses were sold in June, also at small gains.

The results of operations of these businesses are included in Entergy's Consolidated Statements of Income through their respective dates of sale. Gains and losses arising from sales of businesses are included in "Other Income (Deductions), Gain on sale of assets – net" in that statement.

ASSET ACQUISITION

On July 13, 1999, Entergy's non-utility nuclear power business acquired the 670 MW Pilgrim Nuclear Station, located in Plymouth, Massachusetts, from Boston Edison. The acquisition included the plant, real estate, materials and supplies, and nuclear fuel, for a total purchase price of $81 million. The purchase price was funded with a portion of the proceeds from the sales of non-regulated businesses. As part of the Pilgrim purchase, Boston Edison funded a $471 million decommissioning trust fund, which was transferred to an Entergy subsidiary. Based on a favorable tax determination regarding the trust fund, Entergy returned $43 million of the trust fund to Boston Edison.

13. BUSINESS SEGMENT INFORMATION

In 1998, Entergy adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." Entergy's reportable segments as of December 31, 1999 are domestic utility and power marketing and trading. Entergy's international electric distribution businesses, Entergy London and CitiPower, were sold in December 1998. These businesses would have been a reportable segment had they been held as of December 31, 1998, and financial information regarding them is also provided below.

Domestic utility provides retail electric service in portions of Arkansas, Louisiana, Mississippi, and Texas, and provides natural gas utility service in portions of Louisiana. Entergy's power marketing and trading segment markets wholesale electricity, gas, other generating fuels, and electric capacity, and markets financial instruments to third parties. Entergy's operating segments are strategic business units managed separately due to their different operating and regulatory environments.

Entergy's segment financial information is as follows (in thousands):

	Domestic Utility and System Energy	Power Marketing and Trading*	Entergy London*	CitiPower*	All Other*	Eliminations	Consolidated
1999							
Operating Revenues	$ 6,414,623	$2,249,274	$—	$—	$ 143,146	$ (33,815)	$ 8,773,228
Operating Expenses:							
Fuel & gas purch. for resale	1,672,075	411,519	—	—	—	(719)	2,082,875
Purchased power	693,202	1,771,128	—	—	—	(21,846)	2,442,484
Nuclear refueling outages	76,057	—	—	—	—	—	76,057
Other operation & maint.	1,405,208	66,383	—	—	247,250	(13,296)	1,705,545
Deprec., amort. & decomm.	732,182	5,212	—	—	7,475	—	744,869
Taxes other than income	334,834	682	—	—	3,768	—	339,284
Other regulatory charges	8,113	—	—	—	—	—	8,113
Amort. of rate deferrals	122,347	—	—	—	—	—	122,347
Total operating expenses	5,044,018	2,254,924	—	—	258,493	(35,861)	7,521,574
Operating Income (Loss)	1,370,605	(5,650)	—	—	(115,347)	2,046	1,251,654
Other Income	70,911	3,937	—	—	186,378	(5,586)	255,640
Interest Charges	536,543	2,006	—	—	20,592	(3,540)	555,601
Income Before Income Taxes	904,973	(3,719)	—	—	50,439	—	951,693
Income Taxes	351,448	(3,228)	—	—	8,447	—	356,667
Net Income (Loss)	$ 553,525	$ (491)	$—	$—	$ 41,992	$ —	$ 595,026
Total assets	$18,956,750	$ 460,063	$—	$—	$3,762,115	$(193,841)	$22,985,087
1998							
Operating Revenues	$ 6,310,543	$2,854,980	$1,911,875	$ 303,245	$ 150,297	$(36,168)	$11,494,772
Operating Expenses:							
Fuel & gas purch. for resale	1,547,413	160,135	—	—	—	(1,520)	1,706,028
Purchased power	614,964	2,674,807	1,218,534	101,407	—	(24,268)	4,585,444
Nuclear refueling outages	83,885	—	—	—	—	—	83,885
Other operation & maint.	1,336,881	45,247	298,748	71,603	247,720	(12,159)	1,988,040
Deprec., amort. & decomm.	763,818	5,058	126,586	28,444	61,023	—	984,929
Taxes other than income	340,612	997	—	18,226	2,318	—	362,153
Other regulatory charges	35,136	—	—	—	—	—	35,136
Amort. of rate deferrals	237,302	—	—	—	—	—	237,302
Total operating expenses	4,960,011	2,886,244	1,643,868	219,680	311,061	(37,947)	9,982,917
Operating Income (Loss)	1,350,532	(31,264)	268,007	83,565	(160,764)	1,779	1,511,855
Other Income	58,196	7,630	36,810	124	272,865	(2,601)	373,024
Interest Charges	548,299	122	182,479	80,586	21,851	(822)	832,515
Income Before Income Taxes	860,429	(23,756)	122,338	3,103	90,250	—	1,052,364
Income Taxes	331,931	(8,216)	4,589	—	(61,569)	—	266,735
Net Income (Loss)	$ 528,498	$ (15,540)	$ 117,749	$ 3,103	$ 151,819	$ —	$ 785,629
Total assets	$19,727,666	$ 359,626	$ —	$ —	$2,783,732	$(34,330)	$22,836,694
1997							
Operating Revenues	$ 6,731,872	$493,102	$1,847,042	$ 342,959	$ 180,360	$(56,409)	$ 9,538,926
Operating Expenses:							
Fuel & gas purch. for resale	1,634,887	42,154	—	—	—	—	1,677,041
Purchased power	605,634	390,125	1,222,034	129,744	—	(28,726)	2,318,811
Nuclear refueling outages	73,857	—	—	—	—	—	73,857
Other operation & maint.	1,279,112	35,003	316,833	54,516	207,342	(6,657)	1,886,149
Deprec., amort. & decomm.	765,597	4,789	121,365	32,702	55,555	—	980,008
Taxes other than income	326,352	938	—	35,653	2,496	—	365,439
Other regulatory charges	(18,545)	—	—	—	—	—	(18,545)
Amort. of rate deferrals	421,803	—	—	—	—	—	421,803
Total operating expenses	5,088,697	473,009	1,660,232	252,615	265,393	(35,383)	7,704,563
Operating Income (Loss)	1,643,175	20,093	186,810	90,344	(85,033)	(21,026)	1,834,363
Other Income (Deductions)	(245,439)	2,476	21,525	45	2,517	19,025	(199,851)
Interest Charges	583,613	91	178,647	69,011	32,911	(2,001)	862,272
Income Before Income Taxes	814,123	22,478	29,688	21,378	(115,427)	—	772,240
Income Taxes	296,432	8,318	177,023	22,924	(33,356)	—	471,341
Net Income (Loss)	$ 517,691	$ 14,160	$ (147,335)	$ (1,546)	$ (82,071)	$ —	$ 300,899
Total assets	$20,114,594	$354,694	$4,403,625	$1,068,564	$1,093,783	$(34,560)	$27,000,700

Businesses marked with * are referred to as the "competitive businesses," with the exception of the parent company, Entergy Corporation, which is also included in the "All Other" column. The All Other category includes the parent Entergy Corporation, segments below the quantitative threshold for separate disclosure, and other business activities. Other segments principally include global power development and non-utility nuclear power operations and management. Other business activities principally include the gains on the sales of businesses. Reconciling items are principally inter-segment activity.

GEOGRAPHIC AREAS

For the years ended December 31, 1999, 1998, and 1997, Entergy did not derive material revenues from outside of the United States, other than from Entergy London and CitiPower, which are noted above.

Long-lived assets as of December 31 were as follows (in thousands):

	1999	1998	1997
Domestic	**$14,590,346**	**$14,863,488**	**$15,228,107**
Foreign	**910,408**	**465,094**	**2,904,721**
Consolidated	**$15,500,754**	**$15,328,582**	**$18,132,828**

14. RISK MANAGEMENT AND FAIR VALUES

COMMODITY DERIVATIVES

Entergy uses a variety of commodity derivatives, including natural gas and electricity futures, forwards, and options, as a part of its overall risk management strategy.

The power marketing and trading business engages in the trading of commodity instruments and, therefore, experiences net open positions. The business manages open positions with policies that limit its exposure to market risk and require daily reporting to management of potential financial exposure. These policies include statistical risk tolerance limits using historical price movements to calculate a value at risk measurement. The weighted-average life of the business' commodity risk portfolio was less than 18 months at December 31, 1999 and less than 12 months at December 31, 1998.

At December 31, 1999 and 1998, the power marketing and trading business had outstanding absolute notional contract quantities as follows (power volumes in thousands of megawatt hours, natural gas volumes in thousands of British thermal units):

	1999	1998
Energy Commodities:		
Power	**9,627**	**33,682**
Natural gas	**728,560**	**1,209,791**

Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk. Entergy's exposure to market risk is determined by a number of factors, including the size, duration, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affect the level of market risk. The most significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

The New York Mercantile Exchange (Exchange) guarantees futures and option contracts traded on the Exchange and there is nominal credit risk. On all other transactions described above, Entergy is exposed to credit risk in the event of nonperformance by the counterparties. For each counterparty, Entergy analyzes the financial condition prior to entering into an agreement, establishes credit limits, and monitors the appropriateness of these limits on an ongoing basis. In some circumstances, Entergy requires letters of credit or parental guarantees. Entergy also uses netting arrangements whenever possible to mitigate Entergy's exposure to counterparty risk. Netting arrangements enable Entergy to net certain assets and liabilities by counterparty.

The change in market value of Exchange-traded futures and options contracts requires daily cash settlement in margin accounts with brokers. Swap contracts and most other over-the-counter instruments are generally settled at the expiration of the contract term and may be subject to margin requirements with the counterparty.

Entergy's principal markets for power and natural gas marketing services are utilities and industrial end-users located throughout the United States and the UK. The power marketing and trading business has a concentration of receivables due from those customers. These industry concentrations may affect the power marketing and trading business' overall credit risk, either positively or negatively, in that changes in economic, industry, regulatory, or other conditions may similarly affect certain customers. Trade receivables are generally not collateralized. However, Entergy analyzes customers' credit positions prior to extending credit, establishes credit limits, and monitors the appropriateness of these limits on an ongoing basis.

FAIR VALUES

Commodity Instruments

Fair value estimates of the power marketing and trading business' commodity instruments are made at discrete points in time based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment; therefore, actual results may differ from these estimates.

At December 31, 1999 and 1998, the fair values of the power marketing and trading business' energy-related commodity contracts used for trading purposes were as follows:

	1999		1998	
(In thousands)	Assets	Liabilities	Assets	Liabilities
Commodity Instruments:				
Natural Gas	$ 43,542	$ 39,361	$150,130	$150,311
Electricity	$185,575	$130,209	$147,363	$119,891

Financial Instruments

The estimated fair value of Entergy's financial instruments is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. The estimated fair value of derivative financial instruments is based on market quotes of the applicable interest rates. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. In addition, gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of stockholders.

Entergy considers the carrying amounts of financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. In addition, Entergy does not expect that performance of its obligations will be required in connection with certain off-balance sheet commitments and guarantees considered financial instruments. For these reasons, and because of the related-party nature of these commitments and guarantees, determination of fair value is not considered practicable. Additional information regarding financial instruments and their fair values is included in Notes 4, 5, 6, and 7 to the financial statements.

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The business of the domestic utility companies and System Energy is subject to seasonal fluctuations with the peak periods occurring during the third quarter. Operating results for the four quarters of 1999 and 1998 were:

In thousands, except per share amounts	Operating Revenue	Operating Income	Net Income	Earnings per Share (Basic and Diluted)
1999:				
First Quarter	$1,639,922	$203,435	$ 72,906	$0.25
Second Quarter	2,316,404	363,951	209,758	$0.81
Third Quarter	3,064,535	597,595	296,158	$1.16
Fourth Quarter	1,752,367	86,673	16,204	$0.03
1998:				
First Quarter	$2,313,092	$285,507	$ 60,054	$0.20
Second Quarter	2,508,814	472,710	215,979	$0.83
Third Quarter	4,587,447	590,673	262,596	$1.01
Fourth Quarter	2,085,419	162,965	247,000	$0.96

DIRECTORS

The business and affairs of Entergy Corporation are managed under the direction of the Board of Directors, acting either as a body or through its committees. In 1999, the Board met seven times. The Board committees are as follows (number of meetings in 1999 indicated in parentheses): Audit (7), Director Affairs (4), Executive (2), Finance (7), Nuclear (10), Personnel (7), Public Affairs (4).

W. FRANK BLOUNT

Former Chief Executive Officer, Telstra Communications Corporation. Kiawah Island, South Carolina. Joined the Entergy Board in 1987. Age, 61

VADM. GEORGE W. DAVIS

U.S. Navy (ret.); Retired Director, President and Chief Operating Officer of Boston Edison Company. Columbia, South Carolina. Joined the Entergy Board in 1998. Age, 66

NORMAN C. FRANCIS

President, Xavier University of Louisiana, New Orleans, Louisiana. Joined the Entergy Board in 1994. Age, 69

J. WAYNE LEONARD

Entergy Chief Executive Officer. Joined Entergy in April 1998 as President and Chief Operating Officer; appointed CEO and elected to the Board of Directors on January 1, 1999. New Orleans, Louisiana. Age, 49

ROBERT V.D. LUFT

Entergy Chairman. Member of Entergy Board of Directors since 1992; elected Chairman of the Board on May 26, 1998. Also served as acting CEO from May 26 until December 31, 1998. Chadds Ford, Pennsylvania. Age, 64

ADM. KINNAIRD R. MCKEE

U.S. Navy (ret.), former director of Navy Nuclear Propulsion. Oxford, Maryland. Joined the Entergy Board in 1990. Age, 70

THOMAS F. "MACK" MCLARTY, III

Chairman of the Board of the McLarty Companies, Little Rock, Arkansas. Vice Chairman of Kissinger McLarty Associates, Washington, D.C. Joined the Entergy Board in 1999. Age, 53

PAUL W. MURRILL

Chairman of the Board, Piccadilly Cafeterias, Inc., Baton Rouge, Louisiana. An Entergy director since 1993. Age, 65

JAMES R. NICHOLS

Partner, Nichols & Pratt (family trustees), Attorney and Chartered Financial Analyst, Boston, Massachusetts. Joined the Entergy Board in 1986. Age, 61

EUGENE H. OWEN

Chairman and President, Utility Holdings, Inc., Baton Rouge, Louisiana; Chairman and Chief Executive Officer, Owen and White, Inc. An Entergy director since 1993. Age, 70

WILLIAM A. PERCY

President and Chief Executive Officer of Greenville Compress Company, Greenville, Mississippi. Joined the Entergy Board in January 2000. Age, 60

DENNIS H. REILLEY

President and Chief Executive Officer of PRAXAIR, Inc., Danbury, Connecticut. Joined the Entergy Board in 1999. Age, 47

WM. CLIFFORD SMITH

President of T. Baker Smith & Son, Inc., Houma, Louisiana. An Entergy director since 1983. Age, 64

BISMARK A. STEINHAGEN

Chairman of the Board of Steinhagen Oil Company, Inc., Beaumont, Texas. An Entergy director since 1993. Age, 65

OFFICERS

J. WAYNE LEONARD

Chief Executive Officer. Joined Entergy in 1998 as President and Chief Operating Officer; appointed CEO on January 1, 1999. Formerly an executive at Cinergy. Age, 49

JERRY L. MAULDEN*

Vice Chairman. Joined Entergy in 1965; elected vice chairman in 1995. Age, 63

DONALD C. HINTZ

President. Joined Entergy in 1989 and was Group President and Chief Nuclear Operating Officer before being appointed President on January 1, 1999. In charge of nuclear power for another utility before joining Entergy. Age, 57

JERRY D. JACKSON

Executive Vice President. Joined Entergy in 1987 after private legal practice and service on Arkansas Public Service Commission. Age, 55

C. JOHN WILDER

Executive Vice President and Chief Financial Officer. Joined Entergy in 1998. Formerly a finance executive for Royal Dutch/Shell with experience in executing acquisitions and ventures in the global energy industry and in dealing with financial markets. Age, 41

FRANK F. GALLAHER

Senior Vice President, Generation, Transmission, and Energy Management. Served as implementation manager for GSU merger in 1994. Joined Entergy in 1969. Age, 54

MICHAEL G. THOMPSON

Senior Vice President, General Counsel, and Secretary. Joined Entergy in 1992 after private legal practice. Age, 59

NATHAN E. LANGSTON

Vice President and Chief Accounting Officer. Joined Entergy in 1971 and advanced through various accounting and finance positions at Entergy Arkansas and Entergy before being promoted to VP & CAO in 1998. Age, 51

STEVEN C. MCNEAL

Vice President and Treasurer. Joined Entergy in 1982 as a financial analyst and was given increased responsibility in areas of finance, treasury, and risk management before being promoted to VP & Treasurer in 1998. Age, 43

JOSEPH T. HENDERSON

Vice President and General Tax Counsel. Joined Entergy in 1999. Formerly Associate General Tax Counsel for Shell Oil. Age, 42

*Retired December 31, 1999

The 2000 Annual Meeting of Shareholders will be held on Friday, May 12, at the Sheraton New Orleans Hotel, 500 Canal Street, New Orleans, Louisiana. The meeting will begin at 10 a.m. (CDT).

SHAREHOLDER NEWS

Entergy's quarterly earnings results, dividend action, and other news and information of investor interest may be obtained by calling Entergy Shareholder Direct at 1-888-ENTERGY (368-3749). You may also use this service to receive a printed copy of the quarterly earnings release by fax or mail. Updated quarterly earnings results can be expected in late April, July, and October, and in February. Dividend information will be updated according to the declaration schedule.

This and other information may be accessed electronically by selecting the Entergy home page on the Internet's World Wide Web at www.entergy.com.

For copies of Entergy's 10-K and 10-Q reports filed with the Securities and Exchange Commission and for other investor information, call 1-800-292-9960 or write to:

Entergy Corporation
Investor Relations
P.O. Box 61000
New Orleans, LA 70161

Securities analysts and representatives of financial institutions may contact Renae Conley at 1-504-576-4947, or econley@entergy.com, regarding Entergy's financial and operating performance.

SHAREHOLDERS ACCOUNT INFORMATION

ChaseMellon Shareholder Services is Entergy's transfer agent, registrar, dividend disbursing agent, and dividend reinvestment and stock purchase plan agent. Shareholders of record with questions about lost certificates, lost or missing dividend checks, or notifications of change of address should contact:

ChaseMellon Shareholder Services, LLC
85 Challenger Road
Ridgefield Park, NJ 07660
Telephone: 1-800-333-4368
For the hearing impaired: 1-800-231-5469 (TDD)
Foreign holders: 1-201-329-8660
Foreign hearing impaired: 1-201-329-8354
For Internet access: www.chasemellon.com

COMMON STOCK INFORMATION

The company's common stock is listed on the New York, Chicago, and Pacific exchanges under the symbol "ETR." The Entergy share price is reported daily in the financial press under "Entergy" in most listings of New York Stock Exchange securities. Entergy common stock is a component of the following indices: S&P 500, S&P Utilities Index, and the NYSE Composite Index, among others.

At year-end 1999 there were 239,036,911 shares of Entergy common stock outstanding. Shareholders of record totaled 74,372 and approximately 90,000 investors held Entergy stock in "street name" through a broker.

DIVIDEND PAYMENTS

The entire amount of dividends paid during 1999 is taxable as ordinary income. The Board of Directors declares dividends quarterly and sets the record and payment dates. Subject to board discretion, those dates for 2000 are:

Declaration Date	Record Date	Payment Date
January 28	February 15	March 1
April 5	May 16	June 1
July 28	August 14	September 1
October 27	November 10	December 1

Quarterly dividend payments in cents-per-share:

Quarter	2000	1999	1998	1997	1996
1	30	30	45	45	45
2		30	45	45	45
3		30	30	45	45
4		30	30	45	45

DIVIDEND REINVESTMENT/STOCK PURCHASE

ChaseMellon Shareholder Services offers an automatic Dividend Reinvestment and Stock Purchase Plan to registered holders of Entergy common stock. The plan is designed to provide Entergy shareholders and other investors with a convenient and economical method to purchase shares of the company's common stock. The plan also accommodates payments of up to $3,000 per month for the purchase of Entergy common shares. First-time investors may make an initial minimum purchase of $1,000. Contact ChaseMellon by telephone or Internet for information and an enrollment form.

DIRECT REGISTRATION SYSTEM

Entergy has elected to participate in a Direct Registration System that provides investors with an alternative method for holding shares. DRS will permit investors to move shares between the company's records and the broker of their choice.

This option, available to every shareholder who chooses to have shares registered in his or her name on the books of the company, will be offered by brokers at the time an investor purchases shares and requests that they be registered. An additional feature of DRS enables existing registered holders to deposit physical shares into a book account.

ENTERGY COMMON STOCK PRICES

The high and low trading prices for each quarterly period in 1999 and 1998 were as follows:

In dollars	1999		1998	
Quarter	High	Low	High	Low
1	31 1/8	27 1/2	30 1/8	27 5/16
2	33 1/8	27 3/4	29 5/8	23 1/4
3	31 9/16	28 3/16	30 13/16	26 3/16
4	30	27 7/8	32 7/16	28 1/16

By refocusing its strategy in 1998, Entergy has unleashed the energy of its employees to do what they do best. Entergy employees are focused more than ever before on efficient, reliable operations and premier customer service. They have responded to the challenges of growth, change, and competition by adopting a motto from CEO Wayne Leonard: "You can count on me." Entergy's achievements in 1999 – improvements in customer service and reliability, progress on growth strategies, and strong financial performance – are a tribute to the talent and teamwork of its people. The individuals who appear on the following page and elsewhere in this report represent more than 12,000 Entergy employees who are doing what they do best in a big way.

Entergy people are working together to improve operations and customer service. In 1999, teams throughout Entergy's utility service area came together to create and carry out Network Improvement Plans. One such team along the Mississippi River industrial corridor in southern Louisiana included (foreground left to right) Network Manager Aubrey Carroll, who oversees the electric system; Customer Service Manager Beverly Trahan, the liaison to business and community leaders; Senior Customer Contact Representative Jenny Buhler, a lead agent in the Baton Rouge telephone center; and Senior Engineering Assistant Johnny Luther, who designs system facilities to meet area needs. (Background left to right) Reliability Serviceman 1st Class David Saale and Lineman 1st Class Greg Prejean are two of the crew members who are responsible for troubleshooting, maintaining, and constructing distribution facilities.

ENTERGY CORPORATION
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www.entergy.com