UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2000

OR

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

For the transition period from ___________ to ___________

Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000	72-1229752
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue, 40th Floor Little Rock, Arkansas 72201 Telephone (501) 377-4000	71-0005900
1-27031	ENTERGY GULF STATES, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631	74-0662730
1-8474	ENTERGY LOUISIANA, INC. (a Louisiana corporation) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 840-2734	72-0245590
0-320	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000	64-0205830
0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street, Building 505 New Orleans, Louisiana 70112 Telephone (504) 670-3674	72-0273040
1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000	72-0752777

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

Registrant	Title of Class	Name of Each Exchange on Which Registered
Entergy Corporation	Common Stock, $0.01 Par Value – 220,062,294 shares outstanding at February 28, 2001	New York Stock Exchange, Inc. Chicago Stock Exchange Inc. Pacific Exchange Inc.
Entergy Arkansas Capital I	8-1/2% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, $100 Par Value:	
	$4.40 Dividend Series	New York Stock Exchange, Inc.
	$4.52 Dividend Series	New York Stock Exchange, Inc.
	$5.08 Dividend Series	New York Stock Exchange, Inc.
	Adjustable Rate Series B (Depository Receipts)	New York Stock Exchange, Inc.
Entergy Gulf States Capital I	8.75% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy Louisiana Capital I	9% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.

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

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

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

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

The aggregate market value of Entergy Corporation Common Stock, $0.01 Par Value, held by non-affiliates, was $8.5 billion based on the reported last sale price of such stock on the New York Stock Exchange on February 28, 2001. Entergy Corporation is directly or indirectly the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 11, 2001, are incorporated by reference into Parts I and III hereof.

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

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

FORWARD-LOOKING INFORMATION

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: Investors are cautioned that forward-looking statements contained herein with respect to the revenues, earnings, performance, strategies, prospects and other aspects of the business of Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. and their affiliated companies may involve risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, risks and uncertainties relating to: the effects of weather, the performance of generating units and transmission systems, the possession of nuclear materials, fuel and purchased power prices and availability, the effects of regulatory decisions and changes in law, litigation, capital spending requirements, the onset of competition, including the ability to recover net regulatory assets and other potential stranded costs, the effects of recent developments in the California electricity market on the utility industry nationally, advances in technology, changes in accounting standards, corporate restructuring and changes in capital structure, consummation of the business combination with FPL Group, Inc., consummation of the Koch Industries joint venture, the success of new business ventures, changes in the markets for electricity and other energy-related commodities, changes in interest rates and in financial and foreign currency markets generally, the economic climate and growth in Entergy's service territories, changes in corporate strategies, and other factors.

DEFINITIONS

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

Abbreviation or Acronym	**Term**
AFUDC	Allowance for Funds Used During Construction
Algiers	15th Ward of the City of New Orleans, Louisiana
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
APB	Accounting Principles Board
APSC	Arkansas Public Service Commission
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and the assignments thereof
Board	Board of Directors of Entergy Corporation
Boston Edison	Boston Edison Company
BPS	British pounds sterling
Cajun	Cajun Electric Power Cooperative, Inc.
Capital Funds Agreement	Agreement, dated as of June 21, 1974, as amended, between System Energy and Entergy Corporation, and the assignments thereof
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
Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
domestic utility companies	Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively
EITF	Emerging Issues Task Force
EMF	Electromagnetic fields
ENHC	Entergy Nuclear Holding Company #1
EPA	United States Environmental Protection Agency
EPAct	Energy Policy Act of 1992
EPDC	Entergy Power Development Corporation
EPMC	Entergy Power Marketing Corporation
ET&M	Entergy Trading and Marketing, Ltd.
ETHC	Entergy Technology Holding Company
EWG	Exempt wholesale generator under PUHCA
Entergy	Entergy Corporation and its various direct and indirect subsidiaries
Entergy Arkansas	Entergy Arkansas, Inc.
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
Entergy Louisiana	Entergy Louisiana, Inc.
Entergy Mississippi	Entergy Mississippi, Inc.

Abbreviation or Acronym	Term
Entergy New Orleans	Entergy New Orleans, Inc.
Entergy Nuclear	Entergy Nuclear, Inc.
Entergy Nuclear Operations	Entergy Nuclear Operations, Inc.
Entergy Operations	Entergy Operations, Inc.
Entergy Power	Entergy Power, Inc.
Entergy Services	Entergy Services, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick nuclear power plant, 825 MW facility located near Oswego, New York, purchased in November 2000 from New York Power Authority by Entergy's domestic non-utility nuclear business
FPL Group	FPL Group, Inc., a Florida corporation and parent company of Florida Power & Light Company
FUCO	Exempt foreign utility company under PUHCA
Grand Gulf 1 and 2	Units 1 and 2 of Grand Gulf Steam Electric Generating Station (nuclear), 90% owned or leased by System Energy
GWH	one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power
Indian Point 3	Indian Point 3 nuclear power plant, 980 MW facility located in Westchester County, New York, purchased in November 2000 from New York Power Authority by Entergy's domestic non-utility nuclear business
IRS	Internal Revenue Service
KV	kilovolt
KW	kilowatt
KWH	kilowatt-hour(s)
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
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
MCF	1,000 cubic feet of gas
Merger	The business combination transaction pursuant to which the outstanding shares of FPL Group and the outstanding shares of Entergy Corporation will be converted into 1.00 and 0.585 shares, respectively, of a new company
Merger Agreement	Agreement and Plan of Merger dated July 30, 2000 by and between FPL Group, Entergy Corporation, WCB Holding Corporation, Ranger Acquisition Corporation and Ring Acquisition Corporation
MPSC	Mississippi Public Service Commission
MW	Megawatt(s)
N/A	Not applicable
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, owned 70% by Entergy Gulf States
NERC	North American Electric Reliability Council
NISCO	Nelson Industrial Steam Company
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority

Abbreviation or Acronym	Term
Pilgrim	Pilgrim Nuclear Station, 670 MW facility located in Plymouth, Massachusetts, purchased in July 1999 from Boston Edison by Entergy's domestic non-utility nuclear business
PRP	Potentially Responsible Party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 1935, as amended
PURPA	Public Utility Regulatory Policies Act of 1978
Reallocation Agreement	1981 Agreement, superseded in part by a June 13, 1985 decision of FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy relating to the sale of capacity and energy from Grand Gulf
Ritchie 2	Unit 2 of the R. E. Ritchie Steam Electric Generating Station (gas/oil)
River Bend	River Bend Steam Electric Generating Station (nuclear)
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards, promulgated by the FASB
SMEPA	South Mississippi Electric Power Agency, which owns the remaining 10% interest in Grand Gulf 1
System Agreement	Agreement, effective January 1, 1983, as modified, among the domestic utility companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
Tons/hr	Tons per hour, used as a measure of steam production
UK	The United Kingdom of Great Britain and Northern Ireland
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, 100% owned or leased by Entergy Louisiana
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

PART I

Item 1. Business

BUSINESS OF ENTERGY

Entergy Corporation

Entergy Corporation is a Delaware corporation which, through its subsidiaries, engages principally in the following businesses: domestic utility, power marketing and trading, global power development, and domestic non-utility nuclear. Power marketing and trading, global power development, and domestic non-utility nuclear are sometimes referred to as the competitive businesses. In 2000, Entergy placed the management of the power marketing and trading business under the global power development business, and the jointly-managed businesses are referred to as Entergy Wholesale Operations. Entergy Corporation has no significant assets other than the stock of its subsidiaries. Entergy Corporation is a registered public utility holding company under PUHCA. As such, Entergy Corporation and its subsidiaries generally are subject to the broad regulatory provisions of PUHCA. PUHCA generally limits registered public utility holding company activity to direct and indirect ownership of domestic integrated utility businesses, domestic and foreign electric generation ventures, foreign utility ownership, telecommunications and information service businesses, and certain other domestic energy related businesses. Financial information regarding Entergy Corporation's operating segments is contained in Note 14 to the financial statements. In December 2000, Entergy's shareholders approved a business combination between Entergy Corporation and FPL Group, the objective of which is the creation of a new company. See "**Business Combination with FPL Group**" for further discussion of the terms and timing of this transaction.

Domestic Utility

The domestic utility is Entergy's predominant business segment, providing 74% of its revenue and 87% of its net income in 2000, and holding 81% of its assets as of December 31, 2000. Entergy Corporation has five wholly-owned domestic retail electric utility subsidiaries: Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. As of December 31, 2000, these utility companies provided retail electric service to approximately 2.6 million customers primarily in portions of the states of Arkansas, Louisiana, Mississippi, and Texas. In addition, Entergy Gulf States furnishes natural gas utility service in and around Baton Rouge, Louisiana, and Entergy New Orleans furnishes natural gas utility service in New Orleans, Louisiana. The business of the domestic utility companies is subject to seasonal fluctuations, with the peak sales period normally occurring during the third quarter of each year. During 2000, the domestic utility companies' combined retail electric sales volumes as a percentage of total electric sales volumes were: residential – 28.3%; commercial – 21.8%; and industrial – 38.8%. Retail electric revenues from these sectors as a percentage of total electric revenues were: residential – 35.0%; commercial – 23.5%; and industrial – 30.2%. Sales to governmental and municipal sectors and to nonaffiliated utilities accounted for the balances of energy sales and electric revenues. The major industrial customers of the domestic utility companies are in the chemical, petroleum refining, paper, and food products industries. State or local regulatory authorities regulate the retail rates and services of Entergy's domestic retail utility subsidiaries.

Entergy Corporation also owns 100% of the voting stock of System Energy, an Arkansas corporation that owns and leases an aggregate 90% undivided interest in Grand Gulf. System Energy sells all of the capacity and energy from its interest in Grand Gulf 1 at wholesale to its only customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Management discusses sales from Grand Gulf 1 more thoroughly in "**CAPITAL REQUIREMENTS AND FUTURE FINANCING - Certain Grand Gulf-related Financial and Support Agreements - Unit Power Sales Agreement**" below. System Energy's wholesale power sales are subject to the jurisdiction of FERC.

Entergy Services, a Delaware corporation wholly-owned by Entergy Corporation, provides management, administrative, accounting, legal, engineering, and other services primarily to the domestic utility subsidiaries of Entergy Corporation. Entergy Operations, a Delaware corporation, is also wholly-owned by Entergy Corporation and provides nuclear management, operations and maintenance services under contract for ANO, River Bend, Waterford 3, and Grand Gulf 1, subject to the owner oversight of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, respectively. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans own 35%, 33%, 19%, and 13%, respectively, of the common stock of System Fuels, a Louisiana corporation that implements and manages certain programs to procure, deliver, and store fuel supplies for those companies. Entergy Services, Entergy Operations, and System Fuels provide their services to the domestic utility companies and System Energy on an "at cost" basis, pursuant to service agreements approved by the SEC under PUHCA. Information regarding affiliate transactions is contained in Note 13 to the financial statements.

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

Power Marketing and Trading

Prior to 2001, Entergy conducted its power marketing and trading business primarily through three subsidiaries, Entergy Power, EPMC, and ET&M. Entergy Power is a domestic power producer that owns 665 MW of fossil-fueled generation assets located in Arkansas. Entergy Power's capacity and energy is sold at wholesale principally to EPMC and Entergy Arkansas. Entergy Power's wholesale power sales are subject to the jurisdiction of FERC. EPMC engages in the marketing and trading of physical and financial energy commodity products, industrial energy management, and risk management services. It has authority from the SEC to deal in a wide range of energy commodities and related financial products. ET&M is engaged in the marketing and trading of physical and financial energy commodity products in the UK.

On January 31 2001, Entergy contributed its power marketing and trading business to a new limited partnership, Entergy-Koch, L.P. The joint venture is with Koch Industries, Inc., which contributed to the venture its 9,000-mile Koch Gateway Pipeline (which has been renamed the Gulf South Pipeline), gas storage facilities including the Bistineau storage facility near Shreveport, Louisiana, and Koch Energy Trading, which markets and trades electricity, gas, weather derivatives, and other energy-related commodities and services (the joint venture's trading activities are now conducted under the name Axia Energy). The parties have equal ownership interests in Entergy-Koch, L.P., which is governed by an eight-member board of directors. Entergy appointed four members of the board. The partnership agreement allocates the substantial majority of Entergy-Koch, L.P.'s earnings through 2003 to Entergy. Losses are generally allocated equally. Entergy Power was not transferred to the joint venture, and it was placed under the management of the global power development business.

Global Power Development

Entergy's global power development business is focused on acquiring or developing power generation projects in North America and Western Europe. The Latin American projects owned by the global power development business are not a core part of its strategy, and Entergy is considering various strategies to maximize the value of these investments, including possibly selling them. The global power development business owns interests in the following electric generation assets that are currently operating or are under construction:

Investment	Percent Ownership	Status
Argentina - Costanera, 1,260 MW	6%	operational
Argentina - Costanera expansion, 220 MW	10%	operational
Chile - San Isidro, 375 MW	25%	operational
Pakistan - Hub River, 1,200 MW	5%	operational
Peru - Edegel - 833 MW	24%	operational
United Kingdom - Saltend, 1,200 MW	100%	operational
United Kingdom - Damhead Creek, 800 MW	100%	operational
U.S. (AR)- Ritchie Unit 2, 544 MW	100%	operational

U.S. (AR)- Independence Unit 2, 840 MW	14%	operational
U.S. (LA)- Riverside, 425 MW	50%	under construction
U.S. (MS)- Warren Power, 300 MW	100%	under construction

Damhead Creek commenced commercial operation in 2001. Entergy Power owns Ritchie Unit 2 and the interest in Independence Unit 2. Entergy owns its interest in Riverside through a 50% interest in RS Cogen, LLC, and the remaining 50% interest is owned by PPG Industries, an industrial customer of Entergy Gulf States. Entergy's global power development business has several other development projects in the planning stages, including announced projects in the United States, Spain, and Bulgaria.

In preparation for its global power development plans, Entergy has obtained an option to acquire turbines from GE Power Systems. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES**" for further information on the turbines. Furthermore, the global power development business entered into a 50/50 joint venture with The Shaw Group Inc. that is named EntergyShaw, L.L.C. EntergyShaw provides management, engineering, procurement, construction, and commissioning services for electric power plants. EntergyShaw plans to operate in the rapidly growing electric power generation market and provide services for Entergy's global power development plans. In June 2000, Entergy also acquired a 75% interest in Highland Energy Company, an energy aggregation, marketing, and producer services company.

In June 2000, the global power development business sold its interest in Freestone, a planned 1,000 MW combined cycle gas turbine merchant power plant to be constructed in Fairfield, Texas, adjacent to Entergy Gulf States' service territory.

Domestic Non-Utility Nuclear

Entergy's domestic non-utility nuclear business is focused on acquiring, owning, operating, and selling power from nuclear power plants and providing operations and management services to nuclear power plants owned by other utilities in the United States. Plant acquisitions are made through Entergy's wholly owned subsidiary ENHC and its affiliates. Operations and management services, including decommissioning services, are provided through Entergy's wholly owned subsidiary, Entergy Nuclear.

Entergy's domestic non-utility nuclear business owns the following nuclear power plants that it has acquired from other utilities:

Power Plant	Capacity	Percent Ownership	Location
Pilgrim Nuclear Station	670 MW	100%	Plymouth, MA
James A. FitzPatrick	825 MW	100%	Oswego, NY
Indian Point 3	980 MW	100%	Westchester County, NY

Pilgrim has firm power purchase agreements with Boston Edison and other utilities that expire at the end of 2004. One hundred percent of the plant's output is committed to those parties through 2001, and that commitment decreases to 50% by 2003. Indian Point 3 has a firm power purchase agreement with NYPA that expires at the end of 2004 for 100% of the plant's output. FitzPatrick has firm power purchase agreements with NYPA that expire at the end of 2004 for 100% of the plant's output through 2003 and approximately 45% of the plant's output in 2004. See Note 12 to the financial statements for a further discussion of these acquisitions by Entergy's domestic non-utility nuclear business.

In November 2000, Entergy's domestic non-utility nuclear business agreed to purchase Consolidated Edison's (Con Edison) 957 MW Indian Point 2 nuclear power plant (IP2) located in Westchester County, New York. In the transaction, Entergy has agreed to acquire Indian Point 1 nuclear power plant (IP1), which has been shut down and in safe storage since the early 1970s. Entergy will pay $600 million in cash at the closing of the purchase and will receive the plant, nuclear fuel, and other assets, including a purchase power agreement (PPA). Under the PPA, Con Edison will purchase 100% of IP2's output through 2004. Con Edison will also transfer a $430 million decommissioning trust fund, along with the liability to decommission IP2 and IP1, to Entergy's nuclear business. Management expects to close the acquisition by mid-2001, pending the approvals of the NRC, the New York Public Service Commission, and other regulatory agencies.

In January 2001, Entergy's domestic non-utility nuclear business submitted an offer to buy Vermont Yankee, a 540 MW boiling water reactor plant, located in Vernon, Vermont, for $50 million. Entergy's offer is firm through the end of 2001. In February 2001, the Vermont Public Service Board rejected a competing offer and the plant is expected to be auctioned during the second or third quarter of 2001.

Entergy Nuclear provides services to nuclear power plants owned by other utilities, including engineering, operations and maintenance, fuel procurement, management and supervision, technical support and training, administrative support, and other managerial or technical services required to operate, maintain, and decommission nuclear electric power facilities. Currently Entergy is providing decommissioning services for the Maine Yankee and Millstone Unit 1 nuclear power plants. The cost of decommissioning and insuring the plants that Entergy provides decommissioning services for is the responsibility of the plant owners.

In 2000, Entergy Nuclear entered into two business arrangements to assist it in providing operation and management services. Entergy Nuclear and Framatome Technologies intend to jointly offer operating license renewal and life extension services to nuclear power plants in the United States. Framatome has provided and continues to provide license renewal services to several utilities owning nuclear power plants in the United States. Entergy Nuclear also acquired TLG Services in September 2000. TLG provides decommissioning, engineering, and related services to nuclear power plant owners.

Domestic and Foreign Generation Investment Restrictions and Risks

Entergy's ability to invest in domestic and foreign generation businesses is subject to the SEC's regulations under PUHCA. Absent SEC approval, these regulations limit Entergy Corporation's aggregate investment in domestic and foreign generation businesses at the time an investment is made to an amount equal to 50% of average consolidated retained earnings for the previous four quarters. In June 2000, the SEC issued an order that allows Entergy's EWG and FUCO investments to increase from 50% to 100% of Entergy's average consolidated retained earnings. As of December 31, 2000 Entergy's investments under this rule totaled $770 million constituting 25% of its average consolidated retained earnings.

Entergy's ability to guarantee obligations of its non-utility subsidiaries is also limited by SEC regulations under PUHCA. In August 2000, the SEC issued an order, effective through December 31, 2005, that allows Entergy to issue up to $2 billion of guarantees to its non-utility companies, excluding guarantees outstanding as of that date that were issued under a previous order.

International operations are subject to the risks inherent in conducting business abroad, including possible nationalization or expropriation, price and currency exchange controls, inflation, limitations on foreign participation in local enterprises, and other restrictions. Changes in the relative value of currencies may favorably or unfavorably affect the financial condition and results of operations of Entergy's non-U.S. businesses. In addition, exchange control restrictions in certain countries may limit or prevent the repatriation of earnings.

Business Combination with FPL Group

On July 30, 2000, Entergy Corporation and FPL Group entered into a Merger Agreement providing for a business combination that will result in the creation of a new company. Each outstanding share of FPL Group common stock will be converted into one share of the new company's common stock, and each outstanding share of Entergy Corporation common stock will be converted into 0.585 of a share of the new company's common stock. It is expected that FPL Group's shareholders will own approximately 57% of the common equity of the new company and Entergy's shareholders will own approximately 43%. The initial board of directors of the new company will consist of eight directors designated by FPL Group and seven directors designated by Entergy. The new company will be given a new name that will be agreed upon between the Boards of Directors of FPL and Entergy prior to the consummation of the Merger. The new company will maintain its principal corporate offices and headquarters in Juno Beach, Florida, and will maintain its utility headquarters in New Orleans, Louisiana. The Merger Agreement generally allows Entergy to continue business in the ordinary course consistent with past practice and contains certain restrictions on Entergy's capital activities, including restrictions on the issuance of securities, capital expenditures, dispositions, incurrence or guarantee of indebtedness, and trading or marketing of energy. Entergy generally will be permitted to take actions pursuant to restructuring legislation in the domestic utility companies' jurisdictions of operation and to reorganize its transmission business. Under certain circumstances, if the Merger Agreement is terminated, a termination fee of $215 million may be payable by one of the parties. The Merger Agreement may be terminated if the Merger is not consummated by April 30, 2002, unless automatically extended until October 30, 2002 under certain circumstances. Both the FPL Group and Entergy Boards of Directors unanimously approved the Merger, and the shareholders of Entergy Corporation and FPL Group have approved the Merger. The Merger is conditioned upon, among other things, the receipt of required regulatory approvals of various local, state, and federal regulatory agencies and commissions, including the SEC and FERC. Entergy has filed for approval of the Merger in all of its state and local regulatory jurisdictions (Arkansas, Louisiana, Mississippi, Texas, and New Orleans), and at FERC, the SEC, and the NRC. In their filing with the SEC, Entergy and FPL Group requested to remain in existence as intermediate holding companies after the Merger is consummated. The objective of Entergy and FPL Group is to consummate the Merger by late 2001.

In September 2000, Entergy and FPL Group announced plans to form a joint venture between FPL Energy and Entergy Wholesale Operations. Entergy and FPL Group management subsequently decided not to form a separate joint venture in advance of the Merger.

Selected Data

Selected domestic utility customers and sales data for 2000 are summarized in the following tables:

		Customers as of December 31, 2000	
	Area Served	**Electric**	**Gas**
		(In Thousands)	
Entergy Arkansas	Portions of Arkansas and Tennessee	643	-
Entergy Gulf States	Portions of Texas and Louisiana	681	89
Entergy Louisiana	Portions of Louisiana	641	-
Entergy Mississippi	Portions of Mississippi	401	-
Entergy New Orleans	City of New Orleans, except Algiers, which is provided electric service by Entergy Louisiana	190	150
Total customers		2,556	239

2000 - Selected Domestic Utility Electric Energy Sales Data

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Entergy (a)
				(In GWH)			
Electric Department:							
Sales to retail customers	19,333	35,475	29,680	12,847	5,880	-	103,216
Sales for resale:							
Affiliates	6,513	1,381	228	1,276	570	9,621	-
Others	5,537	3,248	554	313	141	-	9,794
Total	31,383	40,104	30,462	14,436	6,591	9,621	113,010
Average use per residential customer (KWH)	12,449	15,861	15,436	14,629	12,784	-	14,484

(a) Includes the effect of intercompany eliminations.

2000 - Selected Natural Gas Sales Data

Entergy New Orleans and Entergy Gulf States sold 16,058,022 and 6,472,529 MCF, respectively, of natural gas to retail customers in 2000. For the years ended December 31, 2000, 1999, and 1998, revenues from natural gas operations were not material for Entergy Gulf States. Entergy New Orleans' products and services are discussed below in **"BUSINESS SEGMENTS"**.

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

Employees

As of December 31, 2000, Entergy had 14,100 employees as follows:

Full-time:	
Entergy Corporation	-
Entergy Arkansas	1,570
Entergy Gulf States	1,639
Entergy Louisiana	932
Entergy Mississippi	889
Entergy New Orleans	381
System Energy	-
Entergy Operations	3,276
Entergy Services	2,475
Entergy Nuclear Operations	1,609
Other subsidiaries	1,113
Total Full-time	13,884
Part-time	216
Total Entergy	14,100

Approximately 4,560 employees are represented by the International Brotherhood of Electrical Workers Union (IBEW), the Utility Workers Union of America (UWUA), and the International Brotherhood of Teamsters Union (IBT). In 2000, both Entergy Arkansas and Entergy Mississippi reached new agreements with IBEW.

Industry Restructuring and Competition

As a result of the actions of federal legislative and regulatory bodies over the period of approximately the past twenty years, wholesale markets have developed in which electricity, gas, and other energy related products and services are purchased and sold at market-based (rather than traditional cost-based) rates. These wholesale markets are continuing to grow and evolve. This evolution has changed the ways in which public utilities conduct their business and has changed the nature of the participants in these wholesale markets, which now include not only public utilities but also power marketers and traders, other energy commodity marketers and traders, wholesale generators of electricity, and a wide range of wholesale customers.

Major changes in the retail utility business are now occurring in some parts of the United States, including some states in which Entergy's domestic utility companies operate. Both Texas and Arkansas adopted legislation in 1999 aimed at separating ("unbundling") traditionally integrated public utilities into distinct distribution, transmission, generation, and various types of retail marketing businesses, and aimed at introducing competition into the generation component of utility service. The Texas legislation provides for retail open access by January 1, 2002. In Arkansas, retail open access has been delayed by law so that it begins no sooner than October 2003 and no later than October 2005. This delay is intended to allow further development of the wholesale generation market, including the completion of several independent generation projects within the state. Other jurisdictions in which the domestic utility companies operate have not enacted retail competition and utility unbundling legislation. Further changes in restructuring in Entergy's service territories, including the timing of implementation of restructuring and competition, may result from the effects of the developments in the California power supply markets.

Changes in the wholesale and retail electricity markets in the Entergy system will take place over a number of years, and regulators and legislators in different jurisdictions have not coordinated these changes. In some cases, actions by one jurisdiction may conflict with actions by another, creating potentially incompatible obligations for public utilities and holding companies, including the Entergy system. Examples include:

- the LPSC's docket relating to the changes in corporate structure of Entergy Gulf States as a result of complying with the Texas restructuring law and its potential impact on Louisiana retail ratepayers (described more fully in Note 2 to the financial statements); and
- System Agreement restructuring issues (described more fully in **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS - Federal Regulatory and Legislative Activity – Proposed System Agreement Amendments").**

It is too early to accurately predict how incompatible obligations will be resolved or the effects of the changes that are taking place in the wholesale and retail energy markets. However, these changes will result in fundamental alterations in the way traditional integrated utilities and holding company systems, like Entergy and its domestic utility companies, conduct their business. Some of these alterations will be positive for Entergy and its affiliates, while others will not be.

These changes are resulting in increased costs associated with utility unbundling and transitioning to new organizational structures and ways of conducting business. It is possible that the new organizational structures that will be required will result in lost economies of scale, less beneficial cost sharing arrangements within utility holding company systems, and, in some cases, greater difficulty and cost in accessing capital. Furthermore, these changes could result in early refinancing of debt, the reorganization of debt, or other obligations between newly-formed companies. Ultimately, capital structures may result that initially are more complex than the existing capital structures of the domestic utility companies.

Utilities, including the domestic utility companies, may be required or encouraged to sell generating plants or interests therein, or the output from such plants. FERC set December 15, 2001 as the date by which all owners and operators of transmission lines should sell or turn over operating and management responsibility for their transmission systems to independent parties. Entergy has responded to FERC by filing plans to transfer control of its transmission assets to a non-affiliated transmission company subject to control by a regional transmission organization. These changes will alter the historical structure from the operation of the domestic utility companies' electric generation and transmission assets as an integrated system supporting utility service throughout their combined service territories.

As a potential result of restructuring, Entergy's domestic utility companies may no longer be able to apply regulated utility accounting principles to some or all of their operations, and they may be required to write off certain regulatory assets or recognize asset impairments.

There are a number of other changes that may result from electric industry competition and unbundling, including but not limited to changes in labor relations, management and staffing, structure of operations, environmental compliance responsibility, and other aspects of the utility business.

"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS" and Note 2 to the financial statements contain detailed discussions of the competitive challenges Entergy faces in the utility industry, including the status of the transition to a more competitive utility business environment for the domestic utility companies.

CAPITAL REQUIREMENTS AND FUTURE FINANCING

For the years 2001 through 2003, Entergy plans to spend $8.2 billion in a capital investment plan focused on improving service at the domestic utility companies and growing the global power development and domestic non-utility nuclear businesses. It is estimated that $2.6 billion will be spent by the domestic utility companies, $3.6 billion by the global power development business, and $2.0 billion by the domestic non-utility nuclear business. The capital investment plan is subject to modification based on the ongoing effects of transition to competition planning, the ability to recover regulated utility costs in rates, and the proposed business combination with FPL Group. Additionally, the plan is contingent upon the ability to access the capital necessary to finance the planned expenditures, and significant borrowings may be necessary to implement these capital spending plans. Capital expenditures (including nuclear fuel but excluding AFUDC) for Entergy are estimated at $3.2 billion in 2001, $2.5 billion in 2002, and $2.6 billion in 2003. Included in these totals are estimated construction expenditures for the domestic utility companies and System Energy as follows:

	2001	2002	2003	Total
		(In Millions)		
Entergy Arkansas	$297	$200	$205	$702
Entergy Gulf States	$293	$216	$220	$729
Entergy Louisiana	$222	$175	$168	$565
Entergy Mississippi	$147	$128	$113	$388
Entergy New Orleans	$53	$46	$48	$147
System Energy	$41	$14	$12	$67

The domestic utility companies will mainly focus their planned spending on distribution and transmission projects that will support continued reliability improvements and transitioning to a more competitive environment.

The global power development business will mainly focus its planned spending on several merchant power plant projects either under construction or in the planning stages in the U.S. and Europe, including the purchase of gas turbines scheduled for delivery in 2001 through 2004 under an option to purchase obtained from GE Power Systems.

The domestic non-utility nuclear business will mainly focus its planned spending on the acquisition of U.S. nuclear power plants from other utilities, including the anticipated purchase in 2001, pending regulatory approvals, of IP2.

Entergy Corporation's primary capital requirements are to invest periodically in, or make loans to, its subsidiaries and to invest in new enterprises. In February 2001, Entergy Corporation made a cash contribution consisting of equity investment and loans of approximately $414 million in the formation of Entergy-Koch, L.P. Entergy Corporation also requires capital for its stock repurchase plans. In addition to meeting capital expenditure requirements, Entergy must meet scheduled long-term debt and preferred stock maturities and cash sinking fund requirements. Actual capital expenditures may vary from the estimates given for a number of reasons, including changes in load growth estimates; environmental regulations; labor, equipment, materials, and capital costs; modifications to generating units to meet regulatory requirements; the transition to competition; and the proposed business combination with FPL Group.

Management more thoroughly discusses Entergy's capital investment and common stock repurchase plans, financing requirements, Entergy Corporation credit support requirements, and its sources and uses of capital in "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES**" and Notes 4, 5, 6, 7, 9, and 10 to the financial statements.

Certain Grand Gulf-related Financial and Support Agreements

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

The Unit Power Sales Agreement allocates capacity, energy, and the related costs from System Energy's 90% ownership and leasehold interests in Grand Gulf 1 to Entergy Arkansas (36%), Entergy Louisiana (14%), Entergy Mississippi (33%), and Entergy New Orleans (17%). Each of these companies is obligated to make payments to System Energy for its entitlement of capacity and energy on a full cost-of-service basis regardless of the quantity of energy delivered, so long as Grand Gulf 1 remains in commercial operation. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues. The financial condition of System Energy depends upon the continued commercial operation of Grand Gulf 1 and the receipt of such payments. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans generally recover payments made under the Unit Power Sales Agreement through the rates charged to their customers. In the case of Entergy Arkansas and Entergy Louisiana, payments are also recovered through sales of electricity from their respective retained shares of Grand Gulf 1. The retained shares are discussed in Note 2 to the financial statements under the heading "**Grand Gulf 1 Deferrals and Retained Shares**."

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

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

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans also agreed severally to pay System Energy monthly for the right to receive capacity and energy from Grand Gulf in amounts that (when added to any amounts received by System Energy under the Unit Power Sales Agreement, or otherwise) would at least equal System Energy's total operating expenses for Grand Gulf (including depreciation at a specified rate) and interest charges. The September 1989 write-off of System Energy's investment in Grand Gulf 2, amounting to approximately $900 million, is being amortized for Availability Agreement purposes over 27 years.

The allocation percentages under the Availability Agreement are fixed as follows: Entergy Arkansas - 17.1%; Entergy Louisiana - 26.9%; Entergy Mississippi - 31.3%; and Entergy New Orleans - 24.7%. The allocation percentages under the Availability Agreement would remain in effect and would govern payments made under such agreement in the event of a shortfall of funds available to System Energy from other sources, including payments under the Unit Power Sales Agreement.

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

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

The obligations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to make payments under the Availability Agreement are subject to the receipt and continued effectiveness of all necessary regulatory approvals. Sales of capacity and energy under the Availability Agreement would require that the Availability Agreement be submitted to FERC for approval with respect to the terms of such sale. No such filing with FERC has been made because sales of capacity and energy from Grand Gulf are being made pursuant to the Unit Power Sales Agreement. If, for any reason, sales of capacity and energy are made in the future pursuant to the Availability Agreement, the jurisdictional portions of the Availability Agreement would be submitted to FERC for approval. Other aspects of the Availability Agreement are subject to the jurisdiction of the SEC, whose approval has been obtained, under PUHCA.

Since commercial operation of Grand Gulf 1 began, payments under the Unit Power Sales Agreement to System Energy have exceeded the amounts payable under the Availability Agreement. Therefore, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments.

The Availability Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, without further consent of any assignees or other creditors.

Capital Funds Agreement (Entergy Corporation and System Energy)

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

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

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

RATE MATTERS AND REGULATION

Rate Matters

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

Wholesale Rate Matters

System Energy

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

In December 1995, System Energy implemented a $65.5 million rate increase, subject to refund. In 1998, FERC approved requests by Entergy Arkansas and Entergy Mississippi to accelerate a portion of their Grand Gulf purchased power obligations. The rate increase request filed by System Energy with FERC and the Grand Gulf accelerated recovery tariffs are discussed in Note 2 to the financial statements.

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

The domestic utility companies have historically engaged in the coordinated planning, construction, and operation of generation and transmission facilities pursuant to the terms of the System Agreement, as described under

"**PROPERTY** - **Generating Stations,**" below. Restructuring in the electric utility industry will affect these coordinated activities in the future.

The LPSC and the Council commenced a proceeding at FERC in April 2000 that requests revisions to the System Agreement that the LPSC and the Council allege are necessary to accommodate the introduction of retail competition in Texas and Arkansas. In June 2000, Entergy's domestic utility companies filed proposed amendments to the System Agreement with FERC to facilitate the implementation of retail competition in Arkansas and Texas and to provide for continued equalization of costs among the domestic utilities in Louisiana and Mississippi. The LPSC and the Council's complaint and Entergy's proposed amendments are more thoroughly discussed in **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS"**. These proceedings have been consolidated with a previous complaint filed with FERC by the LPSC in 1995. In that complaint, the LPSC requested, among other things, modification of the System Agreement to exclude curtailable load from the cost allocation determination. Hearings in these proceedings have been scheduled for March 2001, with an initial ALJ decision expected by June 2001. Entergy requested a final decision from FERC by October 2001, however, neither the timing, nor the ultimate outcome, of the proceeding can be predicted at this time.

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

FERC issued Order 2000 in December 1999, which 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 that RTOs commence independent operations no later than December 15, 2001.

It appears that FERC will be flexible regarding 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 other types. However, RTOs will be required, among other things, to be independent of 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.

In October 2000, in compliance with Order 2000, Entergy made a filing with FERC that requested:

- authorization to establish an RTO referred to as Transco;
- authorization to transfer the domestic utility companies' transmission assets to the Transco; and
- a determination that the partnership arrangement with the Southwest Power Pool (SPP) that the Transco proposes to operate in would qualify as an independent RTO. The partnership arrangement provides for operations under the oversight of, and within, the SPP RTO.

The amounts of the domestic utility companies' net transmission utility plant assets recorded in their financial statements are provided in Note 1 to the financial statements under the heading "**Utility Plant**."

The proposed Transco will be a limited liability company. The managing member of the Transco will be a separate corporation with a board of directors independent of Entergy. The Transco will be:

- regulated by FERC;
- composed of the transmission system transferred to it by the domestic utility companies and other transmission owners in Entergy's current service territory region;
- 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 by the domestic utility companies and other member companies who will transfer assets but not control or otherwise direct its operation and management.

Entergy filed in December 2000 for FERC approval of the rates for transmission service across Transco's facilities. Included in this rate filing is a request to cancel Service Schedule MSS-2, the portion of the System Agreement related to equalization of certain transmission costs. In March 2001, Entergy, Entergy Services, and the domestic utility companies requested SEC approval under PUHCA of certain elements of the Transco plan. The domestic utility companies have also made filings with their local regulators for Transco approval. Under its planned timeline, Entergy expects to have the necessary regulatory approvals by the third quarter of 2001, with the transmission asset transfers occurring before Transco commences independent operations in December 2001. In the event that some or all of these transmission assets cannot be transferred to the Transco by December 2001, operational control of these assets will move to an intermediate entity as of that date.

Retail Rate Regulation

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

Certain costs related to Grand Gulf 1, Waterford 3, and River Bend were phased into retail rates over a period of years in order to avoid the "rate shock" associated with increasing rates to reflect all such costs at once. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and the portion of Entergy Gulf States regulated by the LPSC have fully recovered such deferred costs associated with one or more of the plants. Entergy New Orleans' phase-in plan will be completed in 2001.

The retail regulatory philosophy has shifted in some jurisdictions from traditional, exclusively cost-of-service regulation to include performance-based rate elements. Performance-based formula rate plans are designed to encourage efficiencies and productivity while permitting utilities and their customers to share in the benefits. Entergy Mississippi and Entergy Louisiana have implemented performance-based formula rate plans.

The domestic utility companies have initiated proceedings with state and local regulators regarding transition to a more competitive market for electricity. In addition, retail open access laws have been enacted in Arkansas and Texas. These matters are discussed more thoroughly in Note 2 to the financial statements.

Entergy Arkansas

Retail Rate Proceedings

Entergy Arkansas' material retail rate proceedings that were resolved during the past year, are currently pending, or affect current year results are discussed in Note 2 to the financial statements.

Recovery of Grand Gulf 1 Costs

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

Fuel Recovery

Entergy Arkansas' rate schedules include an energy cost recovery rider to recover fuel and purchased energy costs in monthly bills. The rider utilizes projected energy costs for the twelve month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery, including carrying charges, of the energy cost for the prior calendar year.

Rate Freeze

In December 1997, the APSC approved a settlement agreement resolving Entergy Arkansas' transition to competition case. One provision in that settlement was that base rates would remain at the level resulting from that case until at least July 1, 2001. The terms of the settlement agreement are discussed in Note 2 to the financial statements.

Entergy Gulf States

Retail Rate Proceedings

Entergy Gulf States' material retail rate proceedings that were resolved during the past year, are currently pending, or affect current year results are discussed in Note 2 to the financial statements. In addition, the 1999 settlement agreement that resolved Entergy Gulf States' 1996 and 1998 rate proceedings, which is currently under appeal, and various other matters are discussed in Note 2 to the financial statements.

Texas Jurisdiction - River Bend

In March 1998, the PUCT issued an order disallowing recovery of $1.4 billion of company-wide abeyed River Bend plant costs which have been held in abeyance since 1988. Entergy Gulf States has appealed the PUCT's decision on this matter to a Texas District Court. The 1999 settlement agreement mentioned above addresses the treatment of abeyed plant costs, and, as a result, Entergy Gulf States removed the reserve for these costs and reduced the plant asset in 1999. 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 added to the net book value of the River Bend plant for regulatory purposes. The abeyed plant costs are discussed in more detail in Note 2 to the financial statements.

Fuel Recovery

Entergy Gulf States' Texas rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including carrying charges, not recovered in base rates. The 1999 settlement agreement mentioned above established a methodology for semi-annual revisions of the fixed fuel factor in March and September based on the market price of natural gas. This agreement is effective through December 2001 or until otherwise ordered by the PUCT. To the extent actual costs vary from the fixed fuel factor, refunds or surcharges are required or permitted. Fuel costs are also subject to reconciliation proceedings. In connection with the implementation of restructuring in Texas, Entergy Gulf States anticipates that it will file a final fuel reconciliation in March 2003 for the period ending December 31, 2001. Beginning in January 2002, which is the scheduled start of retail open access in Texas, fuel and purchased power cost recovery will be subject to the PUCT's rule governing the price that Entergy Gulf States' affiliated retail electric provider may charge residential and commercial customers, as discussed in more detail in Note 2 to the financial statements.

Entergy Gulf States' Louisiana electric rate schedules include a fuel adjustment clause designed to recover the cost of fuel and purchased power costs in the second prior month, adjusted by a surcharge or credit for deferred fuel expense and related carrying charges arising from the monthly reconciliation of actual fuel costs incurred with fuel revenues billed to customers. The LPSC and the PUCT fuel cost reviews that were resolved during the past year or are currently pending are discussed in Note 2 to the financial statements. In July 2000, the LPSC issued an order requiring Entergy Gulf States to realign approximately $2.4 million of certain Louisiana fuel costs from the fuel adjustment clause to base rates.

Entergy Gulf States' Louisiana gas rates include a purchased gas adjustment based on estimated gas costs for the billing month adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel costs incurred with fuel cost revenues billed to customers.

Entergy Louisiana

Retail Rate Proceedings

Entergy Louisiana's material retail rate proceedings that were resolved during the past year, are currently pending, or affect current year results are discussed in Note 2 to the financial statements.

Recovery of Grand Gulf 1 Costs

In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. In November 1988, Entergy Louisiana agreed to retain 18% of its share of Grand Gulf 1 costs and recover the remaining 82% of its share through rates. Under the Unit Power Sales Agreement, Entergy Louisiana's share of Grand Gulf 1 costs is 14%. Non-fuel operation and maintenance costs for Grand Gulf 1 are recovered through Entergy Louisiana's base rates. Additionally, Entergy Louisiana is allowed to recover, through the fuel adjustment clause, 4.6 cents per KWH for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to nonaffiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval.

Performance-Based Formula Rate Plan

Entergy Louisiana files a performance-based formula rate plan by April 15 of each year that compares the annual rate of return on common equity (ROE) with a benchmark ROE. The benchmark ROE determined under the formula rate plan includes the current approved ROE adjusted for a customer satisfaction performance measure. The formula rate plan allows for periodic adjustments in retail rates if the annually determined ROE is outside an allowed range of the benchmark ROE. The performance-based formula rate plan will end in 2001 after the filing for the 2000 test year unless a continuance is ordered. Entergy Louisiana's performance-based formula rate plan filings are discussed in Note 2 to the financial statements.

Fuel Recovery

Entergy Louisiana's rate schedules include a fuel adjustment clause designed to recover the cost of fuel in the second prior month, adjusted by a surcharge or credit for deferred fuel expense and related carrying charges arising from the monthly reconciliation of actual fuel costs incurred with fuel cost revenues billed to customers.

Entergy Mississippi

Retail Rate Proceedings

Entergy Mississippi's material retail rate proceedings that were resolved during the past year, are currently pending, or affect current year results are discussed in Note 2 to the financial statements.

Performance-Based Formula Rate Plan

Entergy Mississippi files a performance-based formula rate plan every 12 months that compares the annual earned rate of return to and adjusts it against a benchmark rate of return. The benchmark is calculated under a separate formula within the formula rate plan. The formula rate plan allows for periodic small adjustments in rates based on a comparison of actual earned returns to benchmark returns and upon certain performance factors. The formula rate plan filing for the 1999 test year is discussed in Note 2 to the financial statements. The formula rate plan filing for the 2000 test year will be submitted in March 2001.

Fuel Recovery

Entergy Mississippi's rate schedules include an energy cost recovery rider to recover fuel and purchased energy costs. In December 2000, the MPSC approved the recovery of $136.7 million of under-recoveries, plus carrying charges, over a 24-month period effective with the first billing cycle of January 2001. Effective with January 2001 billings, the rider utilizes projected energy costs filed quarterly by Entergy Mississippi to develop an energy cost rate. The energy cost rate is redetermined each calendar quarter and includes a true-up adjustment reflecting the over-recovery or under-recovery of the energy cost as of the second quarter preceding the redetermination.

Entergy New Orleans

Retail Rate Proceedings

Entergy New Orleans' material retail rate proceedings that were resolved during the past year, are currently pending, or affect current year results are discussed in Note 2 to the financial statements.

Recovery of Grand Gulf 1 Costs

Under Entergy New Orleans' various rate settlements with the Council in 1986, 1988, and 1991, Entergy New Orleans agreed to absorb and not recover from ratepayers a total of $96.2 million of its Grand Gulf 1 costs. Entergy New Orleans was permitted to implement annual rate increases in decreasing amounts each year through 1995, and to defer certain costs and related carrying charges for recovery on a schedule extending from 1991 through 2001. As of December 31, 2000, the uncollected balance of Entergy New Orleans' deferred costs was $11 million.

Fuel Recovery

Entergy New Orleans' electric rate schedules include a fuel adjustment clause designed to recover the cost of fuel in the second prior month, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel costs incurred with fuel cost revenues billed to customers. The adjustment also includes the difference between non-fuel Grand Gulf 1 costs paid by Entergy New Orleans and the estimate of such costs, which are included in base rates, as provided in Entergy New Orleans' Grand Gulf 1 rate settlements. Entergy New Orleans' gas rate schedules include an adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, in addition to carrying charges. The Council is currently studying Entergy New Orleans' fuel adjustment methodologies, with the intention of considering means of mitigating the effect on ratepayers of sudden increases in fuel costs. The resolution commencing the study notes that the Council does not intend to deny Entergy New Orleans full recovery of its prudently incurred fuel and purchased power costs.

Regulation

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

PUHCA

Entergy Corporation and its various direct and indirect subsidiaries are subject to the broad regulatory provisions of PUHCA, with the exception of its EWG and FUCO subsidiaries. Except with respect to investments in EWGs and FUCOs, the principal regulatory provisions of PUHCA:

- limit the operations of a registered holding company system to a single, integrated public utility system, plus certain ancillary and related systems and businesses;
- regulate certain transactions among affiliates within a holding company system;

- govern the issuance, acquisition, and disposition of securities and assets by registered holding companies and their subsidiaries;
- limit the entry by registered holding companies and their subsidiaries into businesses other than electric and/or gas utility businesses; and
- require SEC approval for certain utility mergers and acquisitions, including Entergy's proposed merger with FPL Group.

Entergy Corporation and other electric utility holding companies have supported legislation in the United States Congress to repeal PUHCA and transfer certain aspects of the oversight of public utility holding companies from the SEC to FERC. Entergy believes that PUHCA inhibits its ability to compete in the evolving electric energy marketplace and largely duplicates the oversight activities otherwise performed by FERC and other federal regulators and by state and local regulators. In June 1995, the SEC adopted a report proposing options for the repeal or significant modification of PUHCA, but the U.S. Congress has not passed legislation pursuant to this report.

Federal Power Act

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

Entergy Arkansas holds a FERC license for two hydroelectric projects totaling 70 MW of capacity that was renewed on July 2, 1980 and expires on February 28, 2003. In December 2000, Entergy Arkansas filed a license extension application with FERC for these two facilities.

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

Regulation of Nuclear Power

Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, the operation of nuclear plants is heavily regulated by the NRC, which has broad power to impose licensing and safety-related requirements. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, as owners of all or portions of ANO, River Bend, Waterford 3, and Grand Gulf 1, respectively, and Entergy Operations, as the licensee and operator of these units, are subject to the jurisdiction of the NRC. Additionally, Entergy's domestic non-utility nuclear business is subject to the NRC's jurisdiction as the owner and operator of Pilgrim, Indian Point 3 and FitzPatrick. Revised safety requirements promulgated by the NRC have, in the past, necessitated substantial capital expenditures at these nuclear plants, and additional expenditures could be required in the future.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of sites for disposal of spent nuclear fuel and other radioactive waste, nuclear plant operations, the technological and financial aspects of decommissioning plants at the end of their licensed lives, and requirements relating to nuclear insurance. These matters are briefly discussed below.

Regulation of Spent Fuel and Other High-Level Radioactive Waste

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

Regulation of Low-Level Radioactive Waste

The availability and cost of disposal facilities for low-level radioactive waste resulting from normal nuclear plant operations are subject to a number of uncertainties. Under the Low-Level Radioactive Waste Policy Act of 1980, as amended, each state is responsible for disposal of waste originating in that state, but states may participate in regional compacts to fulfill their responsibilities jointly. Arkansas and Louisiana participate in the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact), and Mississippi participates in the Southeast Low-Level Radioactive Waste Compact (Southeast Compact). Both the Central States Compact and the Southeast Compact waste facility development projects are on hold and further development efforts are unknown at this time. Neither Massachusetts, where Pilgrim is located, nor New York, where Indian Point 3 and FitzPatrick are located, participates in any regional compact and efforts to fulfill their responsibilities have been minimal. Two licensed disposal sites are currently operating in the United States, but only one site, the Barnwell Disposal Facility (Barnwell) located in South Carolina, is open to out-of-region generators. The availability of Barnwell provides only a temporary solution for Entergy's low-level radioactive waste storage and does not alleviate the need to develop new disposal capacity. In June 2000, the governor of South Carolina signed legislation forming a new low-level waste compact with the states of Connecticut and New Jersey. The compact will start restricting acceptance of out-of-region waste in 2002 and totally ban out-of-region waste by 2008.

The Southeast Compact has filed sanctions against the host state of North Carolina and the process is currently on hold pending resolution of the sanctions action by the compact. In December 1998, the host state for the Central States Compact, Nebraska, denied the compact's license application. In December 1998, Entergy and two other utilities in the Central States Compact filed a lawsuit against the state of Nebraska seeking damages resulting from delays and a faulty license review process. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States, along with other waste generators, fund the development costs for new disposal facilities relating to the Central States Compact. Development costs to be incurred in the future are difficult to predict. The current schedules for the site development in both the Central States Compact and the Southeast Compact are undetermined at this time. Until long-term disposal facilities are established, Entergy will seek continued access to existing facilities. If such access is unavailable, Entergy will store low-level waste at its nuclear plant sites.

Regulation of Nuclear Plant Decommissioning

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy are recovering through electric rates the estimated decommissioning costs for ANO, River Bend, Waterford 3, and Grand Gulf 1, respectively. These amounts are deposited in trust funds which, together with the related earnings, can only be used for future decommissioning costs. Estimated decommissioning costs are periodically reviewed and updated to reflect inflation and changes in regulatory requirements and technology. Applications are periodically made to appropriate regulatory authorities to reflect, in rates, the changes in projected decommissioning costs. In conjunction with the Pilgrim acquisition, Entergy received Pilgrim's decommissioning trust fund. 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 plant without any additional deposits to the trust. Subject to decommissioning service agreements between Entergy and NYPA, NYPA retains the decommissioning liability and trusts relating to Indian Point 3 and FitzPatrick up to a specified amount. Entergy believes that the amounts that will be available from the trusts will be sufficient to cover the future decommissioning costs of Indian Point 3 and FitzPatrick without any additional contributions to the trusts. Additional information with respect to decommissioning costs for ANO, River Bend, Waterford 3, Grand Gulf 1, Pilgrim, Indian Point 3, and FitzPatrick is found in Note 9 to the financial statements.

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

Nuclear Insurance

The Price-Anderson Act limits public liability for a single nuclear incident to approximately $9.5 billion. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and Entergy's domestic non-utility nuclear business have protection with respect to this liability through a combination of private insurance and an industry assessment program, as well as insurance for property damage, costs of replacement power, and other risks relating to nuclear generating units. Insurance applicable to the nuclear programs of Entergy is discussed in Note 9 to the financial statements.

Nuclear Operations

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

Entergy Operations operates ANO, River Bend, Waterford 3, and Grand Gulf 1, subject to the owner oversight of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, respectively. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy pay directly or reimburse Entergy Operations at cost for its operation of the nuclear units. Entergy's domestic non-utility nuclear business is the operator of Pilgrim, Indian Point 3 and FitzPatrick.

ANO Matters (Entergy Corporation and Entergy Arkansas)

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 and 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 to be in the public interest. The steam generators were replaced during a refueling outage in the second half of 2000. During the next scheduled outage, an examination of both generators is planned to evaluate their wear and to meet the requirements of industry guidelines for steam generator program integrity.

In February 2000, Entergy Operations applied to the NRC for an extension of ANO 1's operating license. The current license expires in 2014, and, if granted, the extension would provide the authority to continue operating ANO 1 until 2034. Management expects the NRC consideration process to take two years.

In December 2000, Entergy Operations applied to the NRC for an amendment to ANO 2's operating license that would allow for an increase in the reactor core power rating. If granted, this amendment will allow ANO 2 to increase its gross electrical output by approximately 90 MW. Entergy Operations has requested action by the NRC on the amendment by March 2002, to permit implementation of the uprate following ANO 2's next scheduled refueling outage.

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

General

Entergy Arkansas is subject to regulation by the APSC, which includes the authority to:

- oversee utility service;
- set rates;
- determine reasonable and adequate service;
- require proper accounting;
- control leasing;
- control the acquisition or sale of any public utility plant or property constituting an operating unit or system;
- set rates of depreciation;
- issue certificates of convenience and necessity and certificates of environmental compatibility and public need; and
- regulate the issuance and sale of certain securities.

Entergy Gulf States is subject to the jurisdiction of the municipal authorities of a number of incorporated cities in Texas as to retail rates and service within their boundaries, with appellate jurisdiction over such matters residing in the PUCT. Entergy Gulf States' Texas business is also subject to regulation by the PUCT as to:

- retail rates and service in rural areas;
- certification of new transmission lines; and
- extensions of service into new areas.

Entergy Gulf States' Louisiana electric and gas business and Entergy Louisiana are subject to regulation by the LPSC as to:

- utility service;
- rates and charges;
- certification of generating facilities;
- power or capacity purchase contracts; and
- depreciation, accounting, and other matters.

Entergy Louisiana is also subject to the jurisdiction of the Council with respect to such matters within Algiers in Orleans Parish.

Entergy Mississippi is subject to regulation by the MPSC as to the following:

- utility service;
- service areas;
- facilities; and
- retail rates.

Entergy Mississippi is also subject to regulation by the APSC as to the certificate of environmental compatibility and public need for the Independence Station, which is located in Arkansas.

Entergy New Orleans is subject to regulation by the Council as to the following:

- utility service;
- rates and charges;

- standards of service;
- depreciation, accounting, and issuance and sale of certain securities; and
- other matters.

Franchises

Entergy Arkansas holds exclusive franchises to provide electric service in approximately 304 incorporated cities and towns in Arkansas. These franchises are unlimited in duration and continue unless the municipalities purchase the utility property. In Arkansas, franchises are considered to be contracts and, therefore, are terminable upon breach of the terms of the franchise.

Entergy Gulf States holds non-exclusive franchises, permits, or certificates of convenience and necessity to provide electric and gas service in approximately 55 incorporated municipalities in Louisiana and to provide electric service in approximately 63 incorporated municipalities in Texas. Entergy Gulf States typically is granted 50-year franchises in Texas and 60-year franchises in Louisiana. Entergy Gulf States' current electric franchises will expire during 2007 - 2036 in Texas and during 2015 - 2046 in Louisiana. The natural gas franchise in the City of Baton Rouge will expire in 2015. In addition, Entergy Gulf States holds a certificate of convenience and necessity from the PUCT to provide electric service to areas within 21 counties in eastern Texas. Retail open access is scheduled to begin in Entergy Gulf States' Texas service territory on January 1, 2002. Refer to "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – SIGNIFICANT FACTORS AND KNOWN TRENDS**" and Note 2 to the financial statements for discussions of the transition to competition in Texas.

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

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

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to city ordinances (except for in Algiers, which is served by Entergy Louisiana). These ordinances contain a continuing option for the City of New Orleans to purchase Entergy New Orleans' electric and gas utility properties. A resolution to study the advantages for ratepayers that might result from an acquisition of these properties has been filed in a committee of the Council. The committee has deferred consideration of that resolution until May 2001. The full Council must approve the resolution to commence such a study before it can become effective.

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

Environmental Regulation

General

Entergy's facilities and operations are subject to regulation by various domestic and foreign governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that its affected subsidiaries are in substantial compliance with environmental regulations currently applicable to their facilities and operations. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Clean Air Legislation

The Clean Air Act Amendments of 1990 (the Act) established the following three programs that currently or in the future may affect Entergy's fossil-fueled generation:

- an acid rain program for control of sulfur dioxide (SO_2) and nitrogen oxides (NO_x);
- an ozone nonattainment area program for control of NO_x and volatile organic compounds; and
- an operating permits program for administration and enforcement of these and other Act programs.

Under the current acid rain program, Entergy's subsidiaries will not require additional equipment to control SO_2 or NO_x. The Act provides SO_2 allowances to most of the affected Entergy generating units for emissions based upon past emission levels and operating characteristics. Each allowance is an entitlement to emit one ton of SO_2 per year. Under the Act, utilities are or will be required to possess allowances for SO_2 emissions from affected generating units. All Entergy fossil-fueled generating units are classified as "Phase II" units under the Act and are subject to SO_2 allowance requirements.

Additional controls were recently implemented at certain Entergy Gulf States generating units to achieve NO_x reductions due to the ozone non-attainment status of areas served in and around Beaumont and Houston, Texas. Texas environmental authorities imposed NO_x controls on power plants that had to be in place by November 1999. To date, the cost of additional control equipment necessary to maintain this compliance is immaterial. In December 1999 and August 2000, Texas authorities proposed future control strategies for public comment that would affect the Beaumont and Houston areas, respectively. The Texas authorities finalized regulations for the Beaumont area in April 2000. The analogous Houston area regulations were finalized in December 2000. The final strategies adopted by the state of Texas will cause Entergy Gulf States to incur additional costs for NO_x controls through 2007. Entergy Gulf States has conducted studies to estimate the costs that would be incurred based on the proposed strategies. Pursuant to these studies, Entergy Gulf States' preliminary estimate is that compliance costs through 2003 in the Beaumont and Houston areas will be \$37 million and \$26 million respectively, and that these expenditures will be sufficient for the entire compliance period through 2007. Entergy commenced projects in 2000 to engineer, procure, and construct needed air pollution control facilities. Cost estimates will be refined as engineering design progresses based on the final adopted strategies approved by the EPA. Entergy believes the future control strategies in the ozone non-attainment regulations require emission limits that are more restrictive than those discussed below related to utility restructuring in Texas.

As part of legislation passed in Texas in June 1999 to restructure the electric power industry in the state, certain generating units of Entergy Gulf States will be required to obtain operating permits and meet new, lower emission limits for NO_x. It is expected that Entergy Gulf States will incur costs through 2003 to meet these new standards. The Texas portion of these costs and the costs associated with ozone non-attainment regulations are expected to be recoverable as stranded costs of environmental cleanup.

Oil Pollution Prevention and Response

The EPA has issued a proposed rule on oil pollution prevention and response. This rule could affect Entergy's operation of its approximately 3,500 transmission and distribution electrical equipment installations that are potentially subject to this proposed rule. If the proposed rule is issued in the form expected by the industry, Entergy will be substantially in compliance with the rule. However, there is a possibility that the rule could be issued in a form that would require Entergy to develop site-specific oil spill prevention and control countermeasure plans for the facilities subject to this rule. In addition, secondary containment could be required around the equipment in these facilities. Entergy participates in industry groups involved with the proposed rule and will be monitoring the development of the proposed rule. It is expected that the final rule will be issued in the first half of 2001.

Other Environmental Matters

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), authorizes the EPA and, indirectly, the states, to mandate cleanup, or reimbursement of clean-up costs, by owners or operators of sites from which hazardous substances may be or have been released. Parties that generated or transported hazardous substances to these sites are also deemed liable by CERCLA. CERCLA has been interpreted to impose joint and several liability on responsible parties. The domestic utility companies have sent waste materials to various disposal sites over the years. In addition, environmental laws now regulate certain of the domestic utility companies' operating procedures and maintenance practices, which historically were not subject to regulation. Some of Entergy's disposal sites have been the subject of governmental action under CERCLA, resulting in site clean-up activities. The domestic utility companies have participated to various degrees in accordance with their respective potential liabilities in such site cleanups and have developed experience with clean-up costs. The affected domestic utility companies have established reserves for such environmental clean up and restoration activities.

Entergy Arkansas

Entergy Arkansas entered into a Consent Administrative Order with the Arkansas Department of Environmental Quality (ADEQ) in which it agreed to conduct initial stabilization associated with contamination at the Utilities Services, Inc. Superfund site located near Rison, Arkansas. This site was never owned nor operated by any Entergy-affiliated company. This site was found to have soil contaminated by polychlorinated biphenyls (PCBs) and pentachlorophenol (a wood preservative). Containers and drums that contained PCBs and other hazardous substances were found at the site. Entergy Arkansas worked with the ADEQ to identify and notify other PRPs with respect to this site. Approximately twenty PRPs have been identified to date. In December 1999, Entergy Arkansas, along with several other PRPs, met with ADEQ representatives to discuss the cleanup of the site. The PRPs are being encouraged to undertake a voluntary cleanup and have begun discussions regarding the sharing of costs. Entergy Arkansas believes that its ultimate responsibility for this site will not materially exceed its existing cleanup provision of $5 million. Entergy has sent a letter of intent to the ADEQ to participate in the site characterization, and Entergy is waiting for a response from the ADEQ. As of December 31, 2000, Entergy Arkansas had incurred approximately $400,000 of these costs.

Entergy Gulf States

Several class action and other suits have been filed in state and federal courts seeking relief from Entergy Gulf States and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States' premises (see "**Other Regulation and Litigation**" below).

In August 1999, Entergy Gulf States received notice from the Texas Natural Resource Conservation Commission (TNRCC) that it is considered to be a PRP for the Spector Salvage Yard in Orange, Texas. The Spector Salvage site operated from approximately 1944 until 1971. In addition to general salvage, the facility functioned as a repository for military surplus equipment and supplies purchased from military, industrial, and chemical facilities. Soil samples from the site indicate the presence of heavy metals and various organics, including PCBs. The TNRCC requested of all PRPs a submission of a good faith offer to fully fund or conduct a remedial investigation. Entergy Gulf States believes that there is insufficient basis for including the company as a PRP. If additional evidence that the company is a PRP were discovered, Entergy Gulf States would re-evaluate its position. Based on the size of the site, Entergy Gulf States expects that its future expenditures for investigation and clean-up should not exceed $250,000.

Entergy Gulf States is currently involved in a remedial investigation of the Lake Charles Service Center site, located in Lake Charles, Louisiana. A manufactured gas plant (MGP) is believed to have operated at this site from approximately 1916 to 1931. Coal tar, a by-product of the distillation process employed at MGPs, was apparently routed to a portion of the property for disposal. The same area has also been used as a landfill. In 1999, Entergy Gulf States signed a second Administrative Consent Order with the EPA to perform removal action at the site.

Entergy Gulf States believes that its ultimate responsibility for this site will not materially exceed its existing clean-up provision of $16.8 million.

Entergy Gulf States is currently involved in the second phase of an investigation of contamination of an MGP site, known as the Old Jennings Ice Plant, located in Jennings, Louisiana. The MGP is believed to have operated from approximately 1909 to 1926. The site is currently used for an electrical substation and storage of transmission and distribution equipment. In July 1996, a petroleum-like substance was discovered on the surface soil, and notification was made to the LDEQ. The LDEQ was aware of this site based upon a survey performed by an environmental consultant for the EPA. Entergy Gulf States obtained the services of an environmental consultant to collect core samples and to perform a search of historical records to determine what activities occurred at Jennings. Results of the core sampling, which found limited amounts of contamination on-site, were submitted to the LDEQ. A plan to determine a cost-effective remediation strategy will be developed and submitted to the LDEQ for review in 2001. Entergy does not expect that its ultimate financial responsibility with respect to this site will be material. The amount of its existing provision for cleanup is $250,000.

In 1994, Entergy Gulf States performed a site assessment in conjunction with a construction project at the Louisiana Station Generating Plant (Louisiana Station). In 1995, a further assessment confirmed subsurface soil and groundwater impact to three areas on the plant site. After further evaluation, a notification was made to the LDEQ. Remediation of Louisiana Station is expected to continue through 2001. The remediation cost incurred through December 31, 2000 for this site was $6.2 million. Future costs are not expected to exceed the existing provision of $1.3 million.

Entergy New Orleans

Entergy New Orleans is planning a new substation on a parcel of land located adjacent to an existing substation, which is in close proximity to the former Market Street power plant. During pre-construction activities in January 2000, significant levels of lead were discovered in the soil at this site. Entergy New Orleans notified the LDEQ of the contamination. The contamination at this site was addressed using the LDEQ Risk/Evaluation Corrective Action Plan. The work has been completed and the final closure report is scheduled to be submitted in the first quarter of 2001. The cost of this remediation was approximately $1 million.

Entergy Louisiana and Entergy New Orleans

The Southern Transformer shop located in New Orleans has served both Entergy Louisiana and Entergy New Orleans. This transformer shop is now being closed and an environmental assessment is being performed to determine what remediation may be necessary. Based on preliminary findings, Entergy Louisiana has reserved $150,000 for this project.

From 1992 to 1994, Entergy Louisiana performed a site assessment and remedial activities at a retired power plant known as the Thibodaux municipal site, previously owned and operated by a Louisiana municipality. Entergy Louisiana purchased the power plant at this site as part of the acquisition of municipal electric systems. The site assessment indicated some subsurface contamination from fuel oil. Remediation of the Thibodaux site is expected to continue through 2001. The cost incurred through December 31, 2000 for the Thibodaux site was approximately $580,000. Future costs are not expected to exceed the existing provision of $240,000.

During 1993, the 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 chose to upgrade or close them. Completion of this work is pending LDEQ approval. LDEQ has issued notices of deficiencies for certain of these sites. As a result, a remaining recorded liability in the amount of $5.8 million for Entergy Louisiana and $0.5 million for Entergy New Orleans existed at December 31, 2000 for wastewater upgrades and closures. Management of Entergy Louisiana and Entergy New Orleans believes these reserves are adequate based on current estimates.

Other Regulation and Litigation

Entergy Corporation and Entergy Gulf States Merger

Several parties, including Entergy Services, appealed FERC's approval of the merger between Entergy Corporation and Entergy Gulf States to the D.C. Circuit. Entergy Services sought review of FERC's deletion of a 40% cap on the amount of fuel savings Entergy Gulf States may be required to transfer to other domestic utility companies under a tracking mechanism designed to protect the other companies from certain unexpected increases in fuel costs. The other parties sought to overturn FERC's decisions on various grounds, including issues as to whether FERC appropriately conditioned the merger to protect various interested parties from alleged harm and FERC's reliance on Entergy's transmission tariff to mitigate any potential anti-competitive impacts of the merger. Management cannot predict the timing or outcome of this proceeding.

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

Entergy Corporation and the domestic utility companies are defendants in numerous lawsuits that have been filed by former employees alleging that they were wrongfully terminated and/or discriminated against on the basis of age, race, and/or sex. Entergy Corporation and the domestic utility companies are vigorously defending these suits and deny any liability to the plaintiffs. However, no assurance can be given as to the outcome of these cases, and at this time management cannot estimate the total amount of damages sought.

Asbestos and Hazardous Waste Suits (Entergy Gulf States)

Plaintiffs have filed numerous lawsuits in state and federal courts in Texas and Louisiana seeking relief from Entergy Gulf States as well as numerous other defendants for damages caused to the plaintiffs or others by the alleged exposure to hazardous waste and asbestos on the defendants' premises. The plaintiffs in some suits are also suing Entergy Gulf States and all other defendants on a conspiracy claim. It will not be known until discovery is complete how many of the plaintiffs in any of the foregoing cases actually worked on Entergy Gulf States' premises, nor can management, at this time, estimate the total amount of damages sought. Entergy Gulf States believes that the ultimate resolution of these matters will not be material, in the aggregate, to its financial position or results of operations.

Ratepayer Lawsuits (Entergy Corporation, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans)

Entergy Louisiana Fuel Clause Lawsuit

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 alleged violations by the defendants 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, the plaintiffs allege that Entergy Louisiana improperly introduced certain costs into the calculation of the fuel charges, including high-cost electricity imprudently purchased from its affiliates and high-cost gas imprudently purchased from independent third party suppliers. In addition, plaintiffs seek to recover interest and attorneys' fees. Plaintiffs also requested that the LPSC initiate a review of Entergy Louisiana's monthly fuel adjustment charge filings and force restitution to ratepayers of all costs that the plaintiffs allege were improperly included in those fuel adjustment filings. A few parties have intervened in the LPSC proceeding. In direct testimony, plaintiffs purport to quantify many of their claims for the period 1989 through 1998 in an amount totaling $544 million, plus interest.

Entergy Louisiana has reached an agreement in principle with the LPSC staff for the settlement of the matter before the LPSC and has executed a definitive agreement with the plaintiffs for the settlement of the matter before the LPSC and the state court. The LPSC approved the settlement agreement following a fairness hearing before an ALJ in November 2000. Plaintiffs have sought class certification and approval of the settlement by the state court, and a hearing on those issues is scheduled for April 2001.

Under the terms of the settlement agreement, Entergy Louisiana agrees to refund to customers approximately $72 million to resolve all claims arising out of or relating to Entergy Louisiana's fuel adjustment clause filings from January 1, 1975 through December 31, 1999, except with respect to purchased power and associated costs included in the fuel adjustment clause filings for the period May 1 through September 30, 1999. Entergy Louisiana previously provided reserves for the refund. Under the terms of the settlement, Entergy Louisiana also consents to future fuel cost recovery under a long-term gas contract based on a formula that would likely result in an under-recovery of actual costs under that contract for the remainder of its term, which runs through 2013. The future under-recovery cannot be precisely estimated at this time because it will depend upon factors that are not certain, such as the price of gas and the amount of gas purchased under the long-term contract. In recent years, Entergy Louisiana has made purchases under that contract totaling from $91 million to $121 million annually. Had the proposed settlement terms been applicable to such purchases, the under-recoveries would have ranged from $4 million to $9 million per year.

Vidalia Project Sub-Docket

Two of the intervenors in the proceeding discussed above, Marathon Oil Company and Louisiana Energy Users Group, requested that the LPSC review the prudence of a contract entered into by Entergy Louisiana to purchase energy generated by a hydroelectric facility known as the Vidalia project through the year 2031. Note 9 to the financial statements contains further discussions of the obligations related to the Vidalia project. By orders entered by the LPSC in 1985 and 1990, the LPSC approved Entergy Louisiana's entry into the Vidalia contract and Entergy Louisiana's right to recover, through the fuel adjustment clause, the costs of power purchased thereunder. Additionally, the wholesale electric rates under the Vidalia power purchase contract were filed at FERC. In December 1999, the LPSC instituted a review of the following issues relating to the Vidalia project: (i) the LPSC's jurisdiction over the Vidalia project; (ii) Entergy Louisiana's management of the Vidalia contract, including opportunities to restructure or otherwise reform the contract; (iii) the appropriateness of Entergy Louisiana's recovery of 100% of the Vidalia contract costs from ratepayers; (iv) the appropriateness of the fuel adjustment clause as the method for recovering all or part of the Vidalia contract costs; (v) the appropriate regulatory treatment of the Vidalia contract in the event the LPSC approves implementation of retail competition; and (vi) Entergy Louisiana's communication of pertinent information to the LPSC regarding the Vidalia project and contract. Based on its review, the LPSC will determine whether it should disallow any of the costs of the Vidalia project included in the fuel adjustment clause.

In March 2000, Entergy Louisiana filed testimony in this sub-docket asserting that the prudence of the Vidalia contract already has been approved by final orders of the LPSC and that recovery of all amounts paid by Entergy Louisiana related to the Vidalia project pursuant to the FERC-filed rate is appropriate. Direct testimony was filed by intervenor Marathon Oil Company in May 2000 and by the LPSC staff and intervenor Louisiana Energy Users Group in July 2000. In its testimony the LPSC staff alleges that Entergy Louisiana was imprudent for not declaring to the LPSC that the Vidalia project had become uneconomic and not threatening to block the Vidalia project's owners' July 30, 1990 request that the LPSC clarify the LPSC's 1985 order (approving the Entergy Louisiana/Vidalia project power purchase agreement), unless the Vidalia project's owners' shared with Entergy Louisiana's ratepayers some portion of what the LPSC staff quantifies as approximately $90 million of tax consequences available to the project. The LPSC staff's testimony does not quantify how much of the potential tax savings Entergy Louisiana should have demanded in exchange for not attempting to block the Vidalia project's owners' request for clarification; however, that testimony does suggest various alternatives by which some portion of the $90 million, perhaps $45 million plus interest since 1990, could be returned to the ratepayers. The direct testimony of the intervenor Louisiana Energy Users Group alleges that Entergy Louisiana was imprudent for not attempting to block the Vidalia project's owners' July 30, 1990 request that the LPSC clarify the LPSC's 1985 order approving the Entergy Louisiana/Vidalia project power purchase agreement; however, that intervenor does not quantify the amount of damage alleged to have been caused by this alleged imprudence. The direct testimony of the intervenor Marathon Oil Company alleges with respect to Entergy Louisiana that imprudent Vidalia project costs should be disallowed and that Entergy Louisiana's customers should not be charged 100% of the Vidalia costs. It is anticipated that hearings in this sub-docket concerning the Vidalia contract will begin in April 2001.

Entergy New Orleans Fuel Clause Lawsuit

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's 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 the plantiffs' 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. In April 2000, testimony was filed on behalf of the plaintiffs in this proceeding. The testimony asserts, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices that could have resulted in New Orleans customers being overcharged by more than $59 million over a period of years. The testimony also challenges the implementation of the recovery methodology. However, it is not clear precisely what periods and damages are being alleged. 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. Hearings are expected to begin in October 2001.

Entergy New Orleans Rate of Return Lawsuit

In April 1998, a group of residential and business ratepayers filed a complaint against Entergy New Orleans in state court in Orleans Parish purportedly on behalf of all ratepayers in New Orleans. The plaintiffs allege that Entergy New Orleans overcharged ratepayers by at least $300 million since 1975 in violation of limits on Entergy New Orleans' rate of return that the plaintiffs allege were established by ordinances passed by the Council in 1922. The plaintiffs seek, among other things, (i) a declaratory judgment that such franchise ordinances have been violated; and (ii) a remand to the Council for the establishment of the amount of overcharges plus interest. Entergy New Orleans believes the lawsuit is without merit. Entergy New Orleans has charged only those rates authorized by the Council in accordance with applicable law. In May 2000, a court of appeal granted Entergy New Orleans' exception to jurisdiction in the case and dismissed the proceeding. The Louisiana Supreme Court denied the plaintiff's request for a writ of certiorari. The plaintiffs then commenced a similar proceeding before the Council. Management cannot predict the outcome of the proceeding before the Council.

Entergy Louisiana Formula Ratemaking Plan Lawsuit

In May 1998, a group of ratepayers filed a complaint against Entergy Louisiana in state court in East Baton Rouge Parish purportedly on behalf of all Entergy Louisiana ratepayers. The plaintiffs allege that the formula ratemaking plan authorized by the LPSC has allowed Entergy Louisiana to earn amounts in excess of a fair return. The plaintiffs seek, among other things, (i) a declaratory judgment that the formula ratemaking plan is an improper ratemaking practice; and (ii) a refund of the amounts allegedly charged in excess of proper ratemaking practices. Entergy Louisiana believes the lawsuit is without merit and is vigorously defending itself. At this time, management cannot determine the amount of damages being sought.

July 1999 Power Outages Lawsuit

In February 2000, a lawsuit was commenced in state court in Orleans Parish, Louisiana, against Entergy, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans relating to power outages that occurred in July 1999. The plaintiff, who purports to represent a class of similarly situated persons, claims unspecified damages as a result of these outages, which the plaintiff claims were the result of negligence on the part of the Entergy defendants. Plaintiffs have instituted a similar proceeding before the LPSC. The defendants will vigorously contest the plaintiff's allegations, which they believe do not support any liability to the plaintiff for damages. At this time, management cannot determine the amount of damages being sought.

Franchise Fee Litigation (Entergy Corporation and Entergy Gulf States)

In September 1998, the City of Nederland filed a petition against Entergy Gulf States and Entergy Services in state court in Jefferson County, Texas, purportedly on behalf of all Texas municipalities that have ordinances or agreements with Entergy Gulf States. The lawsuit alleges that Entergy Gulf States has been underpaying its franchise fees due to failure to properly calculate its gross receipts. The plaintiff seeks a judgment for the allegedly underpaid fees and punitive damages. Entergy Gulf States believes the lawsuit is without merit and is vigorously defending itself. The trial in this matter is scheduled to begin in December 2001. At this time, management cannot determine the amount of damages being sought.

Fiber Optic Cable Litigation (Entergy Corporation, Entergy Gulf States)

In May 1998, a group of property owners filed a petition against Entergy Corporation, Entergy Gulf States, Entergy Services, and ETHC in state court in Jefferson County, Texas purportedly on behalf of all property owners throughout the Entergy service area who have conveyed easements to the defendants. The lawsuit alleged that Entergy installed fiber optic cable across their property without obtaining appropriate easements. The plaintiffs sought actual damages for the use of the land and a share of the profits made through use of the fiber optic cables and punitive damages. The state court petition was dismissed, and the plaintiffs have commenced an identical lawsuit in the United States District Court in Beaumont, Texas. Entergy is vigorously defending itself in the lawsuit and believes that any damages suffered by the plaintiff landowners are negligible and that there is no basis for the claim seeking a share of profits. Recently both sides have filed motions for summary judgment. At this time, management cannot determine the amount of damages being sought.

Franchise Service Area Litigation (Entergy Gulf States)

In early 1998, Beaumont Power and Light Company (BP&L) unsuccessfully sought a franchise to provide electric service in the City of Beaumont, Texas, where Entergy Gulf States already holds a franchise. In November 1998, BP&L filed a request before the PUCT to obtain a certificate of convenience and necessity (CCN) for those portions of Jefferson County outside the boundaries of any municipality for which Entergy Gulf States provides retail electric service. BP&L's application contemplates using Entergy Gulf States' facilities in their provision of service. In Texas, utilities are required to obtain a CCN prior to providing retail electric service. Jefferson County is currently singly certificated to Entergy Gulf States. If BP&L's application is granted, BP&L would be able to provide retail service to Entergy Gulf States' customers in the area for which the certificate would apply. BP&L has amended its application to add a request for a CCN to provide retail electric service within the City of Beaumont. The amended application acknowledges that the Texas electric utility restructuring law requires BP&L to use its own facilities to connect to its customers if it is granted a CCN. In April 2000, the ALJ recommended denial of BP&L's application. In May 2000, the PUCT voted to remand the proceeding back to the ALJ to allow BP&L to provide further evidence. A pre-hearing conference has been scheduled for May 2001.

Hindusthan Development Corporation, Ltd. (Entergy Corporation)

In January 1999, Hindusthan Development Corporation (HDC) commenced an arbitration proceeding in India against Entergy Power Asia Ltd. (EPAL), an indirect, wholly-owned subsidiary of Entergy Corporation. The arbitration is progressing under rules that have been adopted in both India and the United States. HDC alleges that EPAL did not fulfill its obligations under a Joint Development Agreement (JDA) to develop a 350 MW cogeneration plant to be built in Bina, India. HDC also alleges that EPAL wrongfully withdrew as lead developer. Entergy's management believes that HDC's allegations are without merit, and that each party to the JDA had an absolute right of withdrawal. HDC is seeking unspecified damages of $1.1 billion. EPAL is vigorously defending itself in the arbitration proceeding.

Ice Storm Litigation (Entergy Corporation and Entergy Gulf States)

In January 1997, a group of Entergy Gulf States customers in Texas filed a lawsuit against Entergy Corporation, Entergy Gulf States, and other Entergy subsidiaries in state court in Jefferson County, Texas purportedly on behalf of all Entergy Gulf States customers in Texas who sustained outages in a January 1997 ice storm. The lawsuit alleges that Entergy failed to properly maintain its electrical distribution system and respond to the ice storm. The district court certified the class in April 1999. In March 2000, an appellate court affirmed the district court's decision to certify the class. In response to Entergy's motion for rehearing, the appellate court reversed the district court, denied class certification, and remanded the case to the district court for proceedings consistent with its ruling. This ruling reduces Entergy's exposure in the lawsuit to an immaterial level. Entergy believes that the lawsuit is without merit, and will vigorously defend itself against the individual named plaintiffs.

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

The four states in which the domestic utility companies operate, in particular Louisiana, Mississippi, and Texas, have proven to be unusually litigious environments. Judges and juries in Louisiana, Mississippi, and Texas have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. Entergy uses legal and appropriate means to contest litigation threatened or filed against it, but the litigation environment in these states poses a significant business risk.

EARNINGS RATIOS OF DOMESTIC UTILITY COMPANIES AND SYSTEM ENERGY

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

	Ratios of Earnings to Fixed Charges Years Ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Entergy Arkansas	3.01	2.08	2.63	2.54	2.93
Entergy Gulf States	2.60	2.18	1.40	1.42	1.47
Entergy Louisiana	3.33	3.48	3.18	2.74	3.16
Entergy Mississippi	2.33	2.44	3.12	2.98	3.40
Entergy New Orleans	2.66	3.00	2.65	2.70	3.51
System Energy	2.41	1.90	2.52	2.31	2.21

	Ratios of Earnings to Combined Fixed Charges and Preferred Dividends Years Ended December 31,				
	2000	1999	1998	1997	1996
Entergy Arkansas	2.70	1.80	2.28	2.24	2.44
Entergy Gulf States(a)	2.39	1.86	1.20	1.23	1.19
Entergy Louisiana	2.93	3.09	2.75	2.36	2.64
Entergy Mississippi	2.09	2.18	2.80	2.69	2.95
Entergy New Orleans	2.43	2.74	2.41	2.44	3.22

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

BUSINESS SEGMENTS

Entergy Corporation

Entergy's business segments are discussed in Note 14 to the financial statements.

Entergy New Orleans

As of December 31, 2000, Entergy New Orleans operating revenues and customer data were as follows:

	Electric Operating Revenue	Natural Gas Revenue
Residential	41%	52%
Commercial	37%	22%
Industrial	6%	10%
Governmental/Municipal	16%	16%
Number of Customers	190,000	150,000

Entergy Gulf States

For the year ended December 31, 2000, 98% of Entergy Gulf States' operating revenue was derived from the electric utility business and 2% from the natural gas business.

Financial Information Relating to Products and Services

Financial information relating to Entergy New Orleans' and Entergy Gulf States' products and services is presented in their respective financial statements.

PROPERTY

Generating Stations

Domestic Utility Companies and System Energy

The total capability of the generating stations owned and leased by the domestic utility companies and System Energy as of December 31, 2000, by company and by fuel type, is indicated below:

	Owned and Leased Capability MW(1)				
Company	**Total**	**Fossil**	**Nuclear**	**Gas Turbine and Internal Combustion**	**Hydro**
Entergy Arkansas	4,576	2,758	1,714	34	70
Entergy Gulf States	6,625	5,685	940	-	-
Entergy Louisiana	5,365	4,260	1,093	12	-
Entergy Mississippi	2,926	2,919	-	7	-
Entergy New Orleans	978	967	-	11	-
System Energy	1,110	-	1,110	-	-
Total	21,580	16,589	4,857	64	70

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

Entergy's domestic utility business is subject to seasonal fluctuations, with the peak period occurring in the summer months. The 2000 peak demand of 22,052 MW occurred on August 30, 2000, which was an all-time high for the Entergy system. Entergy's load and capacity projections are reviewed periodically to assess the need and timing for additional generating capacity and interconnections in light of the availability of power, the location of new loads, and maximum economy to Entergy. Domestically, based on load and capability projections and bulk power availability, Entergy's domestic utility companies expect to meet the need for new generation resources by means other than construction of new base load generating capacity. Entergy's domestic utility companies expect to meet future capacity needs by, among other things, purchasing in the wholesale power market, including plans to contract for up to 3,000 MW of purchased power to meet the expected needs of the domestic utility companies in the summer of 2001. Entergy also reactivated several units in 1999 and 2000 that were in extended reserve shutdown to assist in serving customers during periods of peak demand.

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

Global Power Development Business

Entergy Power owns 665 MW of fossil-fueled capacity at the Ritchie 2 and Independence plants. In addition, Entergy's global power development business has completed construction of two combined cycle gas turbine merchant power plants in the UK. Saltend, a 1,200 MW plant located in northeast England, provides up to 120 tons/hr of steam and 100 MW of power to BP Chemical's nearby complex with the remaining electricity sold into the UK national power pool. Commercial operation commenced in November 2000. The second plant, an 800 MW facility known as Damhead Creek, is located in southeast England. Commercial operation commenced in 2001.

Entergy's global power development business has begun construction of the Warren Power Project, a 300 MW combined-cycle gas turbine merchant power plant in Vicksburg, Mississippi. The construction costs are expected to be approximately $150 million. Management expects that commercial operation of the plant will begin in the summer of 2001.

Domestic Non-Utility Nuclear Business

In November 2000, Entergy's domestic non-utility nuclear business purchased 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. Entergy's domestic non-utility nuclear business also owns the 670 MW Pilgrim Nuclear Station in Plymouth, Massachusetts.

Interconnections

The electric generating facilities of Entergy's domestic utility companies consist principally of steam-electric production facilities. These generating units are interconnected by a transmission system operating at various voltages up to 500 KV. With the exception of a small portion of Entergy Mississippi's capacity, operating facilities or interests therein generally are owned or leased by the domestic utility company serving the area in which the generating facilities are located. All of these generating facilities are centrally dispatched and operated.

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

The electric generating facilities of Entergy's domestic non-utility nuclear business consist of the Pilgrim nuclear production facility, the James A. FitzPatrick nuclear production facility, and the Indian Point 3 nuclear production facility. The Pilgrim nuclear production facility has firm total output power purchase agreements with Boston Edison and other utilities that expire at the end of 2004. The James A. FitzPatrick nuclear production facility has two long-term power purchase agreements with NYPA, one expiring at the end of 2003 and the other expiring at the end of 2004. The Indian Point 3 nuclear production facility has a long-term power purchase agreement with NYPA that expires at the end of 2004.

The Pilgrim plant is dispatched as a part of the New England Power Pool (NEPOOL). The primary purpose of NEPOOL is to direct the operations of the major generation and transmission facilities in the New England region. The James A. FitzPatrick and Indian Point 3 plants are dispatched by the New York Independent System Operator (NYISO). The primary purpose of NYISO is to direct the operations of the major generation and transmission facilities in New York State.

Gas Property

As of December 31, 2000, Entergy New Orleans distributed and transported natural gas for distribution solely within the limits of the City of New Orleans through a total of 1,459 miles of gas distribution mains and 41 miles of gas transmission pipelines.

As of December 31, 2000, the gas properties of Entergy Gulf States, which are located in and around Baton Rouge, Louisiana, were not material to Entergy Gulf States' financial position.

Titles

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

Substantially all of the physical properties and assets owned by Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy are subject to the liens of mortgages securing the first mortgage bonds of such company. The Lewis Creek generating station is owned by GSG&T, Inc., a subsidiary of Entergy Gulf States, and is not subject to the lien of the Entergy Gulf States mortgage securing the first mortgage bonds of Entergy Gulf States, but is leased to and operated by Entergy Gulf States. All of the debt outstanding under the original first mortgages of Entergy Mississippi and Entergy New Orleans has been retired and the original first mortgages were cancelled in 1999 and 1997, respectively. As a result, the general and refunding mortgages of Entergy Mississippi and Entergy New Orleans now each constitute a first mortgage lien on substantially all of the respective physical properties and assets of these two companies.

FUEL SUPPLY

The sources of generation and average fuel cost per KWH for the domestic utility companies and System Energy for the years 1998-2000 were:

	Natural Gas		Fuel Oil		Nuclear Fuel		Coal	
Year	% of Gen	Cents Per KWH	% of Gen	Cents Per KWH	% of Gen	Cents Per KWH	% of Gen	Cents Per KWH
2000	42	4.90	4	3.90	39	.56	15	1.51
1999	45	2.75	4	2.06	35	.54	16	1.59
1998	40	2.50	6	2.37	40	.53	14	1.67

Actual 2000 and projected 2001 sources of generation for the domestic utility companies and System Energy are:

	Natural Gas		Fuel Oil		Nuclear		Coal	
	2000	2001	2000	2001	2000	2001	2000	2001
Entergy Arkansas (a)	11%	5%	-	-	53%	43%	35%	51%
Entergy Gulf States	61%	62%	-	-	24%	21%	15%	17%
Entergy Louisiana	56%	55%	2%	-	42%	45%	-	-
Entergy Mississippi	42%	57%	31%	14%	-	-	27%	28%
Entergy New Orleans	94%	96%	6%	4%	-	-	-	-
System Energy	-	-	-	-	100%(b)	100%(b)	-	-
Total (a)	42%	37%	4%	1%	39%	37%	15%	24%

(a) Hydroelectric power provided an immaterial amount of generation at Entergy Arkansas in 2000 and is expected to provide an immaterial amount of generation in 2001.

(b) In addition to the nuclear capacity given above for the following companies, the Unit Power Sales Agreement allocates capacity and energy from System Energy's interest in Grand Gulf 1 as follows: Entergy Arkansas - 36%; Entergy Louisiana - 14%; Entergy Mississippi - 33%; and Entergy New Orleans - 17%.

Natural Gas

The domestic utility companies have long-term firm and short-term interruptible gas contracts. Long-term firm contracts comprise less than 26% of the domestic utility companies' total requirements but can be called upon, if necessary, to satisfy a significant percentage of the domestic utility companies' needs. Short-term contracts and spot-market purchases satisfy additional gas requirements. Entergy Gulf States has a transportation service agreement with a gas supplier that provides flexible natural gas service to certain generating stations by using such supplier's pipeline and gas storage facility. Entergy's global power development business has entered into 15-year 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.

Many factors, including wellhead deliverability, storage and pipeline capacity, and demand requirements of end users, influence the availability and price of natural gas supplies for power plants. Demand is tied to weather conditions as well as to the prices of other energy sources. Increased demand combined with decreased supply of natural gas caused a significant increase in the price of natural gas throughout 2000. Entergy's supplies of natural gas are expected to be adequate in 2001. However, pursuant to federal and state regulations, gas supplies to power plants may be interrupted during periods of shortage. To the extent natural gas supplies are disrupted or natural gas prices significantly increase, the domestic utility companies will use alternate fuels, such as oil, or rely to a larger extent on coal and nuclear generation.

Coal

Entergy Arkansas has long-term contracts for low-sulfur Wyoming coal for White Bluff and Independence. These contracts, which expire in 2002 and 2011, respectively, 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 the supply of low-sulfur Wyoming coal for Nelson Unit 6, which should be sufficient to satisfy its fuel requirements for that unit through 2010 if all price re-openers are accepted. If both parties cannot agree upon a price, then the contract terminates. Effective April 1, 2000, Louisiana Generating LLC assumed Cajun's ownership interest in the Big Cajun 2 generating facilities and operates the plant. 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.

Entergy Arkansas has a long-term railroad transportation contract for the delivery of coal to both White Bluff and Independence. This contract will expire in the year 2011. Entergy Arkansas has settled its lawsuit against the railroad that claimed breach of contract by the railroad and requested termination of the contract.

Entergy Gulf States has transportation requirements contracts with railroads to deliver coal to Nelson Unit 6 through December 31, 2004. Each of the two contracts governs the movement of approximately one-half of the plant's requirements and the base contract provides flexibility for shipping up to all of the plant's requirements.

Nuclear Fuel

The nuclear fuel cycle involves the following:

- mining and milling of uranium ore to produce a concentrate;
- conversion of the concentrate to uranium hexafluoride gas;
- enrichment of the hexafluoride gas;
- fabrication of nuclear fuel assemblies for use in fueling nuclear reactors; and
- disposal of spent fuel.

System Fuels is responsible for contracts to acquire nuclear material to be used in fueling Entergy Arkansas', Entergy Louisiana's, and System Energy's nuclear units. System Fuels also maintains inventories of such materials during the various stages of processing. Each of these companies purchases enriched uranium hexafluoride from System Fuels, but contracts separately for the fabrication of its own nuclear fuel. The requirements for River Bend are pursuant to contracts made by Entergy Gulf States. The requirements for Pilgrim, FitzPatrick, and Indian Point 3 are pursuant to contracts made by Entergy's domestic non-utility nuclear business. Entergy Nuclear Fuels Company is responsible for contracts to acquire nuclear materials, except for fuel fabrication, for these non-utility nuclear plants.

Based upon currently planned fuel cycles, Entergy's nuclear units currently have contracts and inventory that provide adequate materials and services. Existing contracts for uranium concentrate, conversion of the concentrate to uranium hexafluoride, and enrichment of the uranium hexafluoride will provide a significant percentage of these materials and services over the next several years. Additional materials and services required beyond the coverage of these contracts are expected to be available at a reasonable cost for the foreseeable future.

Current fabrication contracts will provide a significant percentage of these materials and services over the next several years. The Nuclear Waste Policy Act of 1982 provides for the disposal of spent nuclear fuel or high level waste by the DOE. There is a discussion of spent nuclear fuel disposal in Note 9 to the financial statements.

It will be necessary for Entergy to enter into additional arrangements to acquire nuclear fuel in the future. It is not possible to predict the ultimate cost of such arrangements.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each have made arrangements to lease nuclear fuel and related equipment and services. The lessors finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These arrangements are subject to periodic renewal. There is a discussion of nuclear fuel leases in Note 10 to the financial statements.

Natural Gas Purchased for Resale

Entergy New Orleans has several suppliers of natural gas. Its system is interconnected with three interstate and three intrastate pipelines. Entergy New Orleans' primary suppliers currently are Enron North America, Inc., an interstate gas marketer, Bridgeline Gas Distributors, and Pontchartrain Natural Gas via Louisiana Gas Services. Entergy New Orleans has a "no-notice" service gas purchase contract with Enron North America, Inc. which guarantees Entergy New Orleans gas delivery at any point after the agreed gas volume has been met. The Enron North America, Inc. gas supply is transported to Entergy New Orleans pursuant to a transportation service agreement with Koch Gateway Pipeline Company (now known as Gulf South Pipeline). This service is subject to FERC-approved rates. Entergy New Orleans has firm contracts with its two intrastate suppliers and also makes interruptible spot market purchases. In recent years, natural gas deliveries to Entergy New Orleans have been subject primarily to weather-related curtailments. However, Entergy New Orleans experienced no such curtailments in 2000.

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

Entergy Gulf States purchases natural gas for resale under an agreement with Mid Louisiana Gas Company. Mid Louisiana Gas Company is not allowed to discontinue providing gas to Entergy Gulf States without obtaining FERC approval.

Research

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are members of the Electric Power Research Institute (EPRI). EPRI conducts a broad range of research in major technical fields related to the electric utility industry. Entergy participates in various EPRI projects based on Entergy's needs and available resources. Entergy and its subsidiaries contributed approximately $5 million in 2000, $6 million in 1999, and $8 million in 1998 to EPRI and other research programs.

Item 2. Properties

Information regarding the properties of the registrants is included in Item 1. "**Business** - **PROPERTY**," in this report.

Item 3. Legal Proceedings

Details of the registrants' material rate proceedings, environmental regulation and proceedings, and other regulatory proceedings and litigation that are pending or those terminated in the fourth quarter of 2000 are discussed in Item 1. "**Business** - **RATE MATTERS AND REGULATION**," in this report.

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

A special meeting of stockholders of Entergy Corporation was held on December 15, 2000. The following matter was voted on and received the specified number of votes for, abstentions, votes withheld (against), and broker non-votes:

> Approval and adoption of the Agreement and Plan of Merger dated as of July 30, 2000, among FPL Group, Inc., Entergy, WCB Holding Corporation, Ranger Acquisition Corporation, a wholly owned subsidiary of WCB Holding that will merge into FPL Group, and Ring Acquisition Corporation, a wholly owned subsidiary of WCB Holding that will merge into Entergy: 171,904,096 votes for; 2,024,569 votes against; 910,276 abstentions; and broker non-votes are not applicable.

During the fourth quarter of 2000, no matters were submitted to a vote of the security holders of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, or System Energy.

DIRECTORS AND EXECUTIVE OFFICERS OF ENTERGY CORPORATION

Directors

Information required by this item concerning directors of Entergy Corporation is set forth under the heading "Proposal 1--Election of Directors" contained in the Proxy Statement of Entergy Corporation, (the "Proxy Statement"), to be filed in connection with its Annual Meeting of Stockholders to be held May 11, 2001, ("Annual Meeting"), and is incorporated herein by reference. Information required by this item concerning officers and directors of the remaining registrants is reported in Part III of this document.

Executive Officers

Name	Age	Position	Period
J. Wayne Leonard (a)	50	Chief Executive Officer and Director of Entergy Corporation	1999-Present
		Director of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1998-1999
		President and Chief Operating Officer of Entergy Corporation	1998
		Chief Operating Officer of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1998
		Vice Chairman of Entergy New Orleans	1998
		President of Energy Commodities Strategic Business Unit	1996-1998
		President of Cinergy Capital & Trading	1996-1998
		Group Vice President and Chief Financial Officer of Cinergy Corporation	1994-1996
Donald C. Hintz (a)	58	President of Entergy Corporation	1999-Present
		Executive Vice President and Chief Nuclear Officer of Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana	1998
		Group President and Chief Nuclear Operating Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana	1997-1998
		Executive Vice President and Chief Nuclear Officer of Entergy Corporation	1994-1997
		Executive Vice President - Nuclear of Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana	1994-1997
		Chief Executive Officer and President of System Energy	1992-1998
		Director of Entergy Gulf States	1993-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and System Energy	1992-Present
		Director of Entergy New Orleans	1999-Present
Jerry D. Jackson (a)	56	Executive Vice President of Entergy Corporation	1999-Present
		Group President – Utility Operations of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	2000-Present
		President and Chief Executive Officer - Louisiana of Entergy Gulf States	1999-2000
		President and Chief Executive Officer of Entergy Louisiana	1999-2000
		Chief Administrative Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1997-1998
		Executive Vice President - External Affairs of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1995-1998
		Executive Vice President - External Affairs of Entergy Corporation	1994-1998
		Director of Entergy Gulf States	1994-Present
		Director of Entergy Louisiana	1992-Present
		Director of Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans	2000-Present 1992-1999
C. John Wilder (a)	42	Executive Vice President and Chief Financial Officer of Entergy	1998-Present

Name	Age	Position	Period
		Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	
		Director of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1999-Present
		Chief Executive Officer of Shell Capital Company	1998
		Assistant Treasurer of the Royal Dutch/Shell Group	1996-1998
		Director of Economics and Finance of Shell Exploration and Production	1995-1996
Frank F. Gallaher (a)	55	Senior Vice President, Generation, Transmission and Energy Management of Entergy Corporation	1999-Present
		President, Fossil Operations and Transmission of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	2000-Present
		Senior Vice President, Generation, Transmission and Energy Management of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1999-2000
		Executive Vice President and Chief Utility Operating Officer for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1998-1999
		Group President and Chief Utility Operating Officer of Entergy Corporation	1997-1999
		Group President and Chief Utility Operating Officer of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1997-1998
		Director of Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi	1997-1999
		Executive Vice President of Operations of Entergy Corporation	1996-1997
		President of Entergy Gulf States	1994-1996
		Director of Entergy Gulf States	1993-1999
		Executive Vice President of Operations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1993-1997
Richard J. Smith (a)	49	Senior Vice President, Transition Management of Entergy Corporation	2000-Present
		President of Cinergy Resources, Inc.	1999
		Vice President Energy Services	1999
		Vice President of Finance Services Business Unit	1996-1999
		Executive Director, Budgets and Forecasts of PSI Energy	1989-1996
		General Manager, Budgets and Forecasts of Cinergy	1989-1996
Michael G. Thompson (a)	60	Senior Vice President and General Counsel of Entergy Corporation	1992-Present
		Senior Vice President, General Counsel, and Secretary of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1995-Present
		Secretary of Entergy Corporation	1994-Present
Horace S. Webb (a)	60	Senior Vice President, External Affairs of Entergy Corporation	2000-Present
		Senior Vice President, External Affairs of Entergy Services	1999-Present
		Senior Vice President, Public Affairs of Consolidated Edison Company	1992-1999
Joseph T. Henderson (a)	43	Vice President and General Tax Counsel of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1999-Present
		Associate General Tax Counsel of Shell Oil Company	1998-1999
		Senior Tax Counsel of Shell Oil Company	1995-1998
Nathan E. Langston (a)	52	Vice President and Chief Accounting Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1998-Present
		Director of Tax Services of Entergy Services	1993-1998

Name	Age	Position	Period
Steven C. McNeal (a)	44	Vice President and Treasurer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1998-Present
		Assistant Treasurer of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1994-1998
		Director of Corporate Finance of Entergy Services	1994-1998

(a) In addition, this officer is an executive officer and/or director of various other wholly owned subsidiaries of Entergy Corporation and its operating companies.

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

PART II

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

Entergy Corporation

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

Entergy Corporation's stock price as of February 28, 2001 was $38.83. The high and low prices of Entergy Corporation's common stock for each quarterly period in 2000 and 1999 were as follows:

	2000		1999	
	High	Low	High	Low
	(In Dollars)			
First	26.75	15.94	31.13	27.50
Second	31.25	19.94	33.13	27.75
Third	38.13	26.94	31.56	28.19
Fourth	43.88	33.50	30.00	23.88

Consecutive quarterly cash dividends on common stock were paid to stockholders of Entergy Corporation in 2000 and 1999. In 2000, dividends of $0.30 per share were paid in the first three quarters, and dividends of $0.315 per share were paid in the fourth quarter. Quarterly dividends of $0.30 per share were paid in 1999.

As of February 28, 2001, there were 67,226 stockholders of record of Entergy Corporation.

Entergy Corporation's future ability to pay dividends is discussed in Note 8 to the financial statements. In addition to the restrictions described in Note 8, PUHCA provides that, without approval of the SEC, the unrestricted, undistributed retained earnings of any Entergy Corporation subsidiary are not available for distribution to Entergy Corporation's common stockholders until such earnings are made available to Entergy Corporation through the declaration of dividends by such subsidiaries.

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

There is no market for the common stock of Entergy Corporation's wholly owned subsidiaries. Cash dividends on common stock paid by the domestic utility companies and System Energy to Entergy Corporation during 2000 and 1999, were as follows:

	2000	1999
	(In Millions)	
Entergy Arkansas	$ 44.6	$ 82.7
Entergy Gulf States	$ 88.0	$ 107.0
Entergy Louisiana	$ 62.4	$ 197.0
Entergy Mississippi	$ 18.0	$ 34.1
Entergy New Orleans	$ 9.5	$ 26.5
System Energy	$ 91.8	$ 75.0

Information with respect to restrictions that limit the ability of System Energy and the domestic utility companies to pay dividends is presented in Note 8 to the financial statements.

Item 6. Selected Financial Data

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

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

Refer to **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES," " - SIGNIFICANT FACTORS AND KNOWN TRENDS,"** and **"- RESULTS OF OPERATIONS OF ENTERGY CORPORATION AND SUBSIDIARIES, ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, and SYSTEM ENERGY."**

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS

ENTERGY CORPORATION AND SUBSIDIARIES

REPORT OF MANAGEMENT

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 their 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. Upon recommendation from the Audit Committee, the Board of Directors appoints the independent accountants. 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 of Entergy Corporation

C. JOHN WILDER
Executive Vice President and Chief
Financial Officer

HUGH T. MCDONALD
Chairman, President, and Chief Executive Officer
of Entergy Arkansas, Inc.

JOSEPH F. DOMINO
Chairman of Entergy Gulf States, Inc.,
President and Chief Executive Officer – Texas
of Entergy Gulf States, Inc.

E. RENAE CONLEY
Chairman of Entergy Louisiana, Inc.,
President and Chief Executive Officer– Louisiana
of Entergy Gulf States, Inc. and
Entergy Louisiana, Inc.

CAROLYN C. SHANKS
Chairman, President, and Chief Executive Officer
of Entergy Mississippi, Inc.

DANIEL F. PACKER
Chairman, President, and Chief Executive Officer
of Entergy New Orleans, Inc.

JERRY W. YELVERTON
Chairman, President, and Chief Executive Officer
of System Energy Resources, Inc.

SIGNIFICANT FACTORS AND KNOWN TRENDS

Business Combination with FPL Group

On July 30, 2000, Entergy Corporation and FPL Group entered into a Merger Agreement providing for a business combination that will result in the creation of a new company. Each outstanding share of FPL Group common stock will be converted into one share of the new company's common stock, and each outstanding share of Entergy Corporation common stock will be converted into 0.585 of a share of the new company's common stock. It is expected that FPL Group's shareholders will own approximately 57% of the common equity of the new company and Entergy's shareholders will own approximately 43%. The initial board of directors of the new company will consist of eight directors designated by FPL Group and seven directors designated by Entergy. The new company will be given a new name that will be agreed upon between the Boards of Directors of FPL Group and Entergy prior to the consummation of the Merger. The new company will maintain its principal corporate offices and headquarters in Juno Beach, Florida, and will maintain its utility headquarters in New Orleans, Louisiana. The Merger Agreement generally allows Entergy to continue business in the ordinary course consistent with past practice and contains certain restrictions on Entergy's capital activities, including restrictions on the issuance of securities, capital expenditures, dispositions, incurrence or guarantee of indebtedness, and trading or marketing of energy. Entergy generally will be permitted to take actions pursuant to restructuring legislation in the domestic utility companies' jurisdictions of operation and to reorganize its transmission business. Under certain circumstances, if the Merger Agreement is terminated, a termination fee of $215 million may be payable by one of the parties. The Merger Agreement may be terminated if the Merger is not consummated by April 30, 2002, unless automatically extended until October 30, 2002 under certain circumstances. Both the FPL Group and Entergy Boards of Directors unanimously approved the Merger, and the shareholders of Entergy Corporation and FPL Group have approved the Merger. The Merger is conditioned upon, among other things, the receipt of required regulatory approvals of various local, state, and federal regulatory agencies and commissions, including the SEC and FERC. Entergy has filed for approval of the Merger in all of its state and local regulatory jurisdictions (Arkansas, Louisiana, Mississippi, Texas, and New Orleans), and at FERC, the SEC, and the NRC. In their filing with the SEC, Entergy and FPL Group requested to remain in existence as intermediate holding companies after the Merger is consummated. The objective of Entergy and FPL Group is to consummate the Merger by late 2001.

Domestic Transition to Competition

The electric utility industry for years has been preparing for the advent of competition in its business. 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 risks along with opportunities to enter into new businesses and to restructure existing businesses.

For Entergy, the domestic transition to competition 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. In some cases, however, actions by one jurisdiction may conflict with actions by another. The Arkansas and Texas legislatures have enacted laws to bring about electric utility competition. Entergy is continuing to work with regulatory and legislative officials in all jurisdictions in designing the rules surrounding a competitive electricity industry. There can be no assurance given as to the timing or results of the transition to competition in Entergy's service territories. Following is a summary of the status of the transition to competition in the five retail jurisdictions:

Jurisdiction	Status of Retail Open Access	% of Entergy's 2000 Revenues Derived from Retail Electric Utility Operations in the Jurisdiction
Arkansas	Commencement delayed by amended law until at least October 2003.	12.3%
Texas	Scheduled to commence January 1, 2002.	9.4%
Louisiana	LPSC Staff report due in April 2001. The LPSC deferred pursuing open access in 1999.	31.4%
Mississippi	MPSC has recommended not pursuing open access at this time.	8.0%
New Orleans	City Council has taken no action on Entergy's proposal filed in 1997.	4.6%

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. With retail open access, generation operations would become a competitive business, but transmission and distribution operations will continue to be regulated either by federal or state regulatory commissions. In compliance with the provisions of the deregulation law, Entergy Arkansas has:

- filed separate generation, transmission, distribution, and customer service rates with the APSC and also filed notice of its intent to recover stranded costs. In December 2000, the APSC approved the unbundled rates as filed. These rates will become effective six months prior to retail open access; and
- filed a functional, but not corporate, unbundling plan with the APSC. The functional unbundling plan initially established separate business units for distribution, generation, and a new retail energy service provider. The plan contemplates the transfer of transmission assets to the Transco discussed herein.

See Note 2 to the financial statements for additional details concerning provisions of the retail open access law.

Texas

In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. With retail open access, generation and a new retail electric provider operation will be competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail electric provider will be the primary point of contact with customers. The provisions of the new law, among other things:

- require a rate freeze through December 31, 2001 with rates reduced by 6% beyond that for residential and small commercial customers of most incumbent utilities except Entergy Gulf States, whose rates are exempt from the 6% reduction requirement. These rates to residential and small commercial customers are known as the "Price to Beat", and they may be adjusted periodically after January 1, 2002 for fuel and purchased power costs according to PUCT rules; and
- require utilities to charge the Price to Beat rates through 2004, or until 40% of customers in the jurisdiction have chosen an alternative supplier, whichever comes first. However, the Price to Beat rates must continue to be made available through 2006.

Pursuant to the provisions of the retail open access law, Entergy Gulf States filed a business separation plan with the PUCT in January 2000, and amended that plan in June and December 2000. The plan provides that, by January 2002, Entergy Gulf States will be divided into:

- a Texas distribution company;
- a Texas transmission company;
- a Texas generation company;
- at least two Texas retail electricity providers; and
- a Louisiana company that will encompass distribution, generation, transmission, and retail operations.

The plan also provides that the Louisiana company would retain the liability for all debt obligations of Entergy Gulf States and that the property of the Texas companies would be released from the lien of Entergy Gulf States' mortgage. Except for the Texas retail electric providers, each of the Texas companies would assume a portion of Entergy Gulf States' debt obligations, which assumptions would not act to release the Louisiana company's obligations. Except for the Texas retail electric providers, each of the Texas companies would also grant a lien on its properties in favor of the Louisiana company to secure its obligations to the Louisiana company in respect of the assumed obligations. In addition, under the plan, Entergy Gulf States will refinance or retire the Texas companies' portion of existing debt by the end of 2004. In July 2000, the PUCT issued an interim order to approve the amended business separation plan. Regulatory approvals from FERC, the SEC, and the LPSC, and final approval from the PUCT will be required before the business separation plan can be implemented. Remaining business separation issues in Texas subsequent to the July 2000 interim order will be addressed in the cost unbundling proceeding before the PUCT.

The LPSC has opened a docket to identify the changes in corporate structure of Entergy Gulf States, and their potential impact on Louisiana retail ratepayers, resulting from restructuring in Texas and Arkansas. Entergy Gulf States filed testimony in that proceeding in August 2000. The LPSC staff filed testimony in that proceeding in October 2000 criticizing Entergy Gulf States' proposal, particularly the part related to the Texas portion of generation assets being transferred to an unregulated entity. Entergy Gulf States filed rebuttal testimony in December 2000. A procedural schedule has not been set. Management cannot predict the timing or outcome of this proceeding.

Pursuant to the Texas restructuring legislation, Entergy Gulf States filed its separated business cost data and proposed transmission, distribution, and competition tariffs with the PUCT on March 31, 2000. On March 6, 2001, Entergy Gulf States filed with the PUCT a non-unanimous settlement agreement in that case that establishes the distribution revenue requirement. The settlement agreement is between Entergy Gulf States, the PUCT Staff, and other parties. Pursuant to a generic rule prescribed by the PUCT, Entergy Gulf States' allowed return on equity will be 11.25%. The generic capital structure prescribed by the PUCT is 60% debt and 40% equity. Hearings before the PUCT on approval of the settlement are scheduled to begin in April 2001. Management cannot predict the timing or outcome of this proceeding.

Beginning January 1, 2002, the market power measures in the open access law will prohibit Entergy Gulf States from owning and controlling more than 20% of the installed generation capacity located in, or capable of delivering electricity to, a "power region", which is defined as a distinct region of NERC. In seeking PUCT approval of the Merger, Entergy and FPL Group are required to demonstrate that the merged company will not exceed this threshold. However, all the implications of this limit are uncertain for Entergy Gulf States and Entergy. It is possible that Entergy Gulf States could decide to divest some of its generation assets or seek to reduce transmission constraints if Entergy Gulf States is found to have generation market power in excess of this limit. The legislation also requires affected utilities to sell at auction entitlements to at least 15% of their installed generation capacity in Texas at least 60 days before January 1, 2002. The obligation to auction capacity entitlements continues for up to 60 months after January 1, 2002, or until 40% of current customers 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. The Provider of Last Resort (POLR) rule was approved by the PUCT in October 2000, requiring that such a provider exist in every area of the state and setting up the process by which such a provider will be selected and its services priced. The PUCT received bids from retail electric providers seeking to become the POLR in each area in January 2001. The PUCT has stated its preference that the POLR not be the retail electric provider that is affiliated with the incumbent utility in the area. However, depending on the outcome of the bidding process, Entergy Gulf States' affiliate retail electric provider may be required to provide POLR service in Entergy Gulf States' service territory. This may have a material financial impact on the Entergy Gulf States retail electric provider depending on the terms and prices eventually approved by the PUCT for POLR service.

See Note 2 to the financial statements for additional details concerning provisions of the Texas retail open access law and the proceedings occurring in Texas pursuant to that law.

Louisiana

In March 1999, the LPSC deferred making a decision on whether competition in the electric industry 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. In January 2001, a draft response was circulated among interested parties. It is expected that, after a comment period, a final staff response will be presented to the LPSC in April 2001.

See above under "Texas" for discussion of the LPSC proceeding considering Entergy Gulf States' business separation plan.

Mississippi

In May 2000, after two years of studies and hearings, the MPSC announced that it was suspending its docket studying the opening of the state's retail electricity markets to competition. The MPSC based its decision on its finding that competition could raise the electric rates paid by residential and small commercial customers. The final decision regarding the introduction of retail competition ultimately lies with the Mississippi Legislature, which is holding its 2001 session from January through March. Management cannot predict when, or if, Mississippi will deregulate its retail electricity market, but does not expect it to occur before 2003.

New Orleans

In 1997, Entergy New Orleans filed an electric business restructuring plan with the Council. The Council has not established a procedural schedule to consider electricity restructuring or Entergy's plan.

After studying retail gas open access, advisors to the Council issued a final report that proposed various pilot programs and found that retail gas open access is not in the public interest at this time. The Council accepted an offer of settlement from Entergy New Orleans in this matter that allows for a voluntary pilot program for a limited number of large industrial non-jurisdictional gas customers.

Federal Regulatory and Legislative Activity

Proposed System Agreement Amendments

In June 2000, Entergy's domestic utility companies filed with FERC proposed amendments to the System Agreement to facilitate the implementation of retail competition in Arkansas and Texas and to provide for continued equalization of costs among the domestic utilities in Louisiana and Mississippi. The amendments provide the following:

- cessation of participation in all aspects of the System Agreement, other than those related to transmission equalization, for any jurisdictional division of a domestic utility operating in a jurisdiction that initiates retail open access;
- certain sections of the System Agreement will no longer apply to the sales of generating capacity, whether through the sale of the asset or the output thereof, by a domestic utility operating in a jurisdiction that has established a date by which it will implement retail open access; and
- modification of the service schedule developed to track changes in energy costs resulting from the Entergy-Gulf States Utilities merger to include one final true-up of fuel costs upon cessation of one company's participation in the System Agreement, after which the service schedule will no longer be applicable for any purpose.

Previously, in April 2000, the LPSC and the Council filed a complaint with FERC seeking revisions to the System Agreement. The LPSC and the Council allege that the revisions are necessary to accommodate the introduction of retail competition in Texas and Arkansas and to protect Entergy's Louisiana customers from any adverse impact that may occur due to the introduction of retail competition in some jurisdictions but not others. The LPSC and the Council requested that FERC cap certain of the System Agreement obligations of Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans and fix these companies' access to pool energy at the average level existing for the three years prior to the date that retail competition is initiated in Texas and Arkansas. Alternatively, the LPSC and the Council requested that FERC require Entergy to provide wholesale power contracts to these companies to satisfy their energy requirements at costs no higher than would have been incurred if retail competition were not implemented. The LPSC and the Council requested that the relief be made available for at least eight years after implementation of retail competition or the withdrawal of Entergy Arkansas and Entergy Gulf States from the System Agreement, or until retail competition is implemented in Louisiana and New Orleans. In addition, among other things, the LPSC and the Council asserted in their complaint that:

- unless the requested relief is granted, the restructuring legislation adopted in Texas and Arkansas, to the extent such legislation requires, or has the effect of, altering the rights of parties under the System Agreement, will violate provisions of the U.S. Constitution; and
- the failure of the domestic utility companies to honor a right of first refusal at cost with respect to any sale of generating capacity and associated energy under the System Agreement, and any attempt to eliminate a right of first refusal from the System Agreement, would violate the Federal Power Act and constitute a breach of the System Agreement.

The proceedings relating to Entergy's proposed amendments have been consolidated with the complaint by the LPSC and the Council. Several other parties have also intervened in the proceedings. If FERC considers Entergy's proposed amendments, the LPSC and the Council have asserted that FERC also needs to reconsider the charges to the domestic utility companies under the Unit Power Sales Agreement. Entergy has requested a final decision from FERC by October 2001. A procedural schedule has been established, with the hearing beginning in March 2001 and an initial ALJ decision scheduled in June 2001. These proceedings have been consolidated with a previous complaint filed with FERC by the LPSC in 1995. In that complaint, the LPSC requests, among other things, modification of the System Agreement to exclude curtailable load from the cost allocation determination. Neither the timing, nor the ultimate outcome of these proceedings at FERC, can be predicted at this time.

Open Access Transmission and Entergy's Transco Proposal

FERC issued Order 2000 in December 1999, which 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 that RTOs commence independent operations no later than December 15, 2001.

It appears that FERC will be flexible regarding 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 other 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.

In October 2000, in compliance with Order 2000, Entergy made a filing with FERC that requested:

- authorization to establish an RTO referred to as Transco;
- authorization to transfer the domestic utility companies' transmission assets to the Transco; and
- a determination that the partnership arrangement with the Southwest Power Pool (SPP) that the Transco proposes to operate in would qualify as an independent RTO. The partnership arrangement provides for operations under the oversight of, and within, the SPP RTO.

The amounts of the domestic utility companies' net transmission utility plant assets recorded in their financial statements are provided in Note 1 to the financial statements under the heading "**Utility Plant**."

The proposed Transco will be a limited liability company. The managing member of the Transco will be a separate corporation with a board of directors independent of Entergy. The Transco will be:

- regulated by FERC;
- composed of the transmission system transferred to it by the domestic utility companies and other transmission owners in Entergy's current service territory region;
- 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 by the domestic utility companies and other member companies who will transfer assets but not control or otherwise direct its operation and management.

Entergy filed in December 2000 for FERC approval of the rates for transmission service across the Transco's facilities. Included in this rate filing is a request to cancel the service schedule in the System Agreement related to equalization of certain transmission costs. In March 2001, Entergy, Entergy Services, and the domestic utility companies requested SEC approval under PUHCA of certain elements of the Transco plan. The domestic utility companies have also made filings with their local regulators seeking authorization to implement the Transco plan. Under its planned timeline, Entergy expects to have the necessary regulatory approvals by the third quarter of 2001, with the transmission asset transfers occurring before Transco commences independent operations in December 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 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 2000 without final action on a deregulation bill by a committee of the House or Senate, and has not taken final action on such a bill in its 2001 session thus far.

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 industrial and commercial 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 an immaterial amount of operating income in recent years from large industrial customers who have completed cogeneration projects. Material losses to cogeneration are not expected in 2001.

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. Entergy Mississippi's 2000 filing indicated that no change in rate levels was warranted. Entergy Louisiana and Entergy Gulf States had the following rate activity in 2000:

Filing	Rate Activity	Implementation Date
Entergy Louisiana 4th annual performance-based rate plan	$6.4 million refund	July 2000
Entergy Louisiana 5th annual performance-based rate plan	$24.8 million base rate reduction*	August 2000
Entergy Gulf States 2nd, 3rd, 4th, and 5th annual earnings reviews	$83 million refund, including interest	July to September 2000

* Entergy Louisiana is proposing to increase prospectively the allowed rate of return on common equity from 10.5% to 11.6%, which, if approved by the LPSC, would reduce the amount of the rate reduction.

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

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 domestic non-utility nuclear 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 1998, California implemented electricity deregulation legislation. The law required the major investor-owned utilities in the state to effectively divest their generation assets by requiring them to sell their output to the Power Exchange. The Power Exchange is an independent spot market power pool in which electricity is bought and sold at wholesale prices. The deregulation law requires the investor-owned utilities to buy power from the Power Exchange at market set rates, but freezes the amount that those utilities can recover from their customers. Therefore, the investor-owned utilities' short positions were not covered by generation assets and were exposed to increases in the Power Exchange prices. The jurisdictions in which Entergy's domestic utility companies operate currently allow recovery of all prudently incurred fuel and purchased power costs through various recovery mechanisms. In addition, the deregulation legislation enacted in Arkansas and Texas allows for adjustments to the prices that the distribution businesses will be allowed to recover based on changes in fuel and purchased power costs.

In 2000, the California Power Exchange prices that the California investor-owned utilities have to pay for their electricity supplies soared above the amounts that they are allowed to recover from their customers. The California utilities therefore have accumulated billions of dollars of under-recovered purchased power expenses. These under-recovered costs have caused the California utilities to default on certain of their credit obligations and have spawned several lawsuits and legislative and regulatory activity. The ultimate effect of these events on the investor-owned utilities in California and the electric energy industry nationwide is uncertain.

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 must 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.

SIGNIFICANT FACTORS AND KNOWN TRENDS

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. This result is because some of the costs or commitments incurred under a regulated pricing system might be impaired or not recovered in a competitive market. These costs are referred to as stranded costs.

Nearly all of Entergy's exposure to potential 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, 2000, the amount of these potentially strandable costs for Entergy reflected in the financial statements is approximately $1.8 billion at Entergy Arkansas, $3.2 billion at Entergy Gulf States, $2.4 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 financial statements for Entergy is approximately $1.0 billion at Entergy Arkansas, $0.3 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. These amounts can increase due to increased capital spending; however, in the normal course of business, depreciation, amortization, and payments under the contractual obligations should reduce these amounts. The actual amount of these costs and obligations that will be identified as stranded will be determined in regulatory proceedings. 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.

In June 2000, Entergy Arkansas filed an application to continue the stranded cost mitigation efforts agreed upon in the 1997 settlement agreement approved by the APSC. The filing included a stranded cost estimate intended to support Entergy Arkansas' recommendation that the mitigation efforts continue. The filing presents an estimated range of stranded costs based upon the comparison of possible generation asset market values to the generation assets' book values and contractual obligations. The range of possible generation asset market values used in the estimate was determined using generation asset sales from other jurisdictions. Rebuttal testimony filed by Entergy Arkansas in November 2000 estimates that stranded costs in Arkansas could be from $227.8 million to $1.58 billion. The wide range in the estimate is because of the wide range in the comparable asset sales used in the estimate.

In the non-unanimous settlement agreement filed with the PUCT by Entergy Gulf States in March 2001, the parties agree that Entergy Gulf States will not implement a charge to recover stranded costs in Texas. A rider to recover nuclear decommissioning costs will be implemented. Hearings before the PUCT for approval of the settlement are scheduled to begin in April 2001.

Management believes that definitive outcomes have not yet been determined regarding the transition to competition in each of Entergy's jurisdictions. 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. Until the regulatory proceedings in Arkansas and Texas provide a greater level of certainty, both Entergy Arkansas and Entergy Gulf States will continue to apply SFAS 71 to their regulated operations. Final approval of the settlement agreement in Texas will likely result in Entergy Gulf States discontinuing application of SFAS 71 to its Texas generation 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. The impact of approval of the Texas settlement agreement will depend upon a final determination of the market value of generation assets in Texas. 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 strandable cost amounts given above. The specifics of the accounting application of SFAS 71 are discussed more thoroughly in Note 1 to the financial statements.

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;
- the foreign currency exchange rate risk associated with certain of its contractual obligations; 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 the market risk of a loss in fair value 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;
- a cross-product correlation matrix that measures the tendency of different basis products to move together; and
- an 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 $2.9 million as of December 31, 2000 and $3.3 million as of December 31, 1999. During 2000, the average month-end VAR was $4.2 million, with a high month-end VAR of $8.5 million and a low month-end VAR of $2.5 million.

Management's calculation of VAR 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.

In November 2000, System Fuels and Entergy's domestic non-utility nuclear business entered into foreign currency forward contracts to hedge the Euro denominated payments due under certain purchase contracts. The notional amounts of the foreign currency forward contracts were 82.8 million Euro ($73.2 million) and the forward currency rates range from .8690 to .8981. The maturities of these forward contracts depend on the contractual payment dates and range in time from August 2001 to February 2004. The mark-to-market valuation of the forward contracts at December 31, 2000 was a net asset of $5.9 million. The counterparty banks obligated on these agreements are rated by Standard and Poor's Rating Services at A-1 or above on their short-term obligations and AA- on their long-term obligations.

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. The following details information about the interest rate swaps as of December 31, 2000:

	Notional Amount	Average Fixed Pay Rate	Maturity	Fair value
Saltend	$443.3 million	6.44%	2013	($16.6 million)
Damhead Creek	$414.5 million	6.52%	2010	($18.4 million)

Entergy is exposed to fluctuations in equity prices and interest rates through its nuclear decommissioning trust funds. The NRC 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 $314 million of fixed-rate, fixed-income securities as of December 31, 2000. These securities have an average coupon rate of 6.7%, an average duration of 5.8 years, and an average maturity of 8.8 years. The Pilgrim trust fund also holds equity securities worth approximately $116 million as of December 31, 2000. These securities are held in a fund that 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.

New Accounting Pronouncement

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will be implemented by Entergy in 2001. See Note 1 to the financial statements for a discussion of the expected effect of this pronouncement on Entergy.

Cash Flow

Operations

Net cash flow from operations for Entergy, the domestic utility companies, and System Energy for the years ended December 31, 2000, 1999, and 1998 was:

	2000	1999	1998
		(In Millions)	
Entergy	$ 1,967.8	$ 1,389.0	$ 1,835.7
Entergy Arkansas	$ 421.6	$ 352.6	$ 448.7
Entergy Gulf States	$ 403.9	$ 387.6	$ 491.3
Entergy Louisiana	$ 270.4	$ 410.4	$ 342.4
Entergy Mississippi	$ 182.3	$ 142.4	$ 125.0
Entergy New Orleans	$ 30.5	$ 60.2	$ 40.3
System Energy	$ 395.6	$ 102.8	$ 298.8

Entergy's consolidated cash flow from operations increased in 2000 primarily due to the domestic utility companies and System Energy providing an additional $277.5 million and the competitive businesses providing an additional $223.7 million to operating cash flows for the year ended December 31, 2000.

Fuel cost recovery activity in 2000 significantly affected the operating cash flows for the domestic utility companies. Historically high natural gas and purchased power costs in 2000 caused the domestic utility companies' fuel payments to increase significantly during the year. In the case of Entergy Arkansas, the Texas portion of Entergy Gulf States, and Entergy Mississippi, the 2000 under-recoveries have been treated as regulatory investments in the cash flow statements because those companies are allowed by their regulatory jurisdictions to recover the fuel costs accumulated in 2000 over longer than a twelve month period, and the companies will earn a return on the under-recovered balances.

Entergy Arkansas' and Entergy Gulf States' operating cash flows were also affected by increases in their net income for the year ended December 31, 2000. The increase in operating cash flow for Entergy Gulf States was partially offset by the increased use of cash for fuel costs related to the Louisiana jurisdiction and refunds of $83 million paid to Louisiana customers during the third quarter of 2000 as a result of earnings reviews settled with the LPSC, as discussed further in Note 2 to the financial statements. The decrease in operating cash flow for Entergy Louisiana and Entergy New Orleans was partially caused by the increased use of cash related to fuel costs in 2000.

The operating cash flows of the domestic utility companies and System Energy were affected by money pool activity for 2000 as a result of the use of a portion of the proceeds from debt issuances in 2000 to pay down payables to the money pool in the following amounts:

Entergy Arkansas	$ 9.9 million
Entergy Gulf States	$36.1 million
Entergy Louisiana	$91.5 million
Entergy Mississippi	$16.7 million
Entergy New Orleans	$ 3.9 million

System Energy's operating cash flow increased in part due to payments of $78.9 million received on its money pool receivables from affiliated companies.

The money pool is an inter-company funding arrangement designed to reduce the domestic utility companies' and System Energy's dependence on external short-term borrowings. The money pool provides a means by which, on a daily basis, the excess funds of Entergy Corporation, the domestic utility companies, and System Energy may be used by the domestic utility companies or System Energy to fulfill short-term cash requirements. See "**Capital Resources** – **Sources of Capital**" below for a discussion of the limitations on these borrowings.

The increase in operating cash flow for the competitive businesses is attributable to the following:

- the operations of Pilgrim, Indian Point 3, and FitzPatrick that primarily caused an increase of $73.9 million in operating cash flow from the domestic non-utility nuclear business; and
- net income generated by and improved operations in the power marketing and trading and global power development businesses in 2000, which resulted in an additional $40.2 million and $91.0 million of operating cash flow, respectively, compared with net losses from their operations in 1999.

Pilgrim was purchased in July 1999 and provided operating cash flow for all of 2000 compared with only six months in 1999. Indian Point 3 and FitzPatrick were purchased in November 2000 and provided operating cash flow for two months in 2000.

Entergy's consolidated cash flow from operations for 1999 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. 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 or 2000. Entergy New Orleans' phase-in plan for Grand Gulf 1 will be completed in 2001. System Energy's operating cash flow decreased in 1999 primarily due to an increase in its money pool receivables from affiliated companies.

In 1999, competitive businesses used $9.3 million of operating cash flow from operations compared with providing $151.7 million of operating cash flow for 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 were 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.

Investing Activities

Net cash used in investing activities increased for 2000 due to increased construction expenditures, decreased proceeds from sales of businesses, decreased net proceeds from maturities of notes receivable, and higher fuel costs.

The increased construction expenditures were primarily due to:

- spending on customer service and reliability improvements by the domestic utility companies;
- costs incurred related to the December 2000 ice storms, primarily at Entergy Arkansas; and
- costs incurred for replacement of the steam generators at ANO 2.

The following items also contributed to the overall increase in cash used in 2000:

- the maturity of notes receivable in August 1999 when only a portion of the proceeds were reinvested in other temporary investments;
- payments made by Entergy's global power development business in 2000 for turbines; and
- the under-recovery of deferred fuel costs incurred in 2000 at certain of the domestic utility companies due to significantly higher market prices of fuel and purchased power expenses. Entergy Arkansas, the Texas portion of Entergy Gulf States, and Entergy Mississippi have treated these costs as regulatory investments because those companies are allowed by their regulatory jurisdictions to recover the fuel cost regulatory asset accumulated in 2000 over longer than a twelve month period, and the companies will earn a return on the under-recovered balances.

Partially offsetting the overall increase in cash used is the maturity of other temporary investments and proceeds from the sale of the Freestone power project in 2000.

Investing activities used cash in 1999 compared to 1998 due to the sales in 1998 of London Electricity and CitiPower, and higher construction expenditures in 1999 compared with 1998. 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 maturity and reinvestment of a portion of the proceeds of notes receivable in August 1999, and the sales in 1999 of Entergy Security, Entergy Power Edesur Holding, LTD and several other telecommunications businesses partially offset the overall decrease in 1999.

Financing Activities

Financing activities provided cash for 2000 primarily due to:

- new long-term debt issuances by Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans; and
- increased borrowings under the Entergy Corporation credit facility.

Partially offsetting the overall cash provided were the following in 2000:

- increased repurchases of Entergy Corporation common stock;
- redemption of Entergy Gulf States' preference stock; and
- decreased borrowings under the credit facilities for the construction of the Saltend and Damhead Creek power projects by Entergy's global power development business.

Net cash used in financing activities decreased in 1999 compared to 1998 primarily due to:

- the retirement in 1998 of debt associated with the acquisition of London Electricity and CitiPower;
- increased borrowings in 1999 under the credit facilities for the construction of the Saltend and Damhead Creek power plants by Entergy's global power development business; and
- a reduction in dividend payments made by Entergy Corporation in 1999 compared to 1998.

Partially offsetting the 1999 overall decrease were the following uses:

- the 1999 repayment of bank borrowings by Entergy Corporation and 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

Entergy's sources to meet its capital requirements include:

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

Entergy requires capital resources for:

- working capital purposes, including the financing of fuel and purchased power costs;
- construction and other capital expenditures;
- debt and preferred stock maturities;
- common stock repurchases;
- capital investments;
- funding of subsidiaries; and
- dividend and interest payments.

Sources of Capital

All of the domestic utility companies issued new debt in 2000. The net proceeds of these issuances have been or will be used for general corporate purposes including capital expenditures, the retirement of short-term indebtedness incurred for working capital or other purposes, and, in the case of Entergy Gulf States, the mandatory redemption of preference stock. The domestic utility companies and System Energy expect to continue refinancing or redeeming higher cost debt and preferred stock prior to maturity, to the extent market conditions and interest and dividend rates are favorable. The domestic utility companies plan to issue debt in 2001 for similar purposes as in 2000. In addition, rising fuel prices in 2000 and the resulting increases in the domestic utility companies' fuel costs have increased these companies' needs for working capital financing in 2001. Entergy Arkansas' liquidity was also affected by incurring approximately $195 million of restoration costs associated with ice storms in December 2000. See Note 2 to the financial statements for more information regarding the December 2000 ice storms.

All debt and common and preferred stock issuances by the domestic utility companies and System Energy require prior 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 2001. The domestic utility companies may also establish special purpose trusts or limited partnerships as financing subsidiaries for the purpose of issuing preferred securities.

LIQUIDITY AND CAPITAL RESOURCES

On January 31, 2001, Entergy Mississippi issued $70 million of 6.25% Series First Mortgage Bonds due February 1, 2003. Proceeds of the issuance will be used for general corporate purposes, including the retirement of short-term indebtedness incurred from money pool borrowings for capital expenditures and working capital needs.

On February 23, 2001, Entergy New Orleans issued $30 million of 6.65% Series First Mortgage Bonds due March 1, 2004. Proceeds of the issuance will be used for general corporate purposes, including the retirement of short-term indebtedness incurred from money pool borrowings for capital expenditures and working capital needs.

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi each obtained 364-day credit facilities in 2001, and the lines have been fully drawn. Entergy Arkansas will primarily use the proceeds to pay for costs incurred in the December 2000 ice storms. Entergy Louisiana and Entergy Mississippi will use the proceeds for general corporate purposes and working capital needs. The facilities have variable interest rates and the average commitment fee is 0.13%. The amounts and dates obtained for the facilities follow:

Company	Amount of Facility	Date Obtained
Entergy Arkansas	$ 63 million	January 31, 2001
Entergy Louisiana	$ 30 million	January 31, 2001
Entergy Mississippi	$ 25 million	February 2, 2001

In 2001, Entergy, Entergy Mississippi, and Entergy New Orleans requested an increase from the SEC in their current authorized short-term borrowing limits, which includes borrowings under the money pool. The increases requested are as follows:

Company	Current Limit	Requested Limit
Entergy Mississippi	$ 103 million	$ 160 million
Entergy New Orleans	$ 35 million	$ 100 million
Other Entergy subsidiaries	$ 265 million	$ 420 million

SEC approval of the request will increase the current SEC authorized short-term borrowing limits for the domestic utility companies and System Energy, which are effective through November 30, 2001, from $1.078 billion to $1.2 billion. Note 4 to the financial statements contains details of the amount of short-term indebtedness outstanding for Entergy, the domestic utility companies, and System Energy as of December 31, 2000.

In 2000, long-term debt on Entergy's balance sheet was increased by approximately $750 million by the issuance of notes payable to NYPA in the Indian Point 3 and FitzPatrick acquisition. Also in 2000, the global power development business increased its borrowings under the Damhead Creek credit facility by approximately $164 million to finance construction of the plant. Damhead Creek commenced commercial operation in 2001. Note 7 to the financial statements more thoroughly discusses these long-term debts.

Uses of Capital

For the years 2001 through 2003, Entergy plans to spend $8.2 billion in a capital investment plan focused on improving service at the domestic utility companies and growing its global power development and domestic non-utility nuclear businesses. The estimated allocation in the plan is $2.6 billion to the domestic utility companies, $3.6 billion to the global power development business, and $2.0 billion to the domestic non-utility nuclear 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.

The capital investment plan discussed above is subject to modification based on the ongoing effects of transition to competition planning, the ability to recover the regulated utility costs in rates, and the proposed business combination with FPL Group. The Merger Agreement generally allows Entergy to continue business in the ordinary course consistent with past practice and contains certain restrictions on Entergy's activities, including restrictions on the issuance of securities, capital expenditures, dispositions, incurrence or guarantee of indebtedness, and trading or marketing of energy. Entergy does not believe that these covenants will constrain its capital investment plan. Under certain circumstances, if the Merger Agreement is terminated, a termination fee of $215 million may be payable by one of the parties. Additionally, the plan is contingent upon the ability to access the capital necessary to finance the planned expenditures, and significant borrowings may be necessary to implement these capital spending plans.

PUHCA Restrictions on Uses of Capital

Entergy's ability to invest in domestic and foreign generation businesses is subject to the SEC's regulations under PUHCA. Absent SEC approval, these regulations limit Entergy Corporation's aggregate investment in domestic and foreign generation businesses at the time an investment is made to an amount equal to 50% of average consolidated retained earnings for the previous four quarters. In June 2000, the SEC issued an order that allows Entergy's EWG and FUCO investments to increase from 50% to 100% of Entergy's average consolidated retained earnings. As of December 31, 2000 Entergy's investments subject to this rule totaled $770 million constituting 25% of its average consolidated retained earnings.

Entergy's ability to guarantee obligations of its non-utility subsidiaries is also limited by SEC regulations under PUHCA. In August 2000, the SEC issued an order, effective through December 31, 2005, that allows Entergy to issue up to $2 billion of guarantees to its non-utility companies, excluding guarantees outstanding as of that date that were issued under a previous order.

Under PUHCA, the SEC imposes a limit equal to 15% of consolidated capitalization on the amount that may be invested in "energy-related" businesses without specific SEC approval. Entergy has made investments in energy-related businesses, including power marketing and trading. Entergy's available capacity to make additional investments at December 31, 2000 was approximately $1.8 billion.

Other Uses of Capital by Entergy Corporation

Under the terms of the Merger Agreement, Entergy will use its commercially reasonable efforts to purchase in open market transactions $430 million of its common stock prior to the close of the Merger. As of December 31, 2000, Entergy has repurchased 4.2 million shares for an aggregate amount of $145.6 million after the signing of the Merger Agreement. Prior to the date of the Merger Agreement, Entergy had been repurchasing shares under two Board authorizations. 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. This stock repurchase plan provided for open market purchases 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 for the repurchase of Entergy common stock through December 31, 2001. Shares were repurchased on a discretionary basis. Prior to the date of the Merger Agreement, Entergy had repurchased 25.3 million shares for an aggregate amount of $652.5 million under these two Board authorizations.

LIQUIDITY AND CAPITAL RESOURCES

In 2000, Entergy Corporation paid $271.0 million in cash dividends on its common stock and received dividend payments and returns of capital totaling $918.3 million from subsidiaries. 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. Under the Merger Agreement, Entergy can continue to pay dividends at existing levels with increases permitted up to 5% over the amount of the previous twelve-month period. In October 2000 and January 2001, the Board declared quarterly dividends of $0.315 per share on Entergy's common stock. This dividend level is an increase of 5% over the dividend level for the twelve-month period prior to the Merger Agreement.

Global Power Development Business

Included in the capital investment plan for Entergy's global power development business are payments under an option it obtained in October 1999 to acquire twenty-four GE7FA advanced technology gas turbines, four steam turbines, and eight GE7EA advanced technology gas turbines. In the sale of the Freestone power project in June 2000, Entergy sold the rights to acquire four of the GE7EA turbines and two of the steam turbines. Deliveries of the remaining turbines are scheduled for 2001 through 2004. 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. In addition, management expects that up to $225 million of the turbine acquisitions will be supported by Entergy Corporation guarantees.

In 2000, Entergy's global power development business began construction of the Warren Power Project, a 300 MW combined-cycle gas turbine merchant power plant in Vicksburg, Mississippi. The construction costs are expected to be approximately $150 million. Management expects that commercial operation of the plant will begin in the summer of 2001.

Domestic Non-Utility Nuclear Business

In November 2000, Entergy's domestic non-utility nuclear business purchased 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. Entergy paid NYPA $50 million in cash at the closing of the purchase, and will pay seven annual installments of approximately $108 million commencing one year from the date of the closing, and eight annual installments of $20 million commencing eight years from the date of the closing. Entergy currently projects that these installments will be paid primarily from the proceeds of the sale of power from the plants and that Entergy will provide an additional $100 million of funding.

Pursuant to the terms of the agreement with NYPA, the installment payments due by Entergy to NYPA must be secured by a letter of credit from an eligible financial institution. On November 21, 2000, upon closing of the acquisition of the NYPA plants, Entergy delivered a $577 million letter of credit, with NYPA as beneficiary, in accordance with the terms of such agreement. The letter of credit was backed by cash collateral, and this cash is reflected in the balance sheet as "Special deposits." In February 2001, Entergy replaced $440 million of the cash collateral with an Entergy Corporation guarantee. Most of the cash released by this guarantee was used to fund Entergy's cash contribution made for its interest in the Entergy/Koch Industries joint venture discussed below under "Joint Ventures."

Included in the domestic non-utility nuclear business' capital investment plan is the acquisition of Consolidated Edison's (Con Edison) 957 MW Indian Point 2 nuclear power plant (IP2) located in Westchester County, New York. In November 2000, Entergy's domestic non-utility nuclear business signed an agreement with Con Edison to purchase the plant. Entergy will pay $600 million in cash at the closing of the purchase and will receive the plant, nuclear fuel, and other assets, including a purchase power agreement (PPA). The financing of the purchase may require the support of an Entergy Corporation guarantee. On the second anniversary of the IP2 acquisition, Entergy's domestic non-utility nuclear business will also begin to pay NYPA $10 million per year for up to 10 years in accordance with the Indian Point 3 purchase agreement. Under the PPA, Con Edison will purchase 100% of IP2's output through 2004. Con Edison will also transfer a $430 million decommissioning trust fund, along with the liability to decommission IP2 and Indian Point 1, to Entergy's domestic non-utility nuclear business. Management expects to close the acquisition by mid-2001, pending the approvals of the NRC, the New York Public Service Commission, and other regulatory agencies.

Joint Ventures

On January 31, 2001, subsidiaries of Entergy and Koch Industries, Inc. formed a new limited partnership called Entergy-Koch, L.P. Entergy contributed its power marketing and trading business in the United States and the United Kingdom and made other contributions, including equity and loans, totaling $414 million. Koch Energy, Inc. contributed to the venture its 9,000-mile Koch Gateway Pipeline, gas storage facilities including the Bistineau storage facility near Shreveport, Louisiana, and Koch Energy Trading, which markets and trades electricity, gas, weather derivatives and other energy-related commodities and services.

Entergy's global power development business has a 50% interest in RS Cogen LLC, a joint venture with PPG Industries. In August 2000, RS Cogen LLC completed a $242 million non-recourse financing for a 425 MW natural gas-fired, combined-cycle power plant, known as the Riverside project. In September 2000, construction of the plant began at estimated construction costs approximately equal to the amount of the financing arrangement. Management expects that commercial operation of the plant will begin in 2002.

Entergy Corporation and System Energy

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.

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 (pages 74 through 79 and pages 147 through 209) present fairly, in all material respects, the financial position of Entergy Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 1, 2001

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Entergy's consolidated earnings applicable to common stock were $679.3 million for the year ended December 31, 2000 resulting in increases in basic and diluted earnings per share of 33% and 32%, respectively. The increase in earnings per share was also affected by Entergy's share repurchase program. Entergy's consolidated earnings applicable to common stock were $552.5 million for the year ended December 31, 1999 resulting in a decrease in basic and diluted earnings per share of 25% compared with 1998.

The changes in earnings applicable to common stock by operating segments for 2000 and 1999 as compared to the prior year are as follows:

Operating Segments	Increase/(Decrease) 2000	1999
	(In Thousands)	
Domestic Utility and System Energy	$ 75,684	$ 29,020
Power Marketing & Trading	20,133	15,049
Domestic Non-Utility Nuclear	33,453	16,768
Global Power Development	46,246	(23,550)
Entergy London and CitiPower	-	(120,852)
Other, including parent company	(48,681)	(103,045)
Total	$126,835	$ (186,610)

Other for 1998 included the results of operations for Efficient Solutions, Inc., Entergy Security, Inc., Entergy Power Edesur Holdings, and several telecommunications businesses that were sold between late 1998 and mid-1999. It also included the gains on the 1998 sales of Entergy London and CitiPower. See Note 14 to the financial statements for additional business segment information.

The increase in 2000 earnings at the domestic utility companies and System Energy was primarily due to:

- an increase in energy usage by customers;
- an increase in revenues as a result of a warmer than normal spring and summer and a colder than normal winter;
- a decrease of $21.4 million in interest and other charges;
- a decrease of $45.5 million in reserves recorded in 2000 for potential rate actions; and
- a $10.9 million decrease in preferred dividend requirements primarily due to the retirement of Entergy Gulf States' preference stock.

The increases were partially offset by:

- an increase of $95.8 million in operation and maintenance expense;
- an increase of $44.5 million in depreciation and amortization expense;
- an increase of $23.5 million in taxes other than income taxes; and
- an increase in the effective income tax rate.

The increase at the power marketing and trading business in 2000 was primarily due to:

- improved trading performance in electricity;
- increased long-term marketing of electricity; and
- trading gains in natural gas in the current year due to natural gas prices reaching record high levels compared to trading losses in the prior year.

The increase at the domestic non-utility nuclear business in 2000 was primarily due to the ownership of Pilgrim for the entire year compared to only six months in 1999, and the increase for 1999 was due to the purchase of Pilgrim in July 1999.

The increase at the global power development business in 2000 was primarily due to $55.1 million of liquidated damages received from the Saltend contractor as compensation for lost operating margin from the plant due to construction delays.

Other decreased in 2000 primarily due to the write-down of Entergy's investments in Latin America to their fair market values. Other decreased in 1999 primarily due to the non-recurring gains recorded on business sales in 1998.

Entergy's income before taxes is discussed in two business categories, "Domestic Utility Companies and System Energy" and "Competitive Businesses". Competitive Businesses primarily includes power marketing and trading, domestic non-utility nuclear, global power development, and several businesses that were sold in 1998 and 1999.

Domestic Utility Companies and System Energy

The changes in electric operating revenues for Entergy's domestic utility companies for 2000 and 1999 are as follows:

Description	Increase/(Decrease) 2000	1999
	(In Millions)	
Base revenues	($94.2)	$81.2
Rate riders	(17.1)	(164.1)
Fuel cost recovery	792.5	188.7
Sales volume/weather	107.1	5.3
Other revenue (including unbilled)	135.8	74.3
Sales for resale	24.2	(50.3)
Total	$948.3	$135.1

Base revenues

Base revenues decreased in 2000 primarily due to the non-recurring effect on 1999 revenues of the reversal of regulatory reserves associated with the accelerated amortization of accounting order deferrals discussed below.

In 1999, base revenues increased 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 settlement agreement in Entergy Gulf States' Texas 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 related to the Louisiana jurisdiction, Entergy Louisiana, and Entergy New Orleans in 1999 for potential rate actions or rate refunds.

Rate riders

Rate rider revenues do not impact earnings since 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, resulting in a corresponding decrease in the amortization of rate deferrals. 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.

Fuel cost recovery

The domestic utility companies are allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and current fuel and purchased power costs is recorded as deferred fuel costs on Entergy's financial statements such that these costs generally have no net effect on earnings.

Fuel cost recovery revenues increased in 2000 primarily due to:

- increased fuel recovery factors at Entergy Arkansas, Entergy Gulf States in the Texas jurisdiction, and Entergy Mississippi; and
- higher fuel and purchased power costs at Entergy Louisiana and Entergy New Orleans due to the increased market price of natural gas.

Along with the increase in fuel cost recovery revenue, fuel and purchased power expenses increased by $794.2 million in 2000 primarily due to:

- an increase in the market prices of purchased power, natural gas, and fuel oil; and
- an increase in volume due to an increase in demand.

The increase in fuel and purchased power expenses was partially offset by a $23.5 million adjustment to the Entergy Arkansas deferred fuel balance to record deferred fuel costs that Entergy Arkansas expects to recover in the future through its fuel adjustment clause.

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

- an increased fuel factor and a new fuel surcharge implemented by Entergy Gulf States in the 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 1999, fuel and purchased power expenses increased due to:

- higher natural 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 effects on revenue

Electric operating revenues also increased in 2000 due to:

- increased sales volume due to increased usage by industrial, commercial, and residential customers;
- increased sales due to weather conditions in 2000;
- increased generation and subsequent sales from River Bend in 2000 as a result of a refueling outage in 1999; and
- higher fuel prices included in unbilled revenues.

Electric sales vary seasonally in response to weather, and usually peak in the summer. The effect of colder than normal winter weather conditions in 2000 contributed to the increase in electric sales. In 2000, electricity sales volume in the domestic utility companies' service territories increased 1,522.7 GWH due to the impact of weather conditions. Electric sales volume also increased 1,173.9 GWH due to higher demand by industrial, commercial, and residential customers. The number of customers in the domestic utility companies' service territories remained constant during these periods.

Electric operating revenues also increased in 1999 primarily due to a change in estimated unbilled revenues, which more closely aligned the fuel component of unbilled revenues with regulatory treatment. This increase was partially offset by a decline in sales for resale due to the loss of certain municipal and co-op customer contracts at Entergy Arkansas.

Other operation and maintenance expenses

Other operation and maintenance expenses increased $95.8 million in 2000 primarily due to:

- increased property insurance expenses of $22.8 million primarily due to storm damage accruals related to the December 2000 ice storms at Entergy Arkansas and due to changes in storm damage reserve amortization at Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi in accordance with regulatory treatment;
- increased customer service expenses of $11.4 million primarily related to spending on vegetation management at Entergy Arkansas;
- increased nuclear expenses of $17.2 million primarily from Entergy Arkansas and Entergy Gulf States;
- an increase of $28.4 million primarily due to an increase in legal and contract expenses for the transition to retail open access at Entergy Arkansas and Entergy Gulf States and for legal services employed for rate-related proceedings at Entergy Louisiana; and
- an increase of $21.9 million in plant maintenance expense primarily at Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy Mississippi.

The increase in other operation and maintenance expenses in 2000 was partially offset by the following:

- a $9.5 million larger nuclear insurance refund in 2000 compared to 1999; and
- a decrease in injury and damages claims of $12.3 million.

In 1999, other operation and maintenance expenses increased $68.3 million primarily due to:

- increased customer service and reliability improvements throughout the system;
- increases in storm damage accruals, employee pension and benefits, and environmental expenses; and
- increases in maintenance work at Entergy Arkansas and Entergy Mississippi.

Depreciation and amortization

Depreciation and amortization expenses increased $44.5 million in 2000 primarily due to:

- the review of plant-in-service dates for consistency with regulatory treatment that reduced depreciation expense by $17.7 million in August 1999;
- increased depreciation of $14.0 million associated with the principal payment on the sale and leaseback of Grand Gulf 1; and
- net capital additions primarily at Entergy Louisiana and Entergy Mississippi.

In 1999, depreciation and amortization expenses decreased $32.8 million 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.

Interest charges

Interest charges decreased $21.4 million in 2000 primarily due to an adjustment in 1999 at System Energy to the interest recorded for the potential refund to customers of its proposed rate increase pending at FERC. System Energy's proposed rate increase is discussed in Note 2 to the financial statements.

In 1999, interest charges decreased due to the retirement and refinancing of long-term debt, partially offset by the interest recorded on the potential refund of System Energy's proposed rate increase.

Competitive Businesses

The changes in operating revenues for the competitive businesses by operating segments in 2000 and 1999 are as follows:

	Increase/(Decrease) 2000	Increase/(Decrease) 1999
	(In Millions)	
Power Marketing & Trading	$ (117.9)	$ (605.7)
Domestic Non-Utility Nuclear	188.4	104.6
Global Power Development	201.4	0.1
Entergy London and CitiPower	-	(2,215.1)
Other	(16.9)	(108.2)
Total	$ 255.0	$ (2,824.3)

The decrease in 2000 for the power marketing and trading business results from decreased electricity and gas trading volumes. Although revenues decreased, the power marketing and trading business had an increase in operating income for the year ended December 31, 2000, primarily due to:

- decreased purchased power expenses as discussed below;
- improved trading performance in electricity;
- increased long-term marketing of electricity; and
- trading gains in natural gas in the current year due to natural gas prices reaching record high levels compared to trading losses in the prior year.

The decrease in 1999 for the power marketing and trading business resulted primarily from decreased electricity trading volume due to significantly warmer weather in 1998 than in 1999. 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 smaller operating loss for this business for the year ended December 31, 1999 as compared to 1998.

The increase in 2000 for the domestic non-utility nuclear business was primarily from the operation of the Pilgrim, Indian Point 3, and FitzPatrick plants. Pilgrim was purchased in July 1999 and Indian Point 3 and FitzPatrick were purchased in November 2000. The increase in 1999 for the domestic non-utility nuclear business was primarily from the operation of Pilgrim.

The increase in 2000 for the global power development business was primarily due to the results from its interest in Highland Energy, which was acquired in June 2000, and the results from the Saltend plant, which began commercial operation in late November 2000. However, the impact on net income from increased revenues from the global power development business is offset by increased fuel and purchased power as discussed below.

The decrease in 1999 for Entergy London and CitiPower was due to the sale of these businesses in 1998.

Fuel and purchased power expenses

Fuel costs constitute the largest expense for the competitive businesses. Fuel and purchased power expenses increased $20.4 million in 2000, primarily due to Highland Energy's operations and increased expenses for the domestic non-utility nuclear business from Pilgrim contributing for all of 2000 compared with only six months in 1999, along with the acquisition of Indian Point 3 and FitzPatrick in November 2000.

Partially offsetting the overall increase in 2000 in fuel and purchased power expenses is the decrease of $206.9 million from the power marketing and trading business attributable to decreased electricity and gas trading volumes.

Fuel and purchased power expenses decreased in 1999 primarily due to:

- the sales of London Electricity and CitiPower;
- 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 were partially offset by increased gas trading volume in the power marketing and trading business.

Other operation and maintenance expenses

Other operation and maintenance expenses increased $98.6 million in 2000 primarily from the operation of Pilgrim for all of 2000 compared with only six months in 1999, partially offset by a decrease in the elimination of mark-to-market profits on intercompany power transactions.

Other operation and maintenance expenses decreased $349.7 million in 1999 primarily due to the sales of London Electricity and CitiPower. 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 domestic non-utility nuclear business resulting primarily from the operation of Pilgrim for six months in 1999.

Other income

Other income decreased $38.5 million for the year ended December 31, 2000 primarily due to a $42.5 million ($27.6 million net of tax) write-down in 2000 to their estimated fair values of investments in Latin American projects. The decrease is also due to the absence of the following items that occurred in 1999:

- 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 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; and
- a more favorable experience on warranty reserves in 1999 for the businesses sold during 1998.

Partially offsetting the overall decrease was the following in 2000:

- liquidated damages of $55.1 million ($38.6 million net of tax) received from the Saltend contractor as compensation for lost operating margin from the Saltend plant due to construction delays;
- an increase of $16.2 million in interest and dividend income; and
- a $20.5 million ($13.3 million net of tax) gain in June 2000 on the sale of the global power development business' investment in the Freestone project located in Fairfield, Texas.

Other income decreased in 1999 primarily due 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 in 1999 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;
- gains on sales of businesses in 1999, as listed above;
- 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.

Interest charges

Other interest charges increased $29.0 million in 2000 primarily due to:

- the accretion of the decommissioning liability associated with Pilgrim; and
- increased interest expense of $16.0 million related to borrowings on Entergy Corporation's short-term credit facility.

Income taxes

The effective income tax rates for 2000, 1999, and 1998 were 40.3%, 37.5%, and 25.3%, respectively. The increase in 2000 was primarily due to the recognition in 1999 of deferred tax benefits related to the expected utilization of foreign tax credits resulting in lower income taxes.

The effective income tax rate increased in 1999, partially offset by the recognition of foreign tax credits discussed above, primarily due to the following in 1998:

- the 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.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2000	1999	1998
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Domestic electric	$7,219,686	$6,271,414	$6,136,322
Natural gas	165,872	110,355	115,355
Steam products	-	15,852	43,167
Competitive businesses	2,630,590	2,375,607	5,199,928
TOTAL	10,016,148	8,773,228	11,494,772
OPERATING EXPENSES			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	2,645,835	2,082,875	1,706,028
Purchased power	2,662,881	2,442,484	4,585,444
Nuclear refueling outage expenses	70,511	76,057	83,885
Other operation and maintenance	1,901,314	1,705,545	1,988,040
Decommissioning	39,484	45,988	46,750
Taxes other than income taxes	370,344	339,284	362,153
Depreciation and amortization	746,125	698,881	938,179
Other regulatory charges - net	3,681	14,833	35,136
Amortization of rate deferrals	30,392	115,627	237,302
TOTAL	8,470,567	7,521,574	9,982,917
OPERATING INCOME	1,545,581	1,251,654	1,511,855
OTHER INCOME			
Allowance for equity funds used during construction	32,022	29,291	12,465
Gain (loss) on sale of assets - net	(20,466)	71,926	274,941
Miscellaneous - net	190,129	154,423	85,618
TOTAL	201,685	255,640	373,024
INTEREST AND OTHER CHARGES			
Interest on long-term debt	477,071	476,877	735,601
Other interest - net	85,635	82,471	65,047
Distributions on preferred securities of subsidiaries	18,838	18,838	42,628
Allowance for borrowed funds used during construction	(24,114)	(22,585)	(10,761)
TOTAL	557,430	555,601	832,515
INCOME BEFORE INCOME TAXES	1,189,836	951,693	1,052,364
Income taxes	478,921	356,667	266,735
CONSOLIDATED NET INCOME	710,915	595,026	785,629
Preferred dividend requirements and other	31,621	42,567	46,560
EARNINGS APPLICABLE TO COMMON STOCK	$679,294	$552,459	$739,069
Earnings per average common share:			
Basic	$3.00	$2.25	$3.00
Diluted	$2.97	$2.25	$3.00
Dividends declared per common share	$1.22	$1.20	$1.50
Average number of common shares outstanding:			
Basic	226,580,449	245,127,460	246,396,469
Diluted	228,541,307	245,326,883	246,572,328

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
OPERATING ACTIVITIES			
Consolidated net income	$710,915	$595,026	$785,629
Noncash items included in net income:			
Amortization of rate deferrals	30,392	115,627	237,302
Reserve for regulatory adjustments	18,482	10,531	130,603
Other regulatory charges - net	3,681	14,833	35,136
Depreciation, amortization, and decommissioning	785,609	744,869	984,929
Deferred income taxes and investment tax credits	124,457	(189,465)	(64,563)
Allowance for equity funds used during construction	(32,022)	(29,291)	(12,465)
(Gain) loss on sale of assets - net	20,466	(71,926)	(274,941)
Changes in working capital (net of effects from acquisitions and dispositions):			
Receivables	(437,146)	9,246	24,176
Fuel inventory	(20,447)	(1,359)	28,439
Accounts payable	543,606	35,233	31,229
Taxes accrued	20,871	158,733	58,505
Interest accrued	45,789	(56,552)	(37,937)
Deferred fuel	(38,001)	10,583	63,991
Other working capital accounts	102,336	45,285	43,209
Provision for estimated losses and reserves	6,019	(59,464)	(133,880)
Changes in other regulatory assets	(66,903)	(36,379)	(13,684)
Other	149,743	93,494	(49,996)
Net cash flow provided by operating activities	1,967,847	1,389,024	1,835,682
INVESTING ACTIVITIES			
Construction/capital expenditures	(1,493,717)	(1,195,750)	(1,143,612)
Allowance for equity funds used during construction	32,022	29,291	12,465
Nuclear fuel purchases	(121,127)	(137,649)	(102,747)
Proceeds from sale/leaseback of nuclear fuel	117,154	137,093	128,210
Proceeds from sale of businesses	61,519	351,082	2,275,014
Investment in other nonregulated/nonutility properties	(238,062)	(81,273)	(85,014)
Proceeds from other temporary investments	321,351	956,356	-
Purchase of other temporary investments	-	(321,351)	(947,444)
Decommissioning trust contributions and realized change in trust assets	(63,805)	(61,766)	(73,641)
Other regulatory investments	(385,331)	(81,655)	(82,984)
Other	(44,016)	(42,258)	-
Net cash flow used in investing activities	(1,814,012)	(447,880)	(19,753)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2000	1999	1998
		(In Thousands)	
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	904,522	1,113,370	1,904,074
Common stock	41,908	15,320	19,341
Retirement of:			
Long-term debt	(181,329)	(1,195,451)	(3,151,680)
Repurchase of common stock	(550,206)	(245,004)	(2,964)
Redemption of preferred stock	(157,658)	(98,597)	(17,481)
Changes in short-term borrowings - net	267,000	(165,506)	205,412
Dividends paid:			
Common stock	(271,019)	(291,483)	(373,441)
Preferred stock	(32,400)	(43,621)	(46,809)
Net cash flow provided by (used in) financing activities	20,818	(910,972)	(1,463,548)
Effect of exchange rates on cash and cash equivalents	(5,948)	(948)	1,567
Net increase in cash and cash equivalents	168,705	29,224	353,948
Cash and cash equivalents at beginning of period	1,213,719	1,184,495	830,547
Cash and cash equivalents at end of period	$1,382,424	$1,213,719	$1,184,495
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$505,414	$601,739	$833,728
Income taxes	$345,361	$373,537	$273,935
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($11,577)	$41,582	$46,325
Decommissioning trust fund acquired in Pilgrim acquisition	-	$428,284	-
Acquisition of Indian Point 3 and FitzPatrick			
Fair value of assets acquired	$917,667	-	-
Initial cash paid at closing	$50,000	-	-
Liabilities assumed and notes issued to seller	$867,667	-	-

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$157,550	$108,198
Temporary cash investments - at cost, which approximates market	640,038	1,105,521
Special deposits	584,836	-
Total cash and cash equivalents	1,382,424	1,213,719
Other temporary investments - at cost, which approximates market	-	321,351
Notes receivable	3,608	2,161
Accounts receivable:		
Customer	497,821	290,331
Allowance for doubtful accounts	(9,947)	(9,507)
Other	395,518	213,939
Accrued unbilled revenues	415,409	298,616
Total receivables	1,298,801	793,379
Deferred fuel costs	568,331	240,661
Fuel inventory - at average cost	93,679	73,231
Materials and supplies - at average cost	425,357	392,403
Rate deferrals	16,581	30,394
Deferred nuclear refueling outage costs	46,544	58,119
Prepayments and other	122,690	78,567
TOTAL	3,958,015	3,203,985
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	214	214
Decommissioning trust funds	1,315,857	1,246,023
Non-utility property - at cost (less accumulated depreciation)	334,270	317,165
Non-regulated investments	331,604	198,003
Other - at cost (less accumulated depreciation)	22,298	16,714
TOTAL	2,004,243	1,778,119
UTILITY PLANT		
Electric	25,137,562	23,163,161
Plant acquisition adjustment	390,664	406,929
Property under capital lease	769,370	768,500
Natural gas	190,989	186,041
Construction work in progress	936,785	1,500,617
Nuclear fuel under capital lease	277,673	286,476
Nuclear fuel	157,603	87,693
TOTAL UTILITY PLANT	27,860,646	26,399,417
Less - accumulated depreciation and amortization	11,364,021	10,898,661
UTILITY PLANT - NET	16,496,625	15,500,756
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Rate deferrals	-	16,581
SFAS 109 regulatory asset - net	980,266	1,068,006
Unamortized loss on reacquired debt	183,627	198,631
Deferred fuel costs	95,661	-
Other regulatory assets	792,515	637,870
Long-term receivables	29,575	32,260
Other	1,024,700	533,732
TOTAL	3,106,344	2,487,080
TOTAL ASSETS	$25,565,227	$22,969,940

See Notes to Financial Statements.

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

	December 31, 2000	December 31, 1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$464,215	$194,555
Notes payable	388,023	120,715
Accounts payable	1,204,227	707,678
Customer deposits	172,169	161,909
Taxes accrued	451,811	445,677
Accumulated deferred income taxes	225,649	72,640
Nuclear refueling outage costs	10,209	11,216
Interest accrued	172,033	129,028
Obligations under capital leases	156,907	178,247
Other	192,908	125,749
TOTAL	3,438,151	2,147,414
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	3,249,083	3,310,340
Accumulated deferred investment tax credits	494,315	519,910
Obligations under capital leases	201,873	205,464
FERC settlement - refund obligation	30,745	37,337
Other regulatory liabilities	218,172	199,139
Decommissioning	749,708	703,453
Transition to competition	191,934	157,034
Regulatory reserves	396,789	378,307
Accumulated provisions	390,116	279,425
Other	853,137	527,027
TOTAL	6,775,872	6,317,436
Long-term debt	7,732,093	6,612,583
Preferred stock with sinking fund	65,758	69,650
Preference stock	-	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	215,000	215,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	334,688	338,455
Common stock, $.01 par value, authorized 500,000,000 shares; issued 248,094,614 shares in 2000 and 247,082,345 shares in 1999	2,481	2,471
Paid-in capital	4,660,483	4,636,163
Retained earnings	3,190,639	2,786,467
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustment	(73,998)	(68,782)
Net unrealized investment losses	(1,035)	(5,023)
Less - treasury stock, at cost (28,490,031 shares in 2000 and 8,045,434 shares in 1999)	774,905	231,894
TOTAL	7,338,353	7,457,857
Commitments and Contingencies (Notes 2, 9, 10, and 11)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$25,565,227	$22,969,940

See Notes to Financial Statements.

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

	2000		1999		1998	
	For the Years Ended December 31, (In Thousands)					
RETAINED EARNINGS						
Retained Earnings - Beginning of period	$2,786,467		$2,526,888		$2,157,912	
Add - Earnings applicable to common stock	679,294	$679,294	552,459	$552,459	739,069	$739,069
Deduct:						
Dividends declared on common stock	275,929		294,352		369,498	
Capital stock and other expenses	(807)		(1,472)		595	
Total	275,122		292,880		370,093	
Retained Earnings - End of period	$3,190,639		$2,786,467		$2,526,888	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):						
Balance at beginning of period	($73,805)		($46,739)		($69,817)	
Foreign currency translation adjustments	(5,216)	(5,216)	(22,043)	(22,043)	23,078	23,078
Net unrealized investment gains (losses)	3,988	3,988	(5,023)	(5,023)	-	-
Balance at end of period	($75,033)		($73,805)		($46,739)	
Comprehensive Income		$678,066		$525,393		$762,147
PAID-IN CAPITAL						
Paid-in Capital - Beginning of period	$4,636,163		$4,630,609		$4,613,572	
Add:						
Common stock issuances related to stock plans	24,320		5,554		17,037	
Paid-in Capital - End of period	$4,660,483		$4,636,163		$4,630,609	

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2000	1999	1998 (1)	1997 (2)	1996 (3)
	(In Thousands, Except Percentages and Per Share Amounts)				
Operating revenues	$ 10,016,148	$ 8,773,228	$ 11,494,772	$ 9,538,926	$ 7,163,526
Consolidated net income	$ 710,915	$ 595,026	$ 785,629	$ 300,899	$ 490,563
Earnings per share					
Basic	$ 3.00	$ 2.25	$ 3.00	$ 1.03	$ 1.83
Diluted	$ 2.97	$ 2.25	$ 3.00	$ 1.03	$ 1.83
Dividends declared per share	$ 1.22	$ 1.20	$ 1.50	$ 1.80	$ 1.80
Return on average common equity	9.62%	7.77%	10.71%	3.71%	6.41%
Book value per share, year-end	$ 31.89	$ 29.78	$ 28.82	$ 27.23	$ 28.51
Total assets	$ 25,565,227	$ 22,969,940	$ 22,836,694	$ 27,000,700	$ 22,956,025
Long-term obligations (4)	$ 8,214,724	$ 7,252,697	$ 7,349,349	$ 10,154,330	$ 8,335,150

(1) Includes the effects of the sales of London Electricity and CitiPower in December 1998.

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

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

(4) 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.

	2000	1999	1998	1997	1996
			(Dollars In Thousands)		
Domestic Electric Operating Revenues:					
Residential	$2,524,529	$2,231,091	$2,299,317	$2,271,363	$2,277,647
Commercial	1,699,699	1,502,267	1,513,050	1,581,878	1,573,251
Industrial	2,177,236	1,878,363	1,829,085	2,018,625	1,987,640
Governmental	185,286	163,403	172,368	171,773	169,287
Total retail	6,586,750	5,775,124	5,813,820	6,043,639	6,007,825
Sales for resale	423,519	397,844	448,842	359,881	376,011
Other (1)	209,417	98,446	(126,340)	135,311	67,104
Total	$7,219,686	$6,271,414	$6,136,322	$6,538,831	$6,450,940
Billed Electric Energy Sales (GWH):					
Residential	31,998	30,631	30,935	28,286	28,303
Commercial	24,657	23,775	23,177	21,671	21,234
Industrial	43,956	43,549	43,453	44,649	44,340
Governmental	2,605	2,564	2,659	2,507	2,449
Total retail	103,216	100,519	100,224	97,113	96,326
Sales for resale	9,794	9,714	11,187	9,707	10,583
Total	113,010	110,233	111,411	106,820	106,909

(1) 1998 includes the effect of a reserve for rate refund at Entergy Gulf States.

Report of Independent Accountants

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

In our opinion, the accompanying balance sheets and the related statements of income, of retained earnings and of cash flows (pages 86 through 91 and pages 147 through 209) present fairly, in all material respects, the financial position of Entergy Arkansas, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 1, 2001

RESULTS OF OPERATIONS

Net Income

Net income increased in 2000 primarily due to increased electric operating revenues and lower regulatory charges, partially offset by increased operation and maintenance expenses.

Net income decreased in 1999 primarily due to decreased electric operating revenues and increased operation and maintenance expenses, partially offset by lower regulatory charges.

Revenues and Sales

The changes in electric operating revenues for the twelve months ended December 31, 2000 and 1999 are as follows:

Description	Increase/(Decrease) 2000	1999
	(In Millions)	
Base revenues	($6.5)	$4.5
Rate riders	(21.8)	(68.2)
Fuel cost recovery	61.8	36.4
Sales volume/weather	30.8	3.8
Other revenue (including unbilled)	47.6	(25.2)
Sales for resale	108.8	(18.1)
Total	$220.7	($66.8)

Rate riders

Rate rider revenues have no material effect on net income because specific incurred expenses offset them.

In 2000, rate rider revenues decreased as a result of the decreased ANO Decommissioning and Grand Gulf rate riders, both of which became effective in January 2000. The ANO Decommissioning rider allows Entergy Arkansas to recover the decommissioning costs associated with ANO 1 and 2. The Grand Gulf rate rider allows Entergy Arkansas to recover its recoverable share of operating costs for Grand Gulf 1.

In 1999, rate rider revenues decreased as a result of a revised Grand Gulf rider, which includes the completion of the Grand Gulf 1 phase-in plan in November 1998, partially offset by the Grand Gulf Accelerated Recovery Tariff (GGART). The GGART is 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 rider and GGART became effective with the first billing cycle in January 1999. The GGART is discussed further in Note 2 to the financial statements.

Fuel cost recovery

Entergy Arkansas is allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and current fuel and purchased power costs is recorded as deferred fuel costs on Entergy Arkansas' financial statements such that these costs generally have no net effect on earnings.

Fuel cost recovery revenues increased in 2000 primarily due to an increase in the energy cost rate in April 2000, which is determined annually by a formula in the energy cost recovery rider (Rider ECR) in April 2000. The increase in the energy cost rate allows Entergy Arkansas to recover previously deferred fuel expenses. Rider ECR is discussed further in Note 2 to the financial statements.

Fuel cost recovery revenues increased in 1999 due to an increase in the energy cost recovery rider, effective in April 1999, and the completion of a customer refund obligation in 1998, which lowered 1998 fuel cost recovery.

Sales volume/weather

Sales volume increased in 2000 primarily due to increased usage by industrial, commercial, and residential customers, as well as the effect of more favorable weather on the residential and commercial sectors.

Other revenue (including unbilled)

In 2000, other revenue increased primarily as a result of a change in estimated unbilled revenues and a $13.4 million adjustment to third quarter 1999 unbilled revenues that excluded fuel recovery and rate rider revenues from the unbilled balance in accordance with regulatory treatment. The change in estimate is discussed below. Unbilled revenues also increased due to greater unbilled volume and the addition of unbilled revenue for wholesale customers to the unbilled balance.

In 1999, other revenue decreased primarily as a result of a change in estimated unbilled revenues in the second quarter and, to a lesser extent, less favorable weather for the unbilled period of 1999. The changed estimate more closely aligns the fuel component of unbilled revenue with its regulatory treatment. Comparative impacts are also affected by seasonal impacts on demand.

Sales for resale

In 2000, sales for resale increased primarily due to an increase in the market price of electricity.

In 1999, sales for resale decreased due to the loss of certain municipal and co-op customer contracts.

Expenses

Fuel and purchased power expenses

In 2000, fuel and purchased power expenses increased primarily due to:

- an increase in the market price of natural gas;
- an increase in the market price of purchased power; and
- increased purchased power volume due to increased demand for electricity and to offset decreased nuclear generation due to maintenance, inspection, and refueling outages during the year.

The increased fuel and purchased power expenses were partially offset by a $23.5 million adjustment to the deferred fuel balance as a result of the 1999 and 2000 ECR filings. This adjustment reflects deferred costs that Entergy Arkansas expects to recover in the future.

In 1999, fuel and purchased power expenses increased primarily due to:

- higher-priced gas generation as a result of refueling outages at ANO 1 and ANO 2, a mid-cycle maintenance outage at ANO 2, limited coal capability at White Bluff during parts of the year, and displacement of higher priced purchased power;
- increased purchased power costs due to higher market prices in July and August 1999; and
- an increase in the energy cost recovery rate in April 1999 and the completion of a customer refund obligation in 1998 which lowered 1998 fuel cost recovery.

The increase in the energy cost recovery rate allows Entergy Arkansas to recover previously under-recovered fuel expenses.

<u>Other operation and maintenance</u>

Other operation and maintenance expenses increased for 2000 primarily due to:

- an increase in property damage expense of $14.5 million due to December 2000 ice storms;
- an increase in nuclear expenses of $7.9 million related to maintenance and inspection outages and the steam generator replacement project at ANO 2;
- an increase in spending of $7.1 million on vegetation management;
- an increase in plant maintenance expense of $5.0 million; and
- an increase in spending of $4.5 million for outside services employed related primarily to legal and contract services for transition work.

Other operation and maintenance expenses increased for 1999 primarily due to:

- an increase in customer service costs of $12.9 million related to tree trimming around power lines;
- an increase in plant maintenance costs of $7.9 million;
- an increase in employee pension and benefits costs of $5.0 million; and
- an increase in administrative and general salaries expense of $4.5 million.

<u>Decommissioning</u>

Decommissioning expense decreased primarily due to a true-up of the decommissioning liability in June 2000 for previous over-accruals.

<u>Other regulatory charges (credits)</u>

In 2000, other regulatory credits increased primarily due to:

- a $16.6 million under-recovery of Grand Gulf 1 costs as a result of a decreased rate rider that became effective in January 2000 as ordered by the APSC;
- the recording of a regulatory asset for certain transition costs expected to be recovered in a customer transition tariff; and
- accruals in 1999 of excess earnings in the transition cost account.

Accruals previously made in 2000 for estimated excess earnings were reversed in order to offset expenses related to the December ice storms.

In 1999, other regulatory charges decreased primarily as a result of lower accruals for transition costs in 1999, partially offset by the 1998 reversal of the 1997 reserve recorded for the low-level radioactive waste facility.

The transition cost account and the December 2000 ice storms are discussed in more detail in Note 2 to the financial statements.

Amortization of rate deferrals

In 1999, amortization of rate deferrals decreased due to the November 1998 completion of the Grand Gulf 1 rate phase-in plan. These phase-ins had no material effect on net income.

Other

Interest charges

Interest charges increased in 2000 due to the issuance of $100 million of long-term debt in March 2000.

Interest charges decreased in 1999 due to the retirement of certain long-term debt and decreased borrowings for funds used during construction. These decreases were partially offset by an adjustment for interest expense on an income tax settlement from prior years.

Income taxes

The effective income tax rates for 2000, 1999, and 1998 were 42.3%, 43.8%, and 39.1%, respectively.

The effective income tax rate increased in 1999 primarily due to accelerated tax depreciation deductions for which deferred taxes have not been previously normalized, reflecting a shorter tax life on certain assets.

ENTERGY ARKANSAS, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$1,762,635	$1,541,894	$1,608,698
OPERATING EXPENSES			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	258,294	257,946	204,318
Purchased power	560,793	455,425	419,947
Nuclear refueling outage expenses	25,884	29,857	32,046
Other operation and maintenance	427,409	389,462	358,006
Decommissioning	3,845	10,670	15,583
Taxes other than income taxes	39,662	36,669	37,223
Depreciation and amortization	169,806	161,234	165,853
Other regulatory charges (credits) - net	(33,078)	5,230	45,658
Amortization of rate deferrals	-	-	75,249
TOTAL	1,452,615	1,346,493	1,353,883
OPERATING INCOME	310,020	195,401	254,815
OTHER INCOME			
Allowance for equity funds used during construction	15,020	12,866	5,921
Gain (loss) on sale of assets	(8)	-	1,777
Miscellaneous - net	4,339	3,622	12,292
TOTAL	19,351	16,488	19,990
INTEREST AND OTHER CHARGES			
Interest on long-term debt	88,140	80,800	86,772
Other interest - net	8,360	11,123	4,813
Distributions on preferred securities of subsidiary	5,100	5,100	5,100
Allowance for borrowed funds used during construction	(9,788)	(8,459)	(4,205)
TOTAL	91,812	88,564	92,480
INCOME BEFORE INCOME TAXES	237,559	123,325	182,325
Income taxes	100,512	54,012	71,374
NET INCOME	137,047	69,313	110,951
Preferred dividend requirements and other	7,776	10,854	10,201
EARNINGS APPLICABLE TO COMMON STOCK	$129,271	$58,459	$100,750

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2000	1999	1998
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$137,047	$69,313	$110,951
Noncash items included in net income:			
Amortization of rate deferrals	-	-	75,249
Other regulatory charges (credits) - net	(33,078)	5,230	45,658
Depreciation, amortization, and decommissioning	173,651	171,904	181,436
Deferred income taxes and investment tax credits	39,776	22,421	(12,293)
Allowance for equity funds used during construction	(15,020)	(12,866)	(5,921)
(Gain) loss on sale of assets	8	-	(1,777)
Changes in working capital:			
Receivables	(47,647)	40,375	61,143
Fuel inventory	(6,512)	(4,633)	8,317
Accounts payable	141,172	56,985	(7,911)
Taxes accrued	1,731	(30,054)	(8,742)
Interest accrued	5,246	(2,908)	(3,541)
Deferred fuel costs	35,993	38,814	(17,575)
Other working capital accounts	17,162	2,444	(6,845)
Provision for estimated losses and reserves	(895)	(8,116)	2,032
Changes in other regulatory assets	(85,452)	45,898	(13,029)
Other	58,378	(42,249)	41,499
Net cash flow provided by operating activities	421,560	352,558	448,651
INVESTING ACTIVITIES			
Construction expenditures	(369,370)	(238,009)	(190,459)
Allowance for equity funds used during construction	15,020	12,866	5,921
Nuclear fuel purchases	(44,722)	(32,517)	(45,845)
Proceeds from sale/leaseback of nuclear fuel	44,722	32,517	42,055
Decommissioning trust contributions and realized change in trust assets	(15,761)	(17,746)	(25,929)
Other regulatory investments	(97,343)	(39,243)	(39,860)
Net cash flow used in investing activities	(467,454)	(282,132)	(254,117)
FINANCING ACTIVITIES			
Proceeds from issuance of:			
Long-term debt	99,381	-	-
Retirement of:			
Long-term debt	(220)	(39,607)	(151,424)
Redemption of preferred stock	-	(22,666)	(9,000)
Dividends paid:			
Common stock	(44,600)	(82,700)	(92,600)
Preferred stock	(7,691)	(11,696)	(10,407)
Net cash flow provided by (used in) financing activities	46,870	(156,669)	(263,431)
Net increase (decrease) in cash and cash equivalents	976	(86,243)	(68,897)
Cash and cash equivalents at beginning of period	6,862	93,105	162,002
Cash and cash equivalents at end of period	$7,838	$6,862	$93,105
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$91,291	$94,872	$95,050
Income taxes	$60,291	$61,273	$91,407
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($3,920)	$22,980	$26,782

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
ASSETS

	December 31, 2000	December 31, 1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$7,838	$6,862
Accounts receivable:		
Customer	98,550	73,357
Allowance for doubtful accounts	(1,667)	(1,768)
Associated companies	22,286	26,816
Other	26,221	11,625
Accrued unbilled revenues	65,887	53,600
Total receivables	211,277	163,630
Deferred fuel costs	102,970	41,620
Fuel inventory - at average cost	9,809	3,297
Materials and supplies - at average cost	80,682	85,612
Deferred nuclear refueling outage costs	23,541	28,119
Prepayments and other	5,540	6,480
TOTAL	441,657	335,620
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	11,217	11,215
Decommissioning trust funds	355,852	344,011
Non-utility property - at cost (less accumulated depreciation)	1,469	1,463
Other - at cost (less accumulated depreciation)	3,032	3,033
TOTAL	371,570	359,722
UTILITY PLANT		
Electric	5,274,066	4,854,433
Property under capital lease	40,289	44,471
Construction work in progress	87,389	267,091
Nuclear fuel under capital lease	107,023	85,725
Nuclear fuel	6,720	9,449
TOTAL UTILITY PLANT	5,515,487	5,261,169
Less - accumulated depreciation and amortization	2,449,821	2,401,021
UTILITY PLANT - NET	3,065,666	2,860,148
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	162,952	192,344
Unamortized loss on reacquired debt	44,428	48,193
Other regulatory assets	221,805	106,959
Other	4,775	14,125
TOTAL	433,960	361,621
TOTAL ASSETS	$4,312,853	$3,917,111

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2000	December 31, 1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$100	$220
Notes payable	667	667
Accounts payable:		
Associated companies	94,776	81,958
Other	231,313	102,959
Customer deposits	29,775	26,320
Taxes accrued	40,263	38,532
Accumulated deferred income taxes	55,127	38,649
Interest accrued	27,624	22,378
Obligations under capital leases	45,962	55,150
Other	14,942	11,598
TOTAL	540,549	378,431
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	715,891	713,622
Accumulated deferred investment tax credits	88,264	94,852
Obligations under capital leases	101,350	75,045
Other regulatory liabilities	84,642	88,563
Transition to competition	119,553	109,933
Accumulated provisions	42,393	43,288
Other	64,267	51,015
TOTAL	1,216,360	1,176,318
Long-term debt	1,239,712	1,130,801
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	60,000	60,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	116,350	116,350
Common stock, $0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2000 and 1999	470	470
Paid-in capital	591,127	591,127
Retained earnings	548,285	463,614
TOTAL	1,256,232	1,171,561
Commitments and Contingencies (Notes 2, 9, and 10)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,312,853	$3,917,111

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
Retained Earnings, January 1	$463,614	$487,855	$479,705
Add:			
Net income	137,047	69,313	110,951
Deduct:			
Dividends declared:			
Preferred stock	7,776	9,223	10,201
Common stock	44,600	82,700	92,600
Capital stock expenses and other	-	1,631	-
Total	52,376	93,554	102,801
Retained Earnings, December 31 (Note 8)	$548,285	$463,614	$487,855

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2000	1999	1998	1997	1996
			(In Thousands)		
Operating revenues	$1,762,635	$1,541,894	$1,608,698	$1,715,714	$1,743,433
Net income	$ 137,047	$ 69,313	$ 110,951	$ 127,977	$ 157,798
Total assets	$4,312,853	$3,917,111	$4,006,651	$4,106,877	$4,153,817
Long-term obligations (1)	$1,401,062	$1,265,846	$1,335,248	$1,419,728	$1,439,355

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

	2000	1999	1998	1997	1996
			(Dollars In Thousands)		
Electric Operating Revenues:					
Residential	$561,363	$533,245	$562,325	$551,821	$546,100
Commercial	307,320	288,677	288,816	332,715	323,328
Industrial	353,046	335,824	330,016	372,083	364,943
Governmental	14,935	14,606	14,640	18,200	16,989
Total retail	1,236,664	1,172,352	1,195,797	1,274,819	1,251,360
Sales for resale:					
Associated companies	245,541	178,150	149,603	213,845	248,211
Non-associated companies	234,873	193,449	240,090	215,249	207,887
Other	45,557	(2,057)	23,208	11,801	35,975
Total	$1,762,635	$1,541,894	$1,608,698	$1,715,714	$1,743,433
Billed Electric Energy Sales (GWH):					
Residential	6,791	6,493	6,613	5,988	6,023
Commercial	5,063	4,880	4,773	4,445	4,390
Industrial	7,240	7,054	6,837	6,647	6,487
Governmental	239	237	233	239	234
Total retail	19,333	18,664	18,456	17,319	17,134
Sales for resale:					
Associated companies	6,513	7,592	6,500	9,557	10,471
Non-associated companies	5,537	4,868	5,948	6,828	6,720
Total	31,383	31,124	30,904	33,704	34,325

Report of Independent Accountants

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

In our opinion, the accompanying balance sheets and the related statements of income, of retained earnings and of cash flows (pages 99 through 103 and pages 147 through 209) present fairly, in all material respects, the financial position of Entergy Gulf States, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 1, 2001

ENTERGY GULF STATES, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

Net Income

Net income increased in 2000 primarily due to increased sales volume, increased unbilled revenue, increased wholesale revenue, and decreased regulatory reserves.

Net income increased in 1999 primarily due to increased unbilled revenues, decreased provisions for rate refunds in 1999, decreased depreciation and amortization expenses, and decreased interest expense, partially offset by increased operation and maintenance expenses.

Revenues and Sales

Electric operating revenues

The changes in electric operating revenues for the twelve months ended December 31, 2000 and 1999 are as follows:

Description	Increase/(Decrease) 2000	1999
	(In Millions)	
Base revenues	($83.2)	$146.4
Fuel cost recovery	342.5	104.9
Sales volume/weather	40.7	1.0
Other revenue (including unbilled)	29.8	31.3
Sales for resale	58.7	21.2
Total	$388.5	$304.8

Base revenues

In 2000, base revenues decreased primarily due to the reversal in 1999 of regulatory reserves discussed below associated with the accelerated amortization of accounting order deferrals and rate refunds in conjunction with the Texas rate settlement.

In 1999, base revenues increased 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 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 compared to 1998 for the anticipated effects of rate proceedings in Texas.

Partially offsetting these increases in 1999 were:

- annual base rate reductions of $87 million and $18 million that were implemented for Louisiana retail customers in February and August 1998, respectively;
- annual base rate reductions of $69 million and $4.2 million that were implemented for Texas retail customers in December 1998 and March 1999, respectively; and
- reserves recorded in the Louisiana jurisdiction in 1999 for the estimated outcomes of earnings reviews.

The LPSC and PUCT rate issues are discussed in Note 2 to the financial statements.

Fuel cost recovery

Entergy Gulf States is allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and current fuel and purchased power costs is recorded as deferred fuel costs on Entergy Gulf States' financial statements such that these costs generally have no net effect on earnings.

In 2000, fuel cost recovery revenues increased primarily due to increased market prices for fuel and purchased power, resulting in an increased recovery of $226.7 million in the Louisiana jurisdiction. Fuel cost recovery revenues increased in the Texas jurisdiction by $82.4 million due to a higher fuel recovery factor that became effective in September 1999 and by $33.4 million due to a fuel surcharge implemented in January 2000.

In 1999, fuel cost recovery revenues increased due to a higher fuel factor in 1999 and a fuel surcharge implemented in February 1999 in the Texas jurisdiction. This increase was partially offset by reduced fuel recovery in the Louisiana jurisdiction primarily due to lower fuel and purchased power costs in 1999.

Sales volume/weather

In 2000, sales volume increased due to more favorable weather affecting residential and commercial customers, as well as an increase in the number of residential and commercial customers.

Other revenue

In 2000, other revenue increased primarily due to increased unbilled revenues due to the effect of a change in estimate on unbilled revenue, more favorable weather, and increased sales volume.

In 1999, other revenue increased primarily due to a change in estimated unbilled revenues. The estimate more closely aligns the fuel component of unbilled revenues with regulatory treatment.

Sales for resale

In 2000, sales for resale increased primarily due to increased sales volume including sales of energy from the non-regulated piece of River Bend to affiliated companies. Sales for resale also increased due to increased generation, particularly nuclear generation, resulting in more energy available for resale. Nuclear generation was down in 1999 as a result of a nuclear refueling outage.

In 1999, sales for resale increased primarily due to increased sales to associated companies due to higher market prices and outages at affiliate plants in 1999.

Gas and steam operating revenues

Gas operating revenues increased in 2000 due to an increase in the market price for natural gas as well as increased sales volume in the residential and commercial sectors.

In 1999, gas operating revenues decreased primarily due to lower prices of gas purchased for resale as well as decreased usage as a result of warmer winter weather, particularly in the residential and commercial sectors.

In 2000 and in 1999, steam operating revenues decreased primarily due to a new lease arrangement that began in June 1999 for the Louisiana Station generating facility. Under the terms of this new lease, revenues and expenses are now classified as other income. The previous classifications were steam operating revenues and other operation and maintenance expenses.

Expenses

Fuel and purchased power

In 2000, fuel and purchased power expenses increased primarily due to:

- higher market prices for gas and purchased power;
- increased nuclear generation; and
- an adjustment in March 2000 of $11.5 million to the Texas jurisdiction deferred fuel balance as a result of a fuel reconciliation settlement with the PUCT.

In 1999, fuel and purchased power expenses increased due to:

- increased gas expenses resulting from a shift to gas generation during the first six months of 1999 because of the reduced availability of Nelson 6 and an extended refueling outage at River Bend;
- increased purchased power expenses due to higher market prices; and
- a higher fuel factor and fuel surcharge in the Texas jurisdiction in 1999.

Other operation and maintenance expenses

In 2000, other operation and maintenance expenses increased primarily due to increased expenses of $12.6 million on outside services employed related to legal and contract services for transition work and increased nuclear plant operations costs of $5.8 million. These increases were largely offset by decreases in pension and benefits costs of $7.3 million and decreased environmental reserves of $5.7 million.

In 1999, other operation and maintenance expenses increased primarily due to increased spending of $8.4 million for vegetation management, increased miscellaneous customer expenses of $2.5 million, and due to increased property and environmental reserves of $4.9 million. These increases were offset primarily by decreases of $8.8 million for pension and benefits expenses.

Depreciation and amortization

In 2000, depreciation and amortization increased primarily due to a review of plant-in-service dates for consistency with regulatory treatment reducing depreciation expense by $6.7 million in 1999, as well as additional depreciation expense related to net capital additions in 2000.

In 1999, depreciation and amortization decreased due to:

- lower depreciation as a result of the write-down of the River Bend abeyed plant as required by the Texas rate settlement;
- reduced amortization of the River Bend Unit 2 cancellation loss as a result of the completion of amortization for the Louisiana portion of the loss and the reduction in amortization of the Texas portion in accordance with a PUCT rate order; and
- lower depreciation due to a review of plant in-service dates for consistency with regulatory treatment.

Other regulatory credits

In 2000, other regulatory credits decreased due to:

- the amortization of the Year 2000 regulatory asset deferred in 1999; and
- the completion of the amortization of the deferred financing costs in accordance with the December 1998 rate order settlement with the PUCT.

In 1999, other regulatory credits increased due to:

- change in the amortization period for deferred River Bend finance charges for the Texas retail jurisdiction in accordance with the Texas settlement agreement; and
- deferral of Year 2000 costs in accordance with an LPSC order. These costs are to be amortized over a five-year period.

Amortization of rate deferrals

In 2000, the amortization of rate deferrals decreased primarily due to the large reduction in the rate deferral balance upon the PUCT's approval in June 1999 of the Texas rate settlement. This settlement increased amortization expense in 1999 but was offset by increased revenues.

In 1999, the amortization of rate deferrals increased due to the reduction of accounting order deferrals in accordance with the June 1999 Texas settlement agreement. This settlement substantially reduced the unamortized balance of rate deferrals, while decreasing the amortization period for the remaining deferrals from a ten-year period to a three-year period.

Other

Other income

In 2000, other income decreased primarily due to decreased non-utility operating income from Louisiana Station as well as the 1999 adjustment to the depreciation balance of River Bend abeyed plant.

Interest charges

In 2000, interest charges increased as a result of the issuance of $300 million of long term debt in 2000.

In 1999, interest charges decreased as a result of the retirement, redemption, and refinancing of certain long-term debt in 1998 and 1999, as well as lower accruals of interest on certain Louisiana fuel and earnings reviews in 1998.

Income taxes

The effective income tax rates for 2000, 1999, and 1998 are 36.5%, 37.6%, and 40.6%, respectively.

The decrease in the effective income tax rate in 1999 is due to accelerated tax depreciation deductions for which deferred taxes have not been previously normalized, reflecting a shorter tax life on certain assets.

ENTERGY GULF STATES, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$2,470,884	$2,082,358	$1,777,584
Natural gas	40,356	28,998	33,058
Steam products	-	15,852	43,167
TOTAL	2,511,240	2,127,208	1,853,809
OPERATING EXPENSES			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	895,361	634,726	538,388
Purchased power	455,300	365,245	317,684
Nuclear refueling outage expenses	16,663	16,307	14,293
Other operation and maintenance	423,031	419,713	411,372
Decommissioning	6,273	7,588	3,437
Taxes other than income taxes	120,428	111,872	120,782
Depreciation and amortization	189,149	185,254	195,935
Other regulatory credits - net	(13,860)	(24,092)	(5,485)
Amortization of rate deferrals	5,606	89,597	21,749
TOTAL	2,097,951	1,806,210	1,618,155
OPERATING INCOME	413,289	320,998	235,654
OTHER INCOME			
Allowance for equity funds used during construction	7,617	6,306	2,143
Gain on sale of assets	2,327	2,046	1,816
Miscellaneous - net	12,736	18,073	14,903
TOTAL	22,680	26,425	18,862
INTEREST AND OTHER CHARGES			
Interest on long-term debt	143,053	138,602	149,767
Other interest - net	8,458	6,994	21,016
Distributions on preferred securities of subsidiary	7,438	7,438	7,437
Allowance for borrowed funds used during construction	(6,926)	(5,776)	(1,870)
TOTAL	152,023	147,258	176,350
INCOME BEFORE INCOME TAXES	283,946	200,165	78,166
Income taxes	103,603	75,165	31,773
NET INCOME	180,343	125,000	46,393
Preferred dividend requirements and other	9,998	17,423	19,011
EARNINGS APPLICABLE TO COMMON STOCK	$170,345	$107,577	$27,382

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF CASH FLOWS

	2000	1999	1998
	For the Years Ended December 31, (In Thousands)		
OPERATING ACTIVITIES			
Net income	$180,343	$125,000	$46,393
Noncash items included in net income:			
Amortization of rate deferrals	5,606	89,597	21,749
Reserve for regulatory adjustments	(49,571)	(97,953)	130,603
Other regulatory credits - net	(13,860)	(24,092)	(5,485)
Depreciation, amortization, and decommissioning	195,422	192,842	199,372
Deferred income taxes and investment tax credits	54,279	(1,495)	(29,174)
Allowance for equity funds used during construction	(7,617)	(6,306)	(2,143)
Gain on sale of assets	(2,327)	(2,046)	(1,816)
Changes in working capital:			
Receivables	(131,643)	9,791	65,527
Fuel inventory	1,013	(8,070)	7,426
Accounts payable	130,435	42,370	(6,135)
Taxes accrued	30,570	46,018	7,462
Interest accrued	14,969	(14,061)	(2,523)
Deferred fuel costs	(26,291)	40,851	55,985
Other working capital accounts	20,896	(10,954)	11,006
Provision for estimated losses and reserves	(1,991)	8,496	(4,207)
Changes in other regulatory assets	(47,777)	(59,242)	(3,226)
Other	51,424	56,817	458
Net cash flow provided by operating activities	403,880	387,563	491,272
INVESTING ACTIVITIES			
Construction expenditures	(277,635)	(199,076)	(136,960)
Allowance for equity funds used during construction	7,617	6,306	2,143
Nuclear fuel purchases	(34,735)	(53,293)	(1,977)
Proceeds from sale/leaseback of nuclear fuel	34,154	53,293	15,932
Decommissioning trust contributions and realized change in trust assets	(12,051)	(10,853)	(11,899)
Other regulatory investments	(127,377)	(42,412)	(43,124)
Net cash flow used in investing activities	(410,027)	(246,035)	(175,885)
FINANCING ACTIVITIES			
Proceeds from issuance of:			
Long-term debt	298,819	122,906	21,600
Retirement of:			
Long-term debt	(185)	(197,960)	(212,090)
Redemption of preferred stock	(157,658)	(25,931)	(8,481)
Dividends paid:			
Common stock	(88,000)	(107,000)	(109,400)
Preferred stock	(10,862)	(16,967)	(19,055)
Net cash flow provided by (used in) financing activities	42,114	(224,952)	(327,426)
Net increase (decrease) in cash and cash equivalents	35,967	(83,424)	(12,039)
Cash and cash equivalents at beginning of period	32,312	115,736	127,775
Cash and cash equivalents at end of period	$68,279	$32,312	$115,736
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$136,154	$161,326	$173,599
Income taxes	$23,259	$28,410	$46,620
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($3,172)	$14,054	$10,410

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
ASSETS

	December 31, 2000	December 31, 1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$10,726	$8,607
Temporary cash investments - at cost, which approximates market	57,553	23,705
Total cash and cash equivalents	68,279	32,312
Accounts receivable:		
Customer	125,412	73,215
Allowance for doubtful accounts	(2,131)	(1,828)
Associated companies	27,660	1,706
Other	22,837	15,030
Accrued unbilled revenues	136,384	90,396
Total receivables	310,162	178,519
Deferred fuel costs	288,126	134,458
Fuel inventory - at average cost	37,258	38,271
Materials and supplies - at average cost	100,018	112,585
Rate deferrals	5,606	5,606
Prepayments and other	22,332	21,750
TOTAL	831,781	523,501
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	243,555	234,677
Non-utility property - at cost (less accumulated depreciation)	194,422	187,759
Other - at cost (less accumulated depreciation)	14,826	13,681
TOTAL	452,803	436,117
UTILITY PLANT		
Electric	7,574,905	7,365,407
Property under capital lease	38,564	46,210
Natural gas	56,163	52,473
Construction work in progress	144,814	145,492
Nuclear fuel under capital lease	57,472	70,801
TOTAL UTILITY PLANT	7,871,918	7,680,383
Less - accumulated depreciation and amortization	3,664,415	3,534,473
UTILITY PLANT - NET	4,207,503	4,145,910
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Rate deferrals	-	5,606
SFAS 109 regulatory asset - net	403,934	385,405
Unamortized loss on reacquired debt	37,903	40,576
Other regulatory assets	169,405	140,157
Long-term receivables	29,586	32,260
Other	17,349	23,490
TOTAL	658,177	627,494
TOTAL ASSETS	$6,150,264	$5,733,022

See Notes to Financial Statements.

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

	December 31,	
	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$122,750	$ -
Accounts payable:		
Associated companies	66,312	79,962
Other	258,529	114,444
Customer deposits	37,489	33,360
Taxes accrued	132,368	101,798
Accumulated deferred income taxes	94,032	27,960
Nuclear refueling outage costs	10,209	11,216
Interest accrued	43,539	28,570
Obligations under capital leases	42,524	51,973
Other	19,418	14,557
TOTAL	827,170	463,840
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	1,115,119	1,098,882
Accumulated deferred investment tax credits	171,000	178,500
Obligations under capital leases	53,512	65,038
Other regulatory liabilities	16,916	20,089
Decommissioning	142,604	139,194
Transition to competition	72,381	47,101
Regulatory reserves	60,965	110,536
Accumulated provisions	67,404	69,395
Other	98,501	117,804
TOTAL	1,798,402	1,846,539
Long-term debt	1,808,879	1,631,581
Preferred stock with sinking fund	30,758	34,650
Preference stock	-	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	85,000	85,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	47,677	51,444
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 100 shares in 2000 and 1999	114,055	114,055
Paid-in capital	1,153,195	1,153,131
Retained earnings	285,128	202,782
TOTAL	1,600,055	1,521,412
Commitments and Contingencies (Notes 2, 9, and 10)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$6,150,264	$5,733,022

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
Retained Earnings, January 1	$202,782	$202,205	$284,165
Add:			
Net income	180,343	125,000	46,393
Deduct:			
Dividends declared:			
Preferred and preference stock	9,933	16,784	19,011
Common stock	88,000	107,000	109,400
Preferred and preference stock redemption and other	64	639	(58)
Total	97,997	124,423	128,353
Retained Earnings, December 31 (Note 8)	$285,128	$202,782	$202,205

See Notes to Financial Statements.

ENTERGY GULF STATES, INC. AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2000	1999	1998	1997	1996
			(In Thousands)		
Operating revenues	$ 2,511,240	$ 2,127,208	$ 1,853,809	$ 2,147,829	$2,019,181
Net income (loss)	$ 180,343	$ 125,000	$ 46,393	$ 59,976	$ (3,887)
Total assets	$ 6,150,264	$ 5,733,022	$ 6,293,744	$ 6,488,637	$6,421,179
Long-term obligations (1)	$ 1,978,149	$ 1,966,269	$ 1,993,811	$ 2,098,752	$2,226,329

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

	2000	1999	1998	1997	1996
			(Dollars In Thousands)		
Electric Operating Revenues:					
Residential	$717,453	$607,875	$605,759	$624,862	$612,398
Commercial	505,346	430,291	422,944	452,724	444,133
Industrial	870,594	718,779	704,393	740,418	685,178
Governmental	32,939	28,475	35,930	33,774	31,023
Total retail	2,126,332	1,785,420	1,769,026	1,851,778	1,772,732
Sales for resale:					
Associated companies	93,675	38,416	14,172	14,260	20,783
Non-associated companies	112,522	109,132	112,182	59,015	76,173
Other (1)	138,355	149,390	(117,796)	136,458	56,300
Total	$2,470,884	$2,082,358	$1,777,584	$2,061,511	$1,925,988
Billed Electric Energy Sales (GWH):					
Residential	9,405	8,929	8,903	8,178	8,035
Commercial	7,660	7,310	6,975	6,575	6,417
Industrial	17,960	17,684	18,158	18,038	16,661
Governmental	450	425	560	481	438
Total retail	35,475	34,348	34,596	33,272	31,551
Sales for resale:					
Associated companies	1,381	677	380	414	656
Non-associated companies	3,248	3,408	3,701	1,503	2,148
Total Electric Department	40,104	38,433	38,677	35,189	34,355

(1) 1998 includes the effects of an Entergy Gulf States reserve for rate refund.

Report of Independent Accountants

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

In our opinion, the accompanying balance sheets and the related statements of income, of retained earnings and of cash flows (pages 109 through 113 and pages 147 through 209) present fairly, in all material respects, the financial position of Entergy Louisiana, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 1, 2001

ENTERGY LOUISIANA, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

Net Income

Net income decreased in 2000 primarily due to increased depreciation and amortization costs, increased other operation and maintenance expenses, and decreased unbilled revenue and other regulatory credits, partially offset by decreased provisions for rate refunds.

Net income increased in 1999 primarily due to increased unbilled revenue and other regulatory credits, and decreased nuclear refueling outage expenses and interest charges, partially offset by increased provisions for rate refunds.

Revenues and Sales

The changes in electric operating revenues for the twelve months ended December 31, 2000 and 1999 are as follows:

Description	Increase/(Decrease) 2000	1999
	(In Millions)	
Base revenues	($4.7)	($48.7)
Fuel cost recovery	270.8	63.6
Sales volume/weather	23.9	(5.3)
Other revenue (including unbilled)	(13.5)	74.5
Sales for resale	(20.7)	11.6
Total	$255.8	$95.7

Base revenues

In 2000, base revenues decreased primarily due to additional formula rate plan reductions in the residential, commercial, and industrial sectors, partially offset by lower accruals for potential rate refunds.

In 1999, base revenues decreased primarily due to accruals for potential rate refunds.

Fuel cost recovery revenues

Entergy Louisiana is allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and current fuel and purchased power costs is recorded as deferred fuel costs on Entergy Louisiana's financial statements such that these costs generally have no net effect on earnings.

In 2000, fuel cost recovery revenues increased as a result of higher fuel and purchased power expenses primarily due to the increased market price of natural gas.

In 1999, fuel cost recovery revenues increased due to a shift from lower priced nuclear fuel to higher priced gas and purchased power due to nuclear outages at Waterford 3 in 1999.

ENTERGY LOUISIANA, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$2,062,437	$1,806,594	$1,710,908
OPERATING EXPENSES			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	560,329	421,763	383,413
Purchased power	537,589	418,878	372,763
Nuclear refueling outage expenses	13,542	15,756	21,740
Other operation and maintenance	318,841	289,348	289,522
Decommissioning	10,422	8,786	8,786
Taxes other than income taxes	77,190	75,447	70,621
Depreciation and amortization	171,204	161,754	162,937
Other regulatory charges (credits) - net	960	(5,280)	(1,755)
TOTAL	1,690,077	1,386,452	1,308,027
OPERATING INCOME	372,360	420,142	402,881
OTHER INCOME			
Allowance for equity funds used during construction	4,328	4,925	1,887
Gain on sale of assets	-	-	2,340
Miscellaneous - net	6,604	2,206	2,644
TOTAL	10,932	7,131	6,871
INTEREST AND OTHER CHARGES			
Interest on long-term debt	98,655	103,937	109,463
Other interest - net	6,788	7,010	7,127
Distributions on preferred securities of subsidiary	6,300	6,300	6,300
Allowance for borrowed funds used during construction	(3,775)	(4,112)	(1,729)
TOTAL	107,968	113,135	121,161
INCOME BEFORE INCOME TAXES	275,324	314,138	288,591
Income taxes	112,645	122,368	109,104
NET INCOME	162,679	191,770	179,487
Preferred dividend requirements and other	9,514	9,955	13,014
EARNINGS APPLICABLE TO COMMON STOCK	$153,165	$181,815	$166,473

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2000	1999	1998
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$162,679	$191,770	$179,487
Noncash items included in net income:			
Reserve for regulatory adjustments	11,456	-	-
Other regulatory charges (credits) - net	960	(5,280)	(1,754)
Depreciation, amortization, and decommissioning	181,626	170,540	171,723
Deferred income taxes and investment tax credits	16,350	(15,487)	26,910
Allowance for equity funds used during construction	(4,328)	(4,925)	(1,887)
Gain on sale of assets	-	-	(2,340)
Changes in working capital:			
Receivables	(97,154)	(41,565)	(7,972)
Accounts payable	(11,848)	95,120	(5,878)
Taxes accrued	(2,555)	7,659	(7,040)
Interest accrued	15,300	(33,066)	18,731
Deferred fuel costs	(81,890)	(9,959)	4,530
Other working capital accounts	38,064	56,714	16,983
Provision for estimated losses and reserves	6,114	5,442	6,410
Changes in other regulatory assets	25,400	38,577	(11,443)
Other	10,249	(45,146)	(44,099)
Net cash flow provided by operating activities	270,423	410,394	342,361
INVESTING ACTIVITIES			
Construction expenditures	(203,049)	(130,933)	(105,306)
Allowance for equity funds used during construction	4,328	4,925	1,887
Nuclear fuel purchases	(38,270)	(11,308)	(38,141)
Proceeds from sale/leaseback of nuclear fuel	38,270	11,308	39,701
Decommissioning trust contributions and realized change in trust assets	(12,299)	(13,678)	(11,648)
Net cash flow used in investing activities	(211,020)	(139,686)	(113,507)
FINANCING ACTIVITIES			
Proceeds from issuance of:			
Long-term debt	148,736	298,092	112,556
Retirement of:			
Long-term debt	(100,000)	(386,707)	(150,786)
Redemption of preferred stock	-	(50,000)	-
Dividends paid:			
Common stock	(62,400)	(197,000)	(138,500)
Preferred stock	(9,514)	(10,389)	(13,014)
Net cash flow used in financing activities	(23,178)	(346,004)	(189,744)
Net increase (decrease) in cash and cash equivalents	36,225	(75,296)	39,110
Cash and cash equivalents at beginning of period	7,734	83,030	43,920
Cash and cash equivalents at end of period	$43,959	$7,734	$83,030
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$89,627	$144,731	$98,801
Income taxes	$105,354	$132,924	$86,830
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($2,979)	$4,585	$5,928

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
ASSETS

	December 31, 2000	December 31, 1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$14,138	$7,734
Temporary cash investments - at cost, which approximates market	29,821	-
Total cash and cash equivalents	43,959	7,734
Notes Receivable	1,510	3
Accounts receivable:		
Customer	111,292	79,335
Allowance for doubtful accounts	(1,771)	(1,615)
Associated companies	30,518	14,601
Other	13,698	10,762
Accrued unbilled revenues	152,700	106,200
Total receivables	306,437	209,283
Deferred fuel costs	84,051	2,161
Accumulated deferred income taxes	-	12,520
Materials and supplies - at average cost	77,389	84,027
Deferred nuclear refueling outage costs	16,425	11,336
Prepayments and other	9,996	6,011
TOTAL	539,767	333,075
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	14,230	14,230
Decommissioning trust funds	110,263	100,943
Non-utility property - at cost (less accumulated depreciation)	21,700	21,433
TOTAL	146,193	136,606
UTILITY PLANT		
Electric	5,357,920	5,178,808
Property under capital lease	238,427	236,271
Construction work in progress	85,299	108,106
Nuclear fuel under capital lease	63,923	51,930
TOTAL UTILITY PLANT	5,745,569	5,575,115
Less - accumulated depreciation and amortization	2,429,495	2,294,394
UTILITY PLANT - NET	3,316,074	3,280,721
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	204,810	230,899
Unamortized loss on reacquired debt	33,244	35,856
Other regulatory assets	50,881	50,191
Other	10,882	17,302
TOTAL	299,817	334,248
TOTAL ASSETS	$4,301,851	$4,084,650

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2000	December 31, 1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$35,088	$116,388
Accounts payable:		
Associated companies	71,948	137,869
Other	144,841	90,768
Customer deposits	60,227	61,096
Taxes accrued	23,307	25,863
Accumulated deferred income taxes	20,545	-
Interest accrued	35,536	20,236
Obligations under capital leases	34,274	28,387
Other	102,614	59,737
TOTAL	528,380	540,344
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	757,362	792,290
Accumulated deferred investment tax credits	117,393	123,155
Obligations under capital leases	29,649	23,543
Other regulatory liabilities	12,442	15,421
Regulatory reserves	11,456	-
Accumulated provisions	64,201	58,087
Other	61,724	34,564
TOTAL	1,054,227	1,047,060
Long-term debt	1,276,696	1,145,463
Preferred stock with sinking fund	35,000	35,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	70,000	70,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	100,500	100,500
Common stock, no par value, authorized 250,000,000 shares; issued and outstanding 165,173,180 shares in 2000 and 1999	1,088,900	1,088,900
Capital stock expense and other	(2,171)	(2,171)
Retained earnings	150,319	59,554
TOTAL	1,337,548	1,246,783
Commitments and Contingencies (Notes 2, 9, and 10)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,301,851	$4,084,650

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2000	1999	1998
	(In Thousands)		
Retained Earnings, January 1	$59,554	$74,739	$46,766
Add:			
Net income	162,679	191,770	179,487
Deduct:			
Dividends declared:			
Preferred stock	9,514	9,805	13,014
Common stock	62,400	197,000	138,500
Capital stock expenses	-	150	-
Total	71,914	206,955	151,514
Retained Earnings, December 31 (Note 8)	$150,319	$59,554	$74,739

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2000	1999	1998	1997	1996
			(In Thousands)		
Operating revenues	$2,062,437	$1,806,594	$1,710,908	$1,803,272	$1,828,867
Net income	$ 162,679	$ 191,770	$ 179,487	$ 141,757	$ 190,762
Total assets	$4,301,851	$4,084,650	$4,181,041	$4,175,400	$4,279,278
Long-term obligations (1)	$1,411,345	$1,274,006	$1,530,590	$1,522,043	$1,545,889

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

	2000	1999	1998	1997	1996
			(Dollars In Thousands)		
Electric Operating Revenues:					
Residential	$716,708	$620,146	$598,573	$606,173	$609,308
Commercial	441,338	386,042	367,151	379,131	374,515
Industrial	767,052	646,517	597,536	708,356	727,505
Governmental	38,772	33,738	32,795	34,171	33,621
Total retail	1,963,870	1,686,443	1,596,055	1,727,831	1,744,949
Sales for resale:					
Associated companies	20,763	27,253	16,002	3,817	5,065
Non-associated companies	39,704	53,923	53,538	55,345	58,685
Other	38,100	38,975	45,313	16,279	20,168
Total	$2,062,437	$1,806,594	$1,710,908	$1,803,272	$1,828,867
Billed Electric Energy Sales (GWH):					
Residential	8,648	8,354	8,477	7,826	7,893
Commercial	5,367	5,221	5,265	4,906	4,846
Industrial	15,184	15,052	14,781	16,390	17,647
Governmental	481	468	481	460	457
Total retail	29,680	29,095	29,004	29,582	30,843
Sales for resale:					
Associated companies	228	415	386	104	143
Non-associated companies	554	831	855	805	982
Total	30,462	30,341	30,245	30,491	31,968

Report of Independent Accountants

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

In our opinion, the accompanying balance sheets and the related statements of income, of retained earnings and of cash flows (pages 120 through 125 and pages 147 through 209) present fairly, in all material respects, the financial position of Entergy Mississippi, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 1, 2001