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, 2001

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 – 222,201,504 shares outstanding at February 28, 2002	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 $9.2 billion based on the reported last sale price of $41.28 per share for such stock on the New York Stock Exchange on February 28, 2002. 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 10, 2002, 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 and the availability of capital, the onset of competition, 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, the success of new business ventures, changes in the markets for electricity and other energy-related commodities, including the use of financial and derivative instruments and volatility of changes in market prices, 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, actions of rating agencies, and other factors.

DEFINITIONS

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

Abbreviation or Acronym	Term
ADEQ	Arkansas Department of Environmental Quality
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
BCF	One billion cubic feet of natural gas
BCF/D	One billion cubic feet of natural gas per day
BPS	British pounds sterling
Board	Board of Directors of Entergy Corporation
Boston Edison	Boston Edison Company
Cajun	Cajun Electric Power Cooperative, Inc.
CitiPower	CitiPower Pty., an electric distribution company serving Melbourne, Australia and surrounding suburbs, which was sold by Entergy effective December 31, 1998
Consolidated Edison	Consolidated Edison, Inc.
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
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
EWO	Entergy Wholesale Operations, which primarily consists of Entergy's power development business
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

Abbreviation or Acronym	Term
Entergy-Koch	Entergy-Koch, L.P., a joint venture equally owned by Entergy and Koch Industries, Inc.
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.
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 NYPA by Entergy's domestic non-utility nuclear business
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	Gigawatt hours, which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power
Indian Point 1	Indian Point Energy Center Unit 1 – nuclear power plant that has been shut-down and in safe storage since the 1970s, located in Westchester County, New York, purchased in September 2001 from Consolidated Edison by Entergy's domestic non-utility nuclear business
Indian Point 2	Indian Point Energy Center Unit 2 - nuclear power plant, 970 MW facility located in Westchester County, New York, purchased in September 2001 from Consolidated Edison by Entergy's domestic non-utility nuclear business
Indian Point 3	Indian Point Energy Center Unit 3 - nuclear power plant, 980 MW facility located in Westchester County, New York, purchased in November 2000 from NYPA 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
MMBTU	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	megawatt(s), which equals one thousand kilowatt(s)

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
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
Net debt ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
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
RTO	Regional transmission organization
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 Unit 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 a 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
Warren Power	Warren Power Plant, 300 MW simple cycle gas turbine merchant power plant located in Vicksburg, Mississippi
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	electric usage excluding the effects of weather deviations
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, domestic non-utility nuclear, and energy commodity services. Domestic non-utility nuclear and energy commodity services are sometimes referred to as the competitive businesses. 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. Following are the percentages of Entergy's consolidated revenues and net income generated by Entergy's reportable operating segments and the percentage of total assets held by them:

Segment	% of Revenue			% of Net Income			% of Total Assets		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Domestic utility	77	74	73	77	87	93	78	81	82
Domestic non-utility nuclear	8	3	1	17	7	3	13	9	3
Energy commodity services	14	23	26	14	8	(7)	9	10	8
Other	1	-	-	(8)	(2)	11	-	-	7

Additional financial information regarding Entergy Corporation's operating segments is contained in Note 12 to the financial statements.

Domestic Utility

The domestic utility is Entergy's predominant business segment, as shown in the chart above. 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, 2001, these utility companies provided retail electric service to approximately 2.6 million customers 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 2001, the domestic utility companies' combined retail electric sales volumes as a percentage of total electric sales volumes were: residential – 28.6%; commercial – 22.7%; and industrial – 38.2%. Retail electric revenues from these sectors as a percentage of total electric revenues were: residential – 36.1%; commercial – 25.7%; and industrial – 31.7%. Sales to governmental and municipal sectors and to nonaffiliated utilities accounted for the balances of electric sales and revenues. The major industrial customers of the domestic utility companies are in the chemical, petroleum refining, and paper 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 16 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.

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. 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 operating nuclear power plants:

Power Plant	Acquired	Capacity	Percent Ownership	Location
Pilgrim	July 1999	670 MW	100%	Plymouth, MA
FitzPatrick	Nov. 2000	825 MW	100%	Oswego, NY
Indian Point 3	Nov. 2000	980 MW	100%	Westchester County, NY
Indian Point 2	Sept. 2001	970 MW	100%	Westchester County, NY

In August 2001, Entergy's domestic non-utility nuclear business agreed to purchase the 510 MW Vermont Yankee Nuclear Power Plant in Vernon, Vermont, from Vermont Yankee Nuclear Power Corporation (VYNPC) for $180 million, to be paid in cash upon closing. Entergy will receive the plant, nuclear fuel, inventories, and related real estate. The liability to decommission the plant, as well as related decommissioning trust funds of approximately $280 million, will also be transferred to Entergy. Management expects to close the transaction in the summer of 2002, pending the approvals of the NRC, the Public Service Board of Vermont, and other regulatory agencies.

Entergy's non-utility nuclear business has entered into power purchase agreements (PPAs) to sell the power produced by its power plants at prices established in the PPAs. To the extent that a plant's output is not subject to a PPA, power sales would be subject to the fluctuation of market power prices. Following is a summary of the amount of the Entergy non-utility nuclear business's capacity currently subject to PPAs. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new PPAs with other parties.

Power Pool	Entergy's Capacity in the Power Pool	Capacity subject to PPAs			
		2002	2003	2004	2005
New York ISO	2,775 MW	100%	100%	79%	0%
ISO New England	670 MW	100%	85%	85%	20%

In addition, Entergy will sell 100% of Vermont Yankee's output up to its rated capacity to VYNPC's current owner-utilities under a 10-year PPA executed in conjunction with the transaction, which management expects to close in the summer of 2002. The PPA includes an adjustment clause where the prices specified in the PPA will be adjusted downward annually, beginning in 2006, if power market prices drop below the PPA prices. Vermont Yankee is a part of the ISO New England.

Entergy Nuclear is authorized to provide services to nuclear power plants owned by entities that are not affiliated with Entergy. Services provided include 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 Nuclear is providing decommissioning services for the Maine Yankee nuclear power plant, which is owned by Maine Yankee Atomic Power Company. Entergy Nuclear completed successfully in 2001 its decommissioning services project for Millstone Unit 1. The cost of decommissioning and insuring the plants that Entergy provides decommissioning services for is the responsibility of the plant owners.

Entergy Nuclear also is a party to two business arrangements that assist it in providing operation and management services. Entergy Nuclear and Framatome ANP 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 acquired TLG Services in September 2000. The TLG acquisition assists Entergy Nuclear in providing decommissioning, engineering, and related services to nuclear power plant owners.

Energy Commodity Services

During the third quarter of 2001, Entergy began integration of Entergy-Koch and Entergy Wholesale Operations into the energy commodity services segment. Prior to the third quarter of 2001, Entergy-Koch and Entergy Wholesale Operations operated and were reported as separate segments. Prior to the first quarter of 2001, Entergy had also operated and reported its power marketing and trading segment separately. On January 31, 2001, Entergy contributed substantially all of its power marketing and trading business to Entergy-Koch, which is now a part of the energy commodity services segment.

Marketing and Trading

In January 2001, subsidiaries of Entergy and Koch Industries, Inc. formed an unconsolidated 50/50 limited partnership, Entergy-Koch, L.P. Entergy-Koch engages in the gathering, transmission, and storage of natural gas in the Gulf Coast region of the United States through its Gulf South Pipeline subsidiary. Entergy-Koch also engages in physical and financial natural gas and power trading, and weather derivatives trading, in the United States, the United Kingdom, Western Europe, and Canada through its Entergy-Koch Trading subsidiaries. In the formation of the partnership, Entergy contributed most of the assets and trading contracts of its power marketing and trading business and $414 million of cash. Koch contributed its 8,800-mile Koch Gateway Pipeline (which has been renamed the Gulf South Pipeline), gas storage facilities including the 65.8 BCF Bistineau storage facility located near Shreveport, Louisiana, and Koch Energy Trading, which marketed and traded electricity, gas, weather derivatives, and other energy-related commodities and services.

The Gulf South Pipeline system includes approximately 7,650 miles of transmission pipelines and approximately 1,150 miles of gathering pipelines. Gulf South Pipeline gathers natural gas from the Gulf South region and transports it to local distribution companies, industrial facilities, power generators, utility companies, other pipelines, and natural gas marketing companies. The pipeline system covers parts of Texas, Louisiana, Mississippi, Alabama, and Florida; connects to the Henry Hub, located in Vermilion Parish, Louisiana; and has 67 interconnects with interstate pipelines. Gulf South Pipeline has a total of 68 BCF of working gas storage capacity at two facilities, including Bistineau.

Entergy-Koch Trading buys and sells natural gas, power, and other energy-related services and commodities. Entergy-Koch Trading provides energy management using knowledge systems that promote fundamental and quantitative understanding of market risk. The energy management services provide customers with the opportunity to manage the various risk exposures embedded in their businesses and capitalize on non-optimized resources. Entergy-Koch Trading provides customers these solutions by utilizing its proprietary analytical models and its knowledge of the marketplace, natural gas pipelines, power transmission infrastructure, transportation management, gas storage, weather, and the interaction of these factors.

Entergy and Koch Industries each indirectly own half of the limited partnership interests in Entergy-Koch, L.P. Entergy and Koch Industries also indirectly own half of the equity of the general partner of Entergy-Koch, L.P. The general partner has an eight-member board of directors. Entergy and Koch each appoint four members of the board.

Although the ownership interests are equal, the capital accounts for Entergy and Koch are different. As described above, each contributed different assets to the partnership with those contributed by Koch valued at more than those contributed by Entergy. Through 2003, substantially all of the partnership profits allocated to Entergy, except that profits from weather trading and international trading are allocated disproportionately to Koch and Entergy, respectively.

In the partnership agreement, Entergy agreed to contribute $72.7 million to the partnership in January 2004. Koch also will receive a distribution of $72.7 million in 2004. In addition, at that time, Entergy-Koch's assets will be revalued for capital account purposes. If the value of the assets exceeds their carrying value for capital account purposes, then that difference will be allocated to the capital accounts. Entergy expects that after this revaluation the capital accounts of Entergy and Koch Industries will be approximately equal and that future profit allocations other than for weather trading and international trading will be equal. If the capital accounts differ significantly, however, then profits may be allocated disproportionately to one partner or the other until the capital accounts are approximately equal.

The partnership agreement provides that losses are allocated between the capital accounts of the partners based on ownership interest. Distributions from operations are shared based on ownership interest and distributions in the event of liquidation are shared based on capital accounts, as revalued at the time of the liquidation. Prior to 2004, a partner may transfer its partnership interest only with the consent of the other partner. Beginning in 2004, a partner may transfer its interest to a third party, only if it has first offered to sell its interest to the other partner at the approximate sales price and the other partner has not accepted the offer. Certain buy/sell rights are triggered (a) at the option of the non-defaulting partner, upon a change of control of, or material breach of the agreement by, either partner or (b) at the option of either partner, at any time beginning in 2004. Under the buy/sell rights, the initiating partner offers to sell all its partnership interest at a specified price and other terms or to buy all of the other partner's partnership interest at the same price and same other terms.

Power Development

EWO primarily conducts Entergy's power development business, which is focused on acquiring or developing power generation projects in North America and Europe. The power development business owns interests in the following electric generation assets that are currently operating or are under construction:

Investment	Percent Ownership	Status
United Kingdom - Damhead Creek, 800 MW	100%	operational
U.S. (AR)- Ritchie Unit 2, 544 MW	100%	operational
U.S. (AR)- Independence Unit 2, 842 MW	14%	operational
U.S. (MS)- Warren Power, 300 MW	100%	operational
U.S. (IA)- Top of Iowa Wind Farm, 80 MW	99%	operational
U.S. (LA)- RS Cogen, 425 MW	50%	under construction
U.S. (IL)- Crete, 320 MW	50%	under construction
U.S. (TX)- Harrison County, 550 MW	70%	under construction

Entergy owns its interest in RS Cogen through an unconsolidated 50% interest in RS Cogen, L.L.C., and the remaining 50% interest is owned by PPG Industries, an industrial customer of Entergy Gulf States. Entergy owns its interest in Crete through an unconsolidated 50% interest in Crete Energy Ventures, LLC, and the remaining 50% interest is owned by DTE Energy. The Harrison County plant will be co-owned, with the other 30% held by Northeast Texas Electric Cooperative. Entergy's power development business has several other development projects in the planning stages, including announced projects in the United States, Spain, and Bulgaria.

EWO also owns interests in projects in Argentina, Chile, and Peru that are unconsolidated affiliates of Entergy. The Latin American projects are not a core part of Entergy's strategy, and Entergy is considering strategies to maximize the value of these investments, including possibly selling them.

In 2000, Entergy entered into an unconsolidated 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 was created to operate in the electric power generation market and provide services to Entergy's power development business. EntergyShaw's operations may require the support of Entergy Corporation guarantees. EntergyShaw is currently constructing the Crete and Harrison County plants. Entergy has guaranteed the obligations of EntergyShaw to construct the Harrison County plant, and Entergy's maximum liability on the guarantee is $232.5 million.

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. As authorized by the SEC, Entergy is allowed to invest an amount equal to 100% of its average consolidated retained earnings in domestic and foreign generation businesses. As of December 31, 2001, Entergy's investments subject to this rule totaled $1.64 billion constituting 46.6% 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.

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.

Selected Data

Selected domestic utility customers and sales data for 2001 are summarized in the following tables:

	Area Served	Customers as of December 31, 2001 Electric	Gas
		(In Thousands)	
Entergy Arkansas	Portions of Arkansas	647	-
Entergy Gulf States	Portions of Texas and Louisiana	690	89
Entergy Louisiana	Portions of Louisiana	644	-
Entergy Mississippi	Portions of Mississippi	404	-
Entergy New Orleans	City of New Orleans, except Algiers, which is provided electric service by Entergy Louisiana	189	148
Total customers		2,574	237

2001 - 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	19,377	33,837	28,524	12,621	5,597	-	99,956
Sales for resale:							
Affiliates	7,217	1,087	381	1,728	115	8,921	-
Others	4,909	3,305	334	289	59	-	8,896
Total	31,503	38,229	29,239	14,638	5,771	8,921	108,852
Average use per residential customer (KWH)	12,627	15,115	14,670	14,268	11,650	-	13,993

(a) Includes the effect of intercompany eliminations.

2001 - Selected Domestic Utility Natural Gas Sales Data

Entergy New Orleans and Entergy Gulf States sold 15,427,960 and 6,682,931 MCF, respectively, of natural gas to retail customers in 2001. For the years ended December 31, 2001, 2000, and 1999, 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, INC., ENTERGY GULF STATES, INC., ENTERGY LOUISIANA, INC., ENTERGY MISSISSIPPI, INC., ENTERGY NEW ORLEANS, INC., and SYSTEM ENERGY RESOURCES, INC.**" which follow each company's financial statements in this report, for further information with respect to operating statistics.

Employees

As of December 31, 2001, Entergy had 15,054 employees as follows:

Full-time:	
Entergy Corporation	-
Entergy Arkansas	1,626
Entergy Gulf States	1,668
Entergy Louisiana	960
Entergy Mississippi	906
Entergy New Orleans	386
System Energy	-
Entergy Operations	3,181
Entergy Services	2,632
Entergy Nuclear Operations	2,948
Other subsidiaries	564
Total Full-time	14,871
Part-time	183
Total Entergy	15,054

Approximately 4,900 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 2001, Entergy Gulf States – Transmission, Distribution and Customer Service reached a new agreement with IBEW covering approximately 814 employees. Entergy Gulf States – Fossil will be negotiating a new agreement with IBEW covering approximately 297 employees in 2002.

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 been developing 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 is changing 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.

Utilities, including the domestic utility companies, may be required or encouraged to sell generating plants or interests therein, or the output from such plants. Additionally, with regard to transmission assets, FERC originally 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. This date has also been delayed as utility companies and their federal and state regulators work to resolve various issues. Entergy responded to FERC by filing plans to transfer control of its transmission assets to a non-affiliated transmission company subject to control by an RTO, and is now working with the Southern Company and others to obtain approval from FERC of an RTO structure. 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.

Major changes in the retail utility business have also been occurring in some parts of the United States, including some states in which Entergy's domestic utility companies operate. Events that occurred in 2001, including the crisis in California's restructured power supply market and the bankruptcy of Enron, have slowed these changes. 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. Texas originally required restructuring and corporate unbundling by January 1, 2002 but has delayed implementation in Entergy Gulf States' service territory at least until September 15, 2002. Arkansas has also delayed its retail access plan until at least October 2003 and the APSC has asked the Arkansas General Assembly for a further delay until at least 2010. 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 may result from the effects of the developments in other electric retail markets, the Enron bankruptcy, developments at the FERC on transmission issues, and future developments in the power supply industry.

As changes in the wholesale and retail electricity markets in the Entergy system have taken place, 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, including generation issues, and its potential impact on Louisiana retail ratepayers (described more fully below in this "Industry Restructuring and Competition" under "Texas – Business Separation Plan" and "Texas – Generation-Related Issues");
- System Agreement restructuring issues, including a separate proceeding at the LPSC to review the proposed System Agreement restructuring (described more fully below in "Rate Matters, Regulation and Litigation – Wholesale Matters – System Agreement"); and
- an LPSC show cause order to Entergy Gulf States and Entergy Louisiana why they should not be enjoined from transferring their transmission assets to an independent transmission company or similar organization (described more fully below in "Rate Matters, Regulation and Litigation – Wholesale Matters – Open Access Transmission and Entergy's Independent Transmission Company Proposal").

It is too early to predict accurately what the ultimate effects of changes in U.S. energy markets will be, or their timing, or how potentially incompatible regulatory obligations will be resolved. Restructuring issues are complex and are continually affected by events at the national, regional, state and local levels. However, these changes may 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 may be positive for Entergy and its affiliates, while others may 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 may 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. As a result of federal and state "codes of conduct" and affiliate transaction rules, adopted as part of restructuring, new non-utility affiliates in the Entergy System may be precluded from, or limited in, doing business with affiliated electric market participants. In addition, regulators may impose limits on, rather than have the market set, wholesale energy prices. There are a number of other changes that may result from electric business 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.

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 (described more fully below in Note 2 to the financial statements under "Rate and Regulatory Matters – Electric Industry Restructuring and the Continued Application of SFAS 71"). Following is a summary of the status of the transition to competition in Entergy's five retail jurisdictions:

Jurisdiction	Status of Retail Open Access	% of Entergy's Consolidated 2001 Revenues Derived from Retail Electric Utility Operations in the Jurisdiction
Arkansas	Commencement delayed by amended law until at least October 2003, APSC has recommended delay until at least 2010.	13.6%
Texas	Delayed until at least September 15, 2002 in Entergy Gulf States' service area in a settlement approved by the PUCT.	10.7%
Louisiana	The LPSC has deferred pursuing retail open access, pending developments at the federal level and in other states.	33.4%
Mississippi	MPSC has recommended not pursuing open access at this time.	9.8%
New Orleans	City Council has taken no action on Entergy's proposal filed in 1997.	5.1%

Arkansas

Under current Arkansas legislation, the target date for retail open access has been delayed until no sooner than October 1, 2003 and no later than October 1, 2005. In December 2001, the APSC recommended to the Arkansas General Assembly that legislation be enacted during the 2003 legislative session to either repeal the legislation authorizing retail open access or further delay retail open access until at least 2010. Entergy Arkansas supports the proposal for further delay of retail open access but opposes repeal of deregulation legislation as premature at this time.

Texas

In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provided for retail open access by most investor-owned electric utilities on January 1, 2002. As discussed below, retail open access for Entergy Gulf States was subsequently delayed until at least September 15, 2002. With retail open access, generation and a new retail electric provider operation are competitive businesses, but transmission and distribution operations continue to be regulated. The new retail electric providers are the primary point of contact with customers. The provisions of the new law:

- require a rate freeze through December 31, 2001 (subject to extension, as described below), 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 retail open access begins for fuel and purchased power costs according to PUCT rules;
- require utilities to charge the price-to-beat rates until 36 months after the date competition begins or 40% of customers in the jurisdiction have chosen an alternative supplier, whichever comes first. Nevertheless, the price-to-beat rates must continue to be made available at least through 2006;
- required utilities to submit a plan to separate (unbundle) their generation, transmission, distribution, and retail electric provider functions, which Entergy Gulf States filed in January 2000 as discussed below;
- require utilities to comply with a code of conduct to ensure that utilities do not allow affiliates to have a business advantage over competitors;

- require operation in a non-discriminatory manner of transmission and distribution facilities by an organization independent from the generation and retail operations by the time competition is implemented;
- allow for recovery of stranded costs incurred in purchasing power and providing electric generation service if the costs are approved by the PUCT;
- allow for securitization of regulatory assets and PUCT-approved stranded costs;
- provide for the determination of and mitigation measures for generation market power; and
- required utilities to file separated cost data and proposed transmission, distribution, and competition transition tariffs by April 1, 2000 (Entergy Gulf States filed a non-unanimous settlement in March 2001 addressing these tariffs and costs, as discussed below).

On August 3, 2001, the PUCT staff filed a petition requesting that the PUCT determine whether the market is ready for retail open access in the portion of Texas within the Southeastern Electric Reliability Council (SERC), which includes Entergy Gulf States' service territory. Several parties, including Entergy Gulf States and the PUCT staff, agreed to a non-unanimous settlement that was approved by the PUCT after a hearing in October 2001. In December 2001, the PUCT issued a written order approving the settlement. The settlement agreement contains several points, including:

- a delay in the commencement of retail open access in Entergy Gulf States' Texas service territory until at least September 15, 2002, subject to certain provisions of the settlement agreement;
- recovery of transition to competition costs incurred by Entergy Gulf States through December 31, 2001 if a rate proceeding is initiated for Entergy Gulf States during the delay period. The settlement agreement provides for a rate freeze during the delay period. Entergy cannot predict whether a new rate proceeding for Entergy Gulf States will be initiated during the delay period or what the outcome of such proceeding might be;
- suspension of additional capacity auctions until at least sixty days before retail open access commences (the capacity auctions are discussed below);
- continuation of Entergy Gulf States' pilot project;
- initiation by the PUCT of a project to develop market protocols to support retail open access;
- efforts to develop an interim solution to implement retail open access no sooner than September 15, 2002 in the event that a functional, FERC-approved RTO is not likely to be achieved in the 2002 time frame (the RTO and related power region certification issue are discussed below);
- continuation of pending proceedings (discussed below) to determine the fuel and base rate components of the price-to-beat rates with implementation of these rates when retail open access begins, without escalation of the fuel component during the delay period;
- continuation of Entergy Gulf States' current bundled rates and fuel factor methodology until the commencement of retail open access unless addressed in the interim solution;
- continuation of efforts by Entergy Gulf States to obtain the appropriate approvals with respect to its business separation plan (discussed below) with the actual business separation not occurring until the eve of retail open access; and
- filing by Entergy Gulf States for certification by the PUCT of a qualified power region, which filing must contain an assessment of market power, including transmission constraints.

In February 2002, certain cities in Texas (cities) served by Entergy Gulf States filed a petition in district court in Travis County, Texas seeking judicial review of the order issued by the PUCT. The cities' petition alleges that the PUCT's order is unlawful because it violates statutory and constitutional provisions. Entergy will defend vigorously its position that the cities' claims are without merit. Management cannot predict the outcome of this litigation at this time.

Business Separation Plan

Entergy Gulf States' business separation plan provides for the separation of its generation, transmission, distribution and retail electric functions. It has been amended during the course of various PUCT and LPSC proceedings and is subject to further change and regulatory proceedings as described below.

The amended plan currently provides that Entergy Gulf States will be separated into the following principal companies:

- a Texas distribution company, which will own and operate Entergy Gulf States' electric distribution system in Texas;
- an intermediate transmission company;
- a Texas generation company (which may be more than one legal entity), which initially will purchase capacity and energy from the generating assets allocated to Texas load (Texas generating assets), and eventually will own those assets;
- Texas retail electric providers, which will provide competitive retail electric service in Texas; and
- Entergy Gulf States-Louisiana.

Entergy Gulf States-Louisiana will:

- own and operate Entergy Gulf States' electric distribution system in Louisiana, the Texas generating assets (until they are transferred to the Texas generation company), the remainder of Entergy Gulf States' generating assets, and Entergy Gulf States' other businesses that are not separated, and own Entergy Gulf States' transmission assets allocated to Louisiana (until they are transferred to the intermediate transmission company described in the next bullet); and
- indirectly own a portion of an intermediate transmission company, which will own Entergy Gulf States' electric transmission assets allocated to Texas, and later Entergy Gulf States' transmission assets allocated to Louisiana.

Entergy Gulf States' assets and liabilities (other than its long-term debt and liabilities) will be allocated among these companies generally based upon categorizing them by function. Entergy Gulf States will allocate assets and liabilities not associated with a single function based upon specified factors. In an April 2001 filing with the LPSC discussing its separation methodology, Entergy Gulf States included a balance sheet separated by jurisdiction and function. The balance sheet was based on September 30, 1999 balances. In this balance sheet, Entergy Gulf States allocated approximately 27% of the net utility plant balance to Texas generation, approximately 12% to Texas distribution, approximately 6% to Texas transmission, approximately 7% to Louisiana transmission, and less than 1% to Texas retail. Applying these percentages to Entergy Gulf States' December 31, 2001 net utility plant book value of $4.3 billion, for illustrative purposes only, results in net book values of approximately $1.2 billion for Texas generation, approximately $520 million for Texas distribution, approximately $260 million for Texas transmission, approximately $300 million for Louisiana transmission, approximately $20 million for Texas retail, and approximately $2.0 billion for the remainder of Entergy Gulf States-Louisiana. The actual allocations could materially differ from these figures because of a number of factors, including changes to the plan and the allocation methodology. In addition, the actual allocations will be based on allocation factors and account balances as of a different date.

The business separation plan provides that Entergy Gulf States-Louisiana will retain liability for all of its long-term debt and liabilities and that the property transferred to the Texas companies will be released from the lien of Entergy Gulf States' mortgage on the basis of property additions. Pursuant to separate agreements, the Texas distribution company and the intermediate transmission company will each assume a portion of Entergy Gulf States' long-term debt and liabilities, which assumptions will not act to release Entergy Gulf States-Louisiana's liability. The Texas distribution company and the intermediate transmission company will undertake to pay the outstanding assumed long-term debt and liabilities within 1 year and 3 years, respectively, of the assumption. Entergy must provide a contingent indemnity with respect to the intermediate transmission company's assumed portion of Entergy

Gulf States' long-term debt and liabilities in the event that the obligations under the debt assumption agreement have not been extinguished within one year of the assumption. The Texas generation company will be required to pay an allocated portion of the outstanding principal amount of Entergy Gulf States' long-term debt and liabilities each time that Texas generating assets are transferred to it, and the transfers must be completed within 3 years of the commencement of retail open access.

After the transfer of the Texas distribution and transmission assets contemplated by the current business separation plan, the distribution and transmission businesses conducted by the Texas distribution company and the intermediate transmission company, respectively, will continue to be regulated as to rates by the PUCT and the FERC, respectively. Accordingly, management believes that the Texas distribution company and the intermediate transmission company will be able to fund the payment of the assumed debt within the required period from a combination of cash flow from operations and third party financing.

Entergy Gulf States filed the business separation plan with the PUCT in January 2000 and amended that plan in June and November 2000 and January 2001. In July 2000, the PUCT approved the amended business separation plan in an interim order. In January 2001, the PUCT consolidated remaining action on the business separation plan into the unbundled cost of service proceeding discussed below. In December 2001, the PUCT abated the proceeding and indicated it will consider a final order in a timely manner consistent with the settlement agreement delaying retail open access. The outcome of the LPSC proceedings described below, which have resulted in amendments to the plan beyond what was approved by the PUCT, have been and will continue to be reported to the PUCT and the Office of Public Utility Counsel and may require additional PUCT action before the business separation plan is final.

The LPSC opened a docket to identify the changes in corporate structure and operations of Entergy Gulf States, and their potential impact on Louisiana retail ratepayers, resulting from restructuring in Texas and Arkansas. In those proceedings, Entergy Gulf States and the LPSC staff reached a settlement on certain Texas business separation plan issues described above, and after a May 2001 hearing, the LPSC issued an interim order in July 2001 approving the settlement. In July 2001, Entergy Gulf States and the LPSC staff completed an additional settlement on business separation plan issues relating to the separation of Texas distribution and transmission. A hearing on the distribution and transmission settlement has been held and the LPSC approved the settlement in September 2001. With respect to issues related to the separation of generation, the LPSC had scheduled a hearing in November 2001 to address settled issues. In light of the delay in the commencement of retail open access, the procedural schedule in the LPSC docket has been temporarily suspended to assess the impact of the PUCT approval of the settlement agreement delaying retail open access.

Generation-related Issues

Regarding the generation-related issues referred to in the preceding paragraph, Entergy Gulf States has not yet reached agreement with the LPSC staff on certain matters related to the separation of the Texas generating assets. Entergy Gulf States has proposed that Texas generating assets be a jurisdictional portion (approximately 45 - 50%) of each generating plant and that Entergy Gulf States-Louisiana continue to operate the plants. Entergy Gulf States has also suggested that certain generating assets be allocated by specific plant such that the Texas generating assets have approximately the Texas jurisdictional portion of the capacity and value of all of Entergy Gulf States' generating assets.

Until the Texas generating assets are transferred to the Texas generation company, which, as currently proposed, will occur within three years from the commencement of retail open access in Texas, Entergy Gulf States-Louisiana expects to sell most of the Texas jurisdictional capacity and energy from these assets to the Texas generation company under a power sale agreement. The power sale agreement is expected to require the Texas generation company to pay all costs, including a reasonable return on equity, for the capacity and energy of the Texas generating assets. The Texas generation company is expected to sell most of this capacity and energy to Entergy's affiliated Texas retail electric providers at a negotiated rate and sell any remainder to the market. Entergy's affiliated Texas retail electric providers will use the capacity and energy to provide retail electric service to retail customers in Texas, including Entergy's price-to-beat obligation, which requires it to sell electricity to residential and small commercial customers in the service territory of the Texas distribution company at a rate equal to the existing base rates plus a fuel component.

Up to 20% of capacity and energy from the Texas generating assets must be sold to third parties under PUCT rules, or to Entergy's domestic utility companies that elect to purchase it, as described below:

- Under the Texas restructuring legislation and a stipulation, Entergy Gulf States offered to sell at auction entitlements to approximately 15% (approximately 425MW) of its Texas-jurisdictional installed generation capacity. Auctions occurred in September 2001, but because of the delay in retail open access, Entergy has unwound the auction transactions, and no liability exists for them. Additional capacity auctions are suspended until at least 60 days prior to the introduction of retail open access. The obligation to auction capacity entitlements continues for up to 60 months after retail open access occurs, or until 40% of current customers have chosen an alternative supplier, whichever comes first.
- Under the settlement of proceedings affecting the System Agreement, which are described below in "Rate Matters, Regulation, and Litigation - Rate Matters – Wholesale Rate Matters – System Agreement," Entergy's domestic utility companies have the option to purchase up to 5% of the megawatt capacity of the Texas generating assets. Each company has until March 15, 2002 to elect to purchase its pro rata share of the 5% of capacity. If the capacity purchase is elected, it will be for the period from the inception of retail open access in Texas for Entergy Gulf States through June 2008.

Beginning on the date retail open access begins, the market power measures in the Texas restructuring law will prohibit the Texas generation company and its affiliates from owning and controlling more than 20% of the installed generation capacity located in, or capable of delivering electricity to, a power region. The implications of this limit are uncertain. It is possible that the Texas generation company (or its affiliates) could be required to auction additional capacity entitlements, divest some of the Texas generating assets, or seek other means of mitigation if it is found to have ownership and control in excess of this limit.

Other PUCT Proceedings

In March 2001, Entergy Gulf States filed with the PUCT a non-unanimous settlement agreement in the unbundled cost proceeding that establishes the Texas distribution company's revenue requirement. The settlement agreement is between Entergy Gulf States, the PUCT staff, and other parties. Pursuant to a generic order by the PUCT, the Texas distribution company's allowed return on equity will be 11.25%. The capital structure prescribed by the PUCT is 60% debt and 40% equity. A rider to recover nuclear decommissioning costs will be implemented. Also in the settlement agreement, the parties agreed that Entergy Gulf States' Texas-jurisdictional stranded costs and benefits are $0, and no charge to recover stranded costs or credit to refund excess mitigation will be implemented. Entergy Gulf States agreed in the settlement to refund any excess earnings resulting from the restructuring law's annual report process for 2000 and 2001, which management does not expect to have a material financial effect. After a hearing in April 2001, the PUCT voted to approve a rate order consistent with the terms of the settlement. A written interim order was signed in May 2001. In December 2001, the PUCT abated the proceeding and indicated its intent to defer a final ruling on this proceeding until a date closer to the commencement of retail open access.

In June 2001, Entergy filed an application with the PUCT seeking certification of the Southwest Power Pool (SPP) as a power region under the Texas restructuring law. The proceeding has been abated, however, due to FERC's order on the establishment of RTOs, discussed in "Rate Matters, Regulation, and Litigation - Rate Matters – Wholesale Rate Matters – Open Access Transmission and Entergy's Independent Transmission Company Proposal,". In addition, the settlement that has delayed the commencement of retail open access requires a new power region certification proceeding. If Entergy Gulf States' power region in Texas is not certified by the PUCT before retail open access is introduced, Entergy's affiliated Texas retail electric provider could be required to maintain rates at the price-to-beat levels for residential and small commercial customers in Entergy Gulf States' service territory beyond January 1, 2007. Entergy's affiliated Texas retail electric provider could also be required to offer rates to industrial and large commercial customers in Entergy Gulf States' service territory that are no higher than the rates that, on a bundled basis, were in effect on January 1, 1999, subject to fuel factor adjustments. Entergy's affiliated Texas retail electric provider might also face requests for restrictions on its ability to compete for retail customers in parts of its power region in Texas outside of its current service area.

In July 2001, Entergy Gulf States filed an application for approval of the fuel factor portion of Entergy's affiliated Texas retail electric provider's price-to-beat rates, and the gas prices included in that filing were updated in October 2001. After the gas price update, Entergy Gulf States recommended that the PUCT approve an average fuel factor of approximately $29/MWH adjusted, if necessary, to maintain an adequate competitive margin. The request proceeded to hearing in early October 2001, and an ALJ made a recommendation in November 2001 that would result in a lower fuel factor than Entergy Gulf States requested. The PUCT has requested additional data and has remanded this matter to the State Office of Administrative Hearings for additional findings. In June 2001, Entergy Gulf States filed tariffs for the non-fuel component of the price-to-beat rates. The tariffs are based on Entergy Gulf States' current base rates. In September 2001, Entergy Gulf States entered into a unanimous settlement regarding the non-fuel component of price-to-beat rates. In February 2002, the PUCT voted to approve the settlement.

The PUCT has designated an Entergy-affiliated Texas retail electric provider to serve as the provider of last resort (POLR) for residential and small non-residential customers in the service territory of Southwestern Electric Power Company (SWEPCO), and for large non-residential customers in Entergy Gulf States' Texas service territory. Retail open access has been delayed in SWEPCO's service territory and it is likely Entergy's contract to provide POLR services will expire before retail open access begins there. Another designation of a POLR in that territory will be necessary if retail open access is implemented there. The Office of Public Utility Counsel (OPC) has filed a lawsuit in state court seeking a declaratory judgment that the PUCT did not use proper procedures to designate POLRs and that the POLR contracts are void. Neither the timing nor the outcome of this proceeding can be predicted at this time. The PUCT initiated a proceeding to designate SWEPCO's affiliated retail electric provider as the POLR for the residential and small non-residential customers in Entergy Gulf States' Texas service territory. Because of the delay in retail open access in SWEPCO's service area until at least September 15, 2002, the PUCT decided to dismiss only the portion of the proceeding that addressed designation of SWEPCO's affiliated retail electric provider to serve as POLR in Entergy Gulf States' Texas service area; the PUCT continued other portions of the proceeding. A retail electric provider will have to be designated to serve as the POLR when retail open access does begin in Entergy Gulf States' Texas service territory. At that time, it is also possible that an Entergy-affiliated Texas retail electric provider will be designated to serve as the POLR for residential and small non-residential customers at the price-to-beat rate in Entergy Gulf States' service territory. Neither the timing nor the outcome of these proceedings can be predicted at this time.

CAPITAL REQUIREMENTS AND FUTURE FINANCING

Management discusses Entergy's construction and other capital investment 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 to the financial statements 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, REGULATION, AND LITIGATION

Rate Matters

The retail rates of Entergy's domestic utility companies are regulated by state or local regulatory authorities, as described below. FERC regulates 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 July 2001, the rate increase proceeding became final, with FERC approving a prospective 10.94% return on equity, which is less than System Energy sought. FERC's decision also affected other aspects of System Energy's charges to the domestic utility companies that it supplies with power. In 1998, FERC approved requests by Entergy Arkansas and Entergy Mississippi to accelerate a portion of their Grand Gulf purchased power obligations. Entergy Arkansas' acceleration of Grand Gulf purchased power obligations ceased effective July 2001, as approved by FERC. 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 proposed introduction of retail competition in Texas and Arkansas. In June 2000, the domestic utility companies filed proposed amendments to the System Agreement with FERC to facilitate the proposed implementation of retail competition in Arkansas and Texas and to provide for continued equalization of costs among the domestic utility companies in Louisiana and Mississippi. 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. In June 2001, in connection with these proceedings, the parties filed an offer of settlement with FERC. The offer of settlement provides for the following amendments to the System Agreement:

- the Texas retail jurisdictional division of Entergy Gulf States will terminate its participation in the System Agreement, except for the aspects related to transmission equalization, when Texas implements retail open access for Entergy Gulf States;
- five percent of Entergy Gulf States' megawatt capacity allocated to the Texas retail load by the LPSC will be made available to the domestic utility companies remaining under the System Agreement. Each company has until March 15, 2002 to elect to purchase its pro rata share of this capacity. Entergy Arkansas' pro rata share is 27.3%, Entergy Gulf States - Louisiana's pro rata share is 20.2%, Entergy Louisiana's pro rata share is 30.2%, Entergy Mississippi's pro rata share is 15.9%, and Entergy New Orleans' pro rata share is 6.4%. If a company elects to purchase capacity it will be for the period from the inception of retail open access in Texas for Entergy Gulf States through June 30, 2008. If a company elects not to purchase, the other companies are not entitled to purchase that company's share of the capacity; and
- the service schedule developed to track changes in energy costs resulting from the Entergy-Gulf States Utilities merger is modified to include one final true-up of fuel costs when the Texas retail jurisdictional division of Entergy Gulf States ceases participation in the System Agreement, after which the service schedule will no longer be applicable for any purpose.

As anticipated by the offer of settlement, the LPSC and the Council commenced a new proceeding at FERC in June 2001. In this proceeding, the LPSC and the Council allege that the rough production cost equalization required by FERC under the System Agreement and the Unit Power Sales Agreement has been disrupted by changed circumstances. The LPSC and the Council have requested that FERC amend the System Agreement or the Unit Power Sales Agreement or both to achieve full production cost equalization or to restore rough production cost equalization. Their complaint does not seek a change in the total amount of the costs allocated by either the System Agreement or the Unit Power Sales Agreement. In addition the LPSC and the Council allege that provisions of the System Agreement relating to minimum run and must run units, the methodology of billing versus dispatch, and the use of a rolling twelve month average of system peaks, increase costs paid by ratepayers in the LPSC and Council's jurisdictions. Several parties have filed interventions in the proceeding, including the APSC and the MPSC. Entergy filed its response to the complaint in July 2001 denying the allegations of the LPSC and the Council. The APSC and the MPSC also filed responses opposing the relief sought by the LPSC and the Council.

In their complaint, the LPSC and the Council allege that the domestic utility companies' annual production costs over the period 2002 to 2007 will be over or (under) the average for the domestic utility companies by the following amounts:

Entergy Arkansas	(\$130) to (\$278) million
Entergy Gulf States – Louisiana	\$11 to \$87 million
Entergy Louisiana	\$139 to \$132 million
Entergy Mississippi	(\$27) to \$13 million
Entergy New Orleans	\$7 to \$46 million

This range of results is a function of assumptions regarding such things as future natural gas prices, the future market price of electricity, and other factors. In February 2002, the FERC set the matter for hearing and established a refund effective period consisting of the 15 months following September 13, 2001. Although FERC set the matter for hearing, it held the hearing in abeyance to allow the parties to negotiate. A settlement judge was appointed, and the judge is ordered to issue a status report within 60 days. If FERC grants the relief requested by the LPSC and the Council, the relief may result in a material increase in production costs allocated to companies whose costs currently are projected to be less than the average and a material decrease in production costs allocated to companies whose costs currently are projected to exceed the average. Management believes that any changes in the allocation of production costs resulting from a FERC decision should result in similar rate changes for retail customers. Therefore, management does not believe that this proceeding will have a material effect on the financial condition of any of the domestic utility companies, although neither the timing nor the outcome of the proceedings at FERC can be predicted at this time.

The LPSC has instituted a companion ex parte System Agreement investigation to litigate several of the System Agreement issues that the LPSC is litigating before the FERC in the previously discussed System Agreement proceeding. This companion proceeding will require the LPSC to interpret various provisions of the System Agreement, including those relating to minimum run and must run units, the propriety of the methods used for billing and dispatch on the Entergy System, and the use of a rolling, twelve-month average of system peaks for allocating certain costs. In addition, by this companion proceeding the LPSC is questioning whether Entergy Louisiana and Entergy Gulf States were prudent for not seeking changes to the System Agreement previously, so as to lower costs imposed upon their ratepayers and to increase costs imposed upon ratepayers of other domestic utility companies. The domestic utility companies have challenged the propriety of the LPSC litigating System Agreement issues. Nevertheless, on January 16, 2002 the LPSC affirmed a decision of its ALJ upholding the LPSC staff's right to litigate System Agreement issues at the LPSC, rather than before the FERC. These System Agreement issues are to be litigated before the LPSC commencing in August 2002.

Open Access Transmission and Entergy's Independent Transmission Company Proposal (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 RTOs on a voluntary basis. Order 2000 initially required that RTOs commence independent operations no later than December 15, 2001.

In compliance with Order 2000, Entergy made a filing with FERC that requested authorization to establish an independent transmission company ("ITC") that would operate within and under the oversight of the proposed Southwest Power Pool RTO. Entergy also requested authorization to transfer the domestic utility companies' transmission assets to the ITC. 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 "**Property, Plant, and Equipment**."

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

- be regulated by FERC;
- own and operate (under the oversight of the RTO) the transmission system transferred to it by the domestic utility companies and other transmission owners in Entergy's current service territory region;
- be operated and maintained by employees who would work for the ITC and who would not have any financial interest in Entergy or the domestic utility companies; and
- be passively owned by the domestic utility companies and other member companies who transfer assets to the ITC.

In March 2001, Entergy, Entergy Services, and the domestic utility companies requested SEC approval under PUHCA of certain elements of the ITC plan. The domestic utility companies have also made filings with their local regulators seeking authorization to implement the ITC plan.

In July 2001, the FERC issued an order rejecting the Entergy and SPP proposed RTO on the grounds that it was not large enough to satisfy Order 2000's scope and configuration requirements. At the same time, the FERC indicated that it envisioned the establishment of four RTOs in the United States, one each for the Northeast, Southeast, Midwest, and West. FERC further required utilities within the Northeast and Southeast, including Entergy, to participate in mediation proceedings for the purpose of facilitating the establishment of these regional RTOs. While no consensus was reached during the mediation, following the mediation Entergy continued discussions with the Southern Company and certain municipal and cooperative systems within the Southeast to attempt to develop an RTO proposal. On November 20, 2001, Entergy, the Southern Company, and a number of public power entities filed a proposal with the FERC to establish an RTO for the Southeast referred to as SeTrans. The filing outlined the governance and scope elements of the proposed RTO. The SeTrans sponsors have initiated the process to identify an entity to operate as the RTO and intend to make a more detailed filing with FERC by May 15, 2002. ITC proceedings with state and local regulators have been suspended for the domestic utility companies pending further development of the RTO proposal.

In November 2001, FERC issued an order that established a new generation market power screen for purposes of evaluating a utility's request for market-based rate authority, applied that new screen to the Entergy System (among others), determined that Entergy and the others failed the screen within their respective control areas, and ordered these utilities to implement certain mitigation measures as a condition to their continued ability to buy and sell at market-based rates. Among other things, the mitigation measures would require that Entergy transact at cost-based rates when it is buying or selling in the hourly wholesale market within its control area. Entergy requested rehearing of the order, and FERC has delayed the implementation of certain mitigation measures until such time as it has had the opportunity to consider the rehearing request. FERC announced it will convene a technical conference prior to issuing a rehearing order.

In September 2001, the LPSC ordered Entergy Gulf States and Entergy Louisiana to show cause as to why these companies should not be enjoined from transferring their transmission assets to an ITC or any similar organization, asserting that FERC does not have jurisdiction to mandate an ITC or RTO. In October 2001, Entergy Gulf States and Entergy Louisiana filed a response to the LPSC's show cause directives. The ultimate outcome of this proceeding cannot be predicted at this time.

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, Entergy New Orleans, 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 was completed in September 2001.

The retail regulatory philosophy has shifted in some jurisdictions from traditional, 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, but Entergy Louisiana's performance-based formula rate plan expired in 2001.

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 cost, which is currently less than Entergy Arkansas' cost 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 prior year energy costs and projected energy sales 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 base rates will remain the same until the next general rate proceeding. 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 retail rate 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. Entergy Gulf States' post-merger annual earnings review requirement ceased after the 2001 filing. Entergy plans to propose a statewide formula rate plan in Louisiana, which would include Entergy Gulf States.

Texas Jurisdiction - River Bend Costs

In March 1998, the PUCT issued an order disallowing recovery of $1.4 billion of company-wide 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 carrying value of the plant asset in 1999. Entergy Gulf States agreed not to prosecute its appeal before January 1, 2002 and agreed to cap the recovery of Entergy Gulf States' River Bend abeyed investment at $115 million net plant in service, less depreciation. Entergy Gulf States is now prosecuting its appeal, and argument on the appeal is scheduled for March 22, 2002. 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. Entergy Gulf States will continue to use this methodology until retail open access begins in Texas. To the extent actual costs vary from the fixed fuel factor, refunds or surcharges are required or permitted. The amounts collected under the fixed fuel factor through the start of retail open access are subject to fuel reconciliation proceedings before the PUCT. At the start of retail open access for Entergy Gulf States in Texas, which will be no sooner than September 15, 2002, fuel and purchased power cost recovery will be subject to the fuel component of the price-to-beat rates approved by the PUCT, as discussed in more detail above under "Industry Restructuring and Competition – Texas - Other PUCT Proceedings."

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.

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 has filed 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 actual ROE is outside an allowed range of the benchmark ROE. The performance-based formula rate plan ended in 2001 after the filing for the 2000 test year. Entergy Louisiana's performance-based formula rate plan filings are discussed in Note 2 to the financial statements. Several parties, including Entergy Louisiana, are currently working with the LPSC staff to develop a proposal for a statewide formula rate plan.

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 2000 test year is discussed in Note 2 to the financial statements. The formula rate plan filing for the 2001 test year will be submitted in March 2002.

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 is utilizing 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.

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.

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, which it continues to support, but the U.S. Congress has not passed legislation pursuant to this report.

Federal Power Act

The domestic utility companies, System Energy, and Entergy Power 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 Energy Center, 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, including security costs, 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. After twenty years of study, the DOE, in February 2002, formally recommended, and President Bush approved, Yucca Mountain, Nevada as the permanent spent fuel repository. The State of Nevada may veto the site subject to override by simple majority of both houses of Congress. If Yucca Mountain is sustained as the repository site, DOE will proceed with the licensing and eventual construction of the repository and may begin receipt of spent fuel as early as approximately 2010. Otherwise, DOE may not accept spent fuel for a significantly longer period of time. As a result, future expenditures will 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 Energy Center 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. Entergy Arkansas will not recover decommissioning costs in 2002 for ANO 1 and 2 based on the extension of the ANO 1 license and the assumption that the ANO 2 license will be extended and that the existing decommissioning trust funds, together with their expected future earnings, will meet the estimated decommissioning costs. In conjunction with the Pilgrim acquisition, Entergy received Pilgrim's decommissioning trust fund. 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. As part of the Indian Point 1 and 2 purchase, Consolidated Edison transferred the decommissioning trust fund and the liability to decommission Indian Point 1 and 2 to Entergy. Entergy also funded an additional $25 million to the decommissioning trust fund and believes that the trust will be adequate to cover future decommissioning costs for Indian Point 1 and 2 without any additional deposits to the trust. Additional information with respect to decommissioning costs for ANO, River heads and replacement of the steam generators is anticipated in 2002. If permanent replacement is selected, fabrication for a reactor vessel head and steam generators may take up to four 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 April 2002, to permit implementation of the uprate following ANO 2's next scheduled refueling outage.

In June 2001, Entergy Arkansas received notification from the NRC of approval for a renewed operating license authorizing operations at ANO 1 through May 2034.

Domestic Non-Utility Nuclear (Entergy Corporation)

In November 2001, a nonprofit organization, joined by federal and New York state and local officials and other organizations, filed a petition with the NRC alleging that the Indian Point 2 and 3 nuclear power plants were vulnerable to terrorist attack and seeking an immediate shutdown of the plants. Entergy believes the petitioners' requests are without merit and is vigorously contesting the petitioners' allegations. A procedural schedule has not been set by the NRC. Management cannot predict the timing of the NRC's consideration, if any, of this matter.

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 may be 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;

Bend, Waterford 3, Grand Gulf 1, Pilgrim, Indian Point 1, Indian Point 2, 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. At December 31, 2001, five years of assessments remain. 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 Energy Center, and FitzPatrick.

ANO Matters (Entergy Corporation and Entergy Arkansas)

In August 2001, the NRC issued a bulletin requesting all pressurized water reactor owners and operators to report on the structural integrity of their reactor vessel head penetration nozzles to justify continued operations past December 31, 2001. These types of reactors are susceptible to water stress corrosion cracking of the reactor vessel head nozzles. ANO 1 and 2 are pressurized water reactors. In March 2001, an inspection of ANO 1 revealed one leaking control rod drive mechanism nozzle, which was subsequently repaired. An inspection at ANO 2 is scheduled during the next refueling outage in April 2002. Entergy Arkansas has received favorable responses from the NRC for continued operations of ANO 1 and 2.

Inspections of the ANO 1 steam generators during planned outages also have revealed cracks in certain steam generator tubes, which have been repaired or plugged. The current number of cracks is below the limit authorized by the NRC to allow the unit to remain in operation and has not affected ANO 1's output to date. Using current projections of steam generator tube plugging, the current best estimate is that replacement of the ANO Unit 1 steam generators will be required by 2013. Entergy Operations currently does not expect ANO Unit 1 to have to conduct mid-cycle outages for steam generator inspection before 2005. ANO 2's steam generator was replaced during a refueling outage in the second half of 2000.

Entergy Operations is in the process of gathering information and assessing various options for the permanent repair or replacement of ANO 1 and 2's reactor vessel heads and the replacement of ANO 1's steam generators. Certain of these options could, in the future, require significant capital expenditures and/or result in additional unscheduled mid-cycle outages. A decision as to the permanent repair or replacement of the reactor vessel

- 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 no sooner than September 15, 2002.

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 electric service in Algiers, which is provided 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 was filed in a committee of the Council in January 2001. The committee has deferred consideration of and has taken no further action regarding that resolution. 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 four 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 non-attainment area program for control of NO_x and volatile organic compounds;
- a hazardous air pollutant emissions reduction program; and
- an operating permits program for administration and enforcement of these and other Act programs.

Under the current acid rain program, Entergy's subsidiaries have not required 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 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. Entergy is a net buyer of allowances when it generates power using fuel oil.

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. To date, the cost of additional control equipment necessary to maintain this compliance is immaterial. In April and December 2000, Texas authorities adopted future control strategies for the Beaumont and Houston areas, respectively. These strategies adopted by the State of Texas will cause Entergy Gulf States to incur additional costs for NO_x controls 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 final strategies approved by the EPA. Entergy currently estimates compliance costs to be \$22 to \$39 million in the Beaumont area and approximately \$15 million in the Houston area. Entergy believes the future control strategies in the ozone non-attainment regulations require emission limits that are more restrictive than those 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. As part of its control efforts, Entergy Gulf States is expected to incur costs through 2003 to meet the standards in the restructuring legislation.

The State of Louisiana is considering future emission control strategies to address continued ozone non-attainment status of areas in and around Baton Rouge, Louisiana. In November 2001, the LDEQ issued a draft rule for control of NO_x as part of the State Implementation Plan (SIP) to bring this area into attainment with the National Ambient Air Quality standards for ozone by May 2005. The draft contains certain provisions that would lead to installation of new NO_x control equipment at Entergy Gulf States generating units. Preliminary analyses indicate compliance costs may be as much as $72 million in new capital spending. Most of the related expenditures would take place in 2003 and 2004. The final rule is expected to be in place by March 2002. Cost estimates will be refined as engineering studies progress before and after promulgation of the final NO_x rule and approval of the SIP by the EPA. Entergy Gulf States will be required to obtain revised operating permits from the LDEQ and meet new, lower emission limits for NO_x. Entergy Gulf States expects to file before October 2002 revised permit applications containing its detailed compliance strategy. In late August 2001, however, a federal magistrate issued a report recommending that the EPA be ordered to make a determination regarding the ozone non-attainment status and any reclassification of the area required as a result of the determination. The recommendation might result in an upgrade from the current status of "serious" to "severe" non-attainment classification for the Baton Rouge area. If this occurs, LDEQ ozone SIP rulemakings could be affected, especially in terms of scheduling. The specific impact of the magistrate's recommendation on Entergy Gulf States will remain unclear until the EPA responds to the magistrate's report.

Oil Pollution Prevention and Response

The EPA has issued a proposed rule on oil pollution prevention and response. This rule could affect Entergy's operations 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. Nevertheless, there is the possibility that the rule could be issued in a form that would require Entergy to develop site-specific oil spill prevention control and countermeasure plans for the facilities subject to the 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 mid-2002.

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 clean-up, 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 clean-ups 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 ADEQ in which it agreed to conduct initial stabilization associated with contamination at the Utilities Services, Inc. state Superfund site located near Rison, Arkansas. This site was never owned or 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 clean-up of the site. Entergy Arkansas believes that its ultimate responsibility for this site will not materially exceed its existing clean-up 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, 2001, Entergy Arkansas had incurred approximately $400,000 of clean-up costs at the site.

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 Entergy Gulf States 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 its existing clean-up provision of $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 $15.1 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 2002. Entergy does not expect that its ultimate financial responsibility with respect to this site will be material. The amount of its existing provision for clean-up is $191,000.

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 review, a notification was made to the LDEQ. The final phase of groundwater clean up and monitoring at Louisiana Station is expected to continue through 2003. The remediation cost incurred through December 31, 2001 for this site was $6.3 million. Future costs are not expected to exceed the existing provision of $1.2 million.

Entergy New Orleans

Entergy New Orleans built 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 was submitted in the first quarter of 2001. The cost of this remediation was approximately $1 million. Entergy is awaiting final written LDEQ approval. No further environmental activity is anticipated.

Entergy Louisiana and Entergy New Orleans

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

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 environmental assessments are now being performed to determine what remediation may be necessary. Based on preliminary findings, an expected clean-up cost of $750,000 has been accrued for this project.

From 1992 to 1994, Entergy Louisiana performed 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 2002. The cost incurred through December 31, 2001 for the Thibodaux site was approximately $657,000. Future costs are not expected to exceed the remaining provision of $174,000 at December 31, 2001. The LDEQ is currently reviewing a groundwater assessment completed in 2001. Results of the review will determine what additional remediation remains to be completed.

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 remediate and repair 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, recorded liabilities in the amounts of $5.8 million for Entergy Louisiana and $0.5 million for Entergy New Orleans existed at December 31, 2001 for wastewater remediation and repairs 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

The APSC, Arkansas Cities and Cooperatives, Arkansas Electric Energy Consumers, the MPSC, and the State of Mississippi appealed to the D.C. Circuit the FERC's approval of the merger of Entergy Corporation and Gulf States Utilities. Entergy and the LPSC intervened in support of the FERC. The appellants seek to overturn the FERC's decision on two broad grounds: first, whether the FERC's approval of the addition of Gulf States produced an unjust and discriminatory rate in violation of Federal Power Act section 205; and second, whether the FERC's approval of the merger without conducting an evidentiary hearing on the effect of the merger on wholesale generation violated Federal Power Act section 203. The D.C. Circuit scheduled oral argument for April 2002. 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, Entergy Louisiana, and Entergy New Orleans)

Numerous lawsuits have been filed in federal and state courts in Texas and Louisiana primarily by contractor employees in the 1950-1980 timeframe against Entergy Gulf States, Entergy Louisiana and Entergy New Orleans, as premises owners of power plants, for damages caused by alleged exposure to asbestos or other hazardous material. Many other defendants are named in these lawsuits as well. Since 1992, the Entergy companies have resolved over 3 thousand claims for nominal amounts that in the aggregate total less that $13 million, including defense costs. Some of this loss has been offset by reimbursement from insurers. Presently there are over 3 thousand claims pending and reserves have been established that should be adequate to cover any exposure. Additionally, negotiations continue with insurers to recover more reimbursement, while new coverage is being secured to minimize anticipated future potential exposures. Management believes that loss exposure has been and will continue to be handled successfully so that the ultimate resolution of these matters will not be material, in the aggregate, to its financial position or results of operation.

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

Vidalia Project Sub-Docket

Marathon Oil Company and Louisiana Energy Users Group, intervenors in another proceeding that has since been settled, 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 discussion 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 late April and early May 2001, the LPSC conducted hearings addressing these issues, except for the issue of the appropriate regulatory treatment of the Vidalia contract in the event the LPSC approves implementation of retail competition. With regard to that issue, the parties entered a joint stipulation that the issue more appropriately would be considered in a separate, existing docket specifically devoted to stranded-cost-related issues.

With regard to the other issues, Entergy Louisiana asserted at the hearings that it has prudently managed the Vidalia contract and that, through final orders issued in 1985 and 1990, the LPSC itself previously has recognized Entergy Louisiana's prudence by formally and expressly approving the Vidalia contract and the recovery through the fuel adjustment clause of all amounts paid by Entergy Louisiana pursuant to the FERC-filed rate. The LPSC staff alleged at the hearings that the Vidalia project owners' July 30, 1990 request that the LPSC clarify the LPSC's 1985 order (approving the Entergy Louisiana/Vidalia project purchase power agreement) and approve a sale and leaseback of the project, presented Entergy Louisiana with an approximately three-week "window of opportunity" (prior to the LPSC's issuance of the 1990 order) during which Entergy Louisiana could have used its purported leverage either: (1) to attempt to restructure the FERC-filed rate schedule contained in the Vidalia contract; or (2) to attempt to secure a concession from the Vidalia project owners whereby, at a minimum, the owners would share with Entergy Louisiana ratepayers some portion of what the LPSC staff quantifies as approximately $90 million of tax benefits. The LPSC staff and intervenors further alleged at the hearings that Entergy Louisiana was imprudent for not preparing and presenting to the LPSC during the August 1990 hearings on the Vidalia project owners' motion for clarification, an updated life cycle economic analysis showing that, as of August 1990, the Vidalia contract appeared to have become uneconomic due to the significant drop in projected avoided costs precipitated by, among other things, the legislative repeal of the Fuel Use Act of 1978 and the steep decline in oil and gas prices in the mid- to late-1980s. Additionally, Marathon Oil Company and the Sewerage and Water Board of New Orleans alleged at the hearings that the Vidalia project owners had incurred construction cost overruns and escalating operating costs, and had paid excessive royalties to the Town of Vidalia, and that these costs were imprudent and should be disallowed, in whole or in part. However, these intervenors recommended that, although Entergy Louisiana ratepayers should reap the benefits of any such disallowances, the Town of Vidalia and the Vidalia project owners, and not Entergy Louisiana, should bear the cost of any such disallowances.

The LPSC staff has proposed several alternative and non-mutually-exclusive remedies, including without limitation: reducing prospectively some portion of the above market Vidalia contract costs that Entergy Louisiana is allowed to recover through the fuel adjustment clause; shifting prudently incurred costs to base rates and disallowing imprudently-incurred costs; imposing a rate of return performance penalty for some appropriate period of time; and disallowing as part of fuel cost recovery some portion of the purported tax savings and other benefits associated with the 1990 clarification motion, plus interest since 1990. The LPSC staff has recommended that the ALJ who presided over the hearings make a recommendation to the LPSC with regard to the prudence and jurisdictional issues and certify the question of remedies to the LPSC. The post-hearing briefing to the ALJ was completed in November 2001. The parties await the ALJ's recommendations.

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 attorneys' 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 plaintiffs' 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. Testimony was filed on behalf of the plaintiffs in this proceeding in April 2000 and has been supplemented. The testimony, as supplemented, asserts, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices and included costs in Entergy New Orleans' fuel adjustment that could have resulted in New Orleans customers being overcharged by more than $100 million over a period of years. In June 2001, the Council's Advisors filed testimony on these issues in which they allege that Entergy New Orleans ratepayers may have been overcharged by more than $32 million, the vast majority of which is reflected in the plaintiffs' claim. However, it is not clear precisely what periods and damages are being alleged in the proceeding. Entergy intends to defend this matter vigorously, both in court and before the Council. Hearings began in February 2002. The ultimate outcome of the lawsuit and the Council proceeding cannot be predicted at this time.

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. The plaintiffs and the advisors for the Council each filed their first round of testimony in January 2002. In their testimony, the plaintiffs allege that Entergy New Orleans earned in excess of the legally authorized rate of return during the period 1979 to 2000 and that Entergy New Orleans should be required to refund between $240 million and $825 million to its ratepayers. In the testimony submitted by the Council advisors, the advisors allege that Entergy New Orleans has not earned in excess of its authorized rate of return for the period at issue and that no refund is therefore warranted. A hearing is scheduled to begin in June 2002. Management cannot predict the outcome of the proceeding before the Council.

Entergy Gulf States Merger Savings Lawsuit

In February 2002, various plaintiffs, who claim to be customers of Entergy Gulf States in Texas and further claim to be class representatives for all other similarly situated customers, filed a lawsuit against Entergy Gulf States and Entergy Corporation in the district court of Jefferson County, Texas. The petition alleges that Entergy Corporation and Entergy Gulf States violated the 1993 agreement entered by parties to the Entergy-Gulf States Utilities merger docket in Texas by failing to pass 100% of Texas retail non-fuel merger-related savings to Entergy Gulf States' ratepayers in Texas beginning on January 1, 2002. The petition alleges that the non-fuel merger-related savings accrue at a rate of about $2 million per month. The petition seeks damages, exemplary damages, and attorney's fees and costs, in addition to certification of the case as a class action. Entergy will vigorously contest the plaintiffs' allegations. Management cannot predict the outcome of this litigation at this time.

Entergy Louisiana Formula Ratemaking Plan Lawsuit

In May 1998, a group of ratepayers filed a complaint against Entergy Louisiana and the LPSC 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 plans to vigorously defend itself. This case has not been active, and abandonment issues are being evaluated. At this time, management cannot determine the amount of damages being sought.

July 1999 Power Outages Lawsuit (Entergy Gulf States, Entergy Louisiana, Entergy New Orleans)

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 similar proceedings before the LPSC and the City Council. All of these proceedings have been resolved by settlement for a nominal amount.

Street Lighting Lawsuit (Entergy New Orleans)

In February 2002, the City of New Orleans (City) filed a petition against Entergy New Orleans in state court in Orleans Parish, seeking declaratory relief, injunctive relief, an unspecified amount of monetary damages, and attorney and consulting fees and costs. The City's petition alleges that Entergy New Orleans has breached its obligations to the City related to the provision of street lighting. The City claims that Entergy New Orleans has not fulfilled all services required under the various street lighting contracts, has over-billed for some services, and has billed for services that were not authorized. Entergy New Orleans intends to defend this matter vigorously. The ultimate outcome of the lawsuit cannot be predicted at this time.

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 November 2002. At this time, management cannot determine the amount of damages being sought.

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

In 1998, a group of property owners filed a class action suit against Entergy Corporation, Entergy Gulf States, Entergy Services and ETHC in state court in Jefferson County, Texas purportedly on behalf of all property owners in each of the states 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 voluntarily dismissed, and the plaintiffs commenced a class action suit with the same claims in the United States District Court in Beaumont, Texas. Both sides have filed motions for summary judgment, which were heard by the court in late 2001. The magistrate's recommendation to the district judge found that two of the four types of easements did not allow Entergy to place its fiber on the property and the other two were ambiguous and required a jury determination. Subsequently, the district judge held oral arguments and has taken the motions under advisement. Entergy believes the easements did provide it the right to place the fiber optic cable. If the court or jury disagrees, Entergy 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. At this time, management cannot determine the specific amount of damages being sought.

In January 2002, a class action lawsuit asserting similar allegations to those alleged in the lawsuit filed in Texas was commenced in state court in Ascension Parish, Louisiana, against Entergy Louisiana, Entergy Services, ETHC, and Entergy Technology Company, purportedly on behalf of all similarly situated property owners in Louisiana. The plaintiffs seek injunctive and declaratory relief and an unspecified amount of damages. The defendants intend to vigorously defend the lawsuit. At this time, management cannot determine the specific 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. BP&L filed an updated business plan, pro formas, and direct testimony in response to the remand order. A hearing on the merits was held in November 2001 in which Entergy Gulf States and the PUCT staff argued that BP&L failed to demonstrate its requested certificate should be granted. The parties are awaiting the ALJ's proposal for decision.

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,				
	2001	2000	1999	1998	1997
Entergy Arkansas	3.29	3.01	2.08	2.63	2.54
Entergy Gulf States	2.36	2.60	2.18	1.40	1.42
Entergy Louisiana	2.76	3.33	3.48	3.18	2.74
Entergy Mississippi	2.14	2.33	2.44	3.12	2.98
Entergy New Orleans	(b)	2.66	3.00	2.65	2.70
System Energy	2.12	2.41	1.90	2.52	2.31

	Ratios of Earnings to Combined Fixed Charges and Preferred Dividends Years Ended December 31,				
	2001	2000	1999	1998	1997
Entergy Arkansas	2.99	2.70	1.80	2.28	2.24
Entergy Gulf States (a)	2.21	2.39	1.86	1.20	1.23
Entergy Louisiana	2.51	2.93	3.09	2.75	2.36
Entergy Mississippi	1.96	2.09	2.18	2.80	2.69
Entergy New Orleans (b)	(b)	2.43	2.74	2.41	2.44

(a) "Preferred Dividends" in the case of Entergy Gulf States also include dividends on preference stock, which was redeemed in July 2000.

(b) For Entergy New Orleans, earnings for the twelve months ended December 31, 2001 were not adequate to cover fixed charges and combined fixed charges and preferred dividends by $6.6 million and $9.5 million, respectively.

BUSINESS SEGMENTS AND PRODUCTS

Entergy Corporation

Entergy's business segments are discussed in Note 12 to the financial statements.

Entergy New Orleans and Entergy Gulf States

Entergy New Orleans and Entergy Gulf States provide two products within their utility operations, electric power and natural gas. For the year ended December 31, 2001, 98% of Entergy Gulf States' operating revenue was derived from the electric utility business, and only 2% from the natural gas distribution business. Following is data concerning Entergy New Orleans retail operating revenue sources and its customer data as of December 31, 2001:

	Electric Operating Revenue	Natural Gas Revenue
Residential	39%	55%
Commercial	38%	20%
Industrial	6%	11%
Governmental/Municipal	17%	14%
Number of Customers	189,000	148,000

Financial Information Relating to Products and Services

Revenues from Entergy New Orleans' and Entergy Gulf States' electric power and natural gas sales are presented in their respective income statements.

PROPERTY

Generating Stations

Domestic Utility 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, 2001, 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	4,637	2,704	1,782	83	68
Entergy Gulf States	6,560	5,580	980	-	-
Entergy Louisiana	5,286	4,181	1,093	12	-
Entergy Mississippi	2,922	2,917	-	5	-
Entergy New Orleans	967	956	-	11	-
System Energy	1,122	-	1,122	-	-
Total	21,494	16,338	4,977	111	68

(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 2001 peak demand of 20,257 MW occurred on August 21, 2001. 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 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 2002. In addition, to address this capacity shortage, the domestic utility companies are currently considering resource plans that could include building additional capacity, re-powering existing power plants, continuing to obtain purchased power, or a combination of those options. The domestic utility companies expect to present these resource plans in 2002 to their regulators. 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, REGULATION, AND LITIGATION** - Rate Matters - **Wholesale Rate Matters** - System Agreement," above.

Domestic Non-Utility Nuclear

The capacity of the operating nuclear generating stations owned by the domestic non-utility nuclear segment as of December 31, 2001 is indicated below:

Plant	Location	Owned Capacity MW (1)
Pilgrim	Plymouth, Massachusetts	670
FitzPatrick	Oswego, New York	825
Indian Point 2	Westchester County, New York	970
Indian Point 3	Westchester County, New York	980

(1) "Owned Capacity" refers to the nameplate rating on the generating unit.

In August 2001, Entergy's domestic non-utility nuclear segment agreed to purchase the 510 MW Vermont Yankee Nuclear Power Plant in Vernon, Vermont, from Vermont Yankee Nuclear Power Corporation for $180 million, to be paid in cash upon closing. Entergy will receive the plant, nuclear fuel, inventories, and related real estate. Management expects to close the transaction by the summer of 2002, pending the approvals of the NRC, the Public Service Board of Vermont, FERC, and other regulatory agencies.

Energy Commodity Services

The capacity of the generating stations owned in the energy commodity services segment as of December 31, 2001 is indicated below:

Plant	Location	Owned Capacity (1) MW	Owned Capacity (1) Type
	North America		
Ritchie Unit 2	Helena, Arkansas	544	Fossil
Independence Unit 2	Newark, Arkansas	121 (2)	Fossil
Warren Power	Vicksburg, Mississippi	300	Simple Cycle Gas Turbine
Top of Iowa	Worth County, Iowa	80	Wind
	Europe		
Damhead Creek	Kent, England	800	Combined-Cycle Gas Turbine

(1) "Owned Capacity" refers to the nameplate rating on the generating unit.

(2) The owned MW capacity is the portion of the plant capacity owned by Entergy. For a complete listing of Entergy's joint-owned generating stations, refer to "**Jointly-Owned Generating Stations**" in Note 1 to the financial statements.

Entergy's energy commodity services segment also has minority investments in companies owning the following generating stations in Latin America: Costanera, a 2000 MW fossil generation facility located in Buenos Aires, Argentina; Central Buenos Aires, a 220 MW combined-cycle gas turbine addition to the Costanera plant; San Isidro, a 375 MW combined-cycle gas turbine power plant located in Quillota, Chile; and Edegel, a 1000 MW hydroelectric and fossil generation facility located in Lima, Peru.

Entergy's energy commodity services segment is currently constructing the following projects. The Crete Project, a 320 MW simple cycle gas turbine merchant power plant in Crete, Illinois, is anticipated to be operational in June 2002. Entergy will own approximately 160 MW of the capacity of the Crete plant, with the remainder owned by DTE Energy. During 2000, construction began on the RS Cogen Project, a 425 MW combined-cycle gas turbine power plant in Lake Charles, Louisiana. Entergy will own approximately 212 MW, with the remainder owned by PPG Industries. RS Cogen is expected to begin operation in 2002. Construction also began in 2001 on the Northeast Texas Electric Cooperative Project, a 550 MW combined-cycle gas turbine power plant in Harrison County, Texas. Entergy will own approximately 385 MW once construction is completed and operation has begun (currently projected to be June 2003), with Northeast Texas Electric Cooperative, Inc. owning the remainder.

Interconnections

Domestic Utility

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.

Domestic Non-Utility Nuclear

The electric generating facilities of Entergy's domestic non-utility nuclear segment consists of the Pilgrim nuclear production facility, the James A. FitzPatrick nuclear production facility, and the Indian Point Energy Center nuclear production facility. The Pilgrim plant is dispatched as a part of Independent System Operator (ISO) New England. The primary purpose of ISO New England is to direct the operations of the major generation and transmission facilities in the New England region. The James A. FitzPatrick and Indian Point Energy Center 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, 2001, Entergy New Orleans distributed and transported natural gas for distribution solely within the limits of the City of New Orleans through a total 33 miles of gas transmission pipelines, 1,473 miles of gas distribution mains, and 1,034 miles of gas service line from the distribution mains to the customers.

As of December 31, 2001, 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

Entergy's generating stations and major transmission substations 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 1999-2001 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
2001	34	4.62	8	4.33	43	.50	15	1.58
2000	42	4.90	4	3.90	39	.56	15	1.51
1999	45	2.75	4	2.06	35	.54	16	1.59

Actual 2001 and projected 2002 sources of generation for the domestic utility companies and System Energy are:

	Natural Gas		Fuel Oil		Nuclear		Coal	
	2001	2002	2001	2002	2001	2002	2001	2002
Entergy Arkansas (a)	7%	7%	-	-	61%	61%	31%	31%
Entergy Gulf States	57%	57%	1%	-	27%	25%	15%	18%
Entergy Louisiana	48%	58%	5%	-	47%	42%	-	-
Entergy Mississippi	22%	69%	51%	-	-	-	27%	31%
Entergy New Orleans	84%	100%	16%	-	-	-	-	-
System Energy	-	-	-	-	100%(b)	100%(b)	-	-
Total (a)	34%	40%	8%	0%	43%	43%	15%	16%

(a) Hydroelectric power provided 1% of Entergy Arkansas' generation in 2001 and is expected to provide 1% of its generation in 2002.

(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 energy commodity services segment has entered into 15-year gas supply contracts at the project level to supply up to 100% of the gas requirements for the Damhead Creek power plant 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. Gas demands leveling out to meet more consistently with supplies and higher storage levels brought prices down in 2001. Entergy's supplies of natural gas are expected to be adequate in 2002. 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 70% of Entergy Arkansas' expected coal requirements for 2002. At the expiration of the White Bluff long-term contract in 2002, Entergy plans to enter into short-term and medium-term contracts for White Bluff coal supply based on the company's procurement strategy. Entergy Arkansas has an additional 20% of its 2002 coal requirement committed in a number of one year contracts. 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 at current consumption rates through the first quarter of 2003. The contract includes options to extend supply to 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, which is 42% owned by Entergy Gulf States. 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. Beginning in 2002, a portion of White Bluff's coal requirements will be delivered by a second carrier under a long-term transportation agreement. This agreement will expire on December 31, 2006.

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, Indian Point 2, 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. Refer to Note 9 to the financial statements for a discussion of spent nuclear fuel disposal.

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 specific delivery points and at any volume within the minimum and maximum set forth in the contract amounts. 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. The Gulf South Pipeline is now part of the Entergy-Koch joint venture. Enron North America, Inc. ceased to perform on its contract with Entergy New Orleans following the bankruptcy of Enron Corporation late in 2001. Entergy New Orleans has assumed the management of this gas supply contract, which is scheduled to expire on March 31, 2002, with no interruption of supply. Entergy New Orleans will replace the contract through its normal competitive bid process such that supply will continue uninterrupted. 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 2001.

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 Enbridge Marketing (U.S.) Inc. (formerly Mid Louisiana Gas Company). Enbridge Marketing 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 2001, $5 million in 2000, and $6 million in 1999 to EPRI.

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 2001 are discussed in Item 1. "**Business** - **RATE MATTERS, REGULATION, AND LITIGATION**," in this report.

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

During the fourth quarter of 2001, no matters were submitted to a vote of the security holders of Entergy Corporation, 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 10, 2002, ("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)	51	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
Donald C. Hintz (a)	59	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,	1994-1997

Name	Age	Position	Period
		Entergy Gulf States, and Entergy Louisiana	
		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
Richard J. Smith (a)	50	Group President, Utility Operations of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	2001-Present
		Director of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi and Entergy New Orleans	2001-Present
		Senior Vice President, Transition Management of Entergy Corporation	2000-2001
		President of Cinergy Resources, Inc.	1999
		Vice President Energy Services	1999
		Vice President of Finance Services Business Unit	1996-1999
Curtis L. Hebert, Jr. (a)	39	Executive Vice President, External Affairs of Entergy Corporation	2001-Present
		Chairman and Commissioner of the Federal Energy Regulatory Commission	1997-2001
		Chairman and Commissioner of the Mississippi Public Service Commission	1992-1997
Jerry D. Jackson (a)	57	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	2000-2001
		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	1994-2001
		Director of Entergy Louisiana	1992-2001
		Director of Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans	2000-2001 1992-1999
Michael G. Thompson (a)	61	Executive Vice President, General Counsel and Secretary of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	2001-Present
		Senior Vice President and General Counsel of Entergy Corporation	1992-2001
		Senior Vice President, General Counsel, and Secretary of	1995-2001

Name	Age	Position	Period
		Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	
		Secretary of Entergy Corporation	1994-2001
C. John Wilder (a)	43	Executive Vice President and Chief Financial Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1998-Present
		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
Frank F. Gallaher (a)	56	Senior Vice President of Entergy Corporation	2001-Present
		Senior Vice President, Generation, Transmission and Energy Management of Entergy Corporation	1999-2001
		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
		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
Joseph T. Henderson (a)	44	Senior Vice President and General Tax Counsel of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	2001-Present
		Vice President and General Tax Counsel of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1999-2001
		Associate General Tax Counsel of Shell Oil Company	1998-1999
		Senior Tax Counsel of Shell Oil Company	1995-1998

Name	Age	Position	Period
Nathan E. Langston (a)	53	Senior Vice President and Chief Accounting Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	2001-Present
		Vice President and Chief Accounting Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1998-2001
		Director of Tax Services of Entergy Services	1993-1998
Steven C. McNeal (a)	45	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, 2002 was $41.28. The high and low prices of Entergy Corporation's common stock for each quarterly period in 2001 and 2000 were as follows:

	2001		2000	
	High	Low	High	Low
	(In Dollars)			
First	42.88	32.56	26.75	15.94
Second	44.67	36.82	31.25	19.94
Third	40.95	33.60	38.13	26.94
Fourth	39.50	35.10	43.88	33.50

Consecutive quarterly cash dividends on common stock were paid to stockholders of Entergy Corporation in 2001 and 2000. In 2001, dividends of $0.315 per share were paid in the first three quarters, and a dividend of $0.33 per share was paid in the fourth quarter. In 2000, dividends of $0.30 per share were paid in the first three quarters, and a dividend of $0.315 per share was paid in the fourth quarter.

As of February 28, 2002, there were 60,327 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 2001 and 2000, were as follows:

	2001	**2000**
	(In Millions)	
Entergy Arkansas	$ 82.5	$ 44.6
Entergy Gulf States	$ 83.7	$ 88.0
Entergy Louisiana	$ 134.6	$ 62.4
Entergy Mississippi	$ 19.6	$ 18.0
Entergy New Orleans	$ 0.8	$ 9.5
System Energy	$ 119.1	$ 91.8

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, INC., ENTERGY GULF STATES, INC., ENTERGY LOUISIANA, INC., ENTERGY MISSISSIPPI, INC., ENTERGY NEW ORLEANS, INC., and SYSTEM ENERGY RESOURCES, INC."** which follow each company's financial statements in this report, for information with respect to selected financial data and certain 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 auditors annually. However, in August 2001, the Audit Committee selected Deloitte & Touche to succeed PricewaterhouseCoopers as the Company's independent auditors; the Board of Directors ratified the selection in October 2001. The Audit 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, President, and Chief Executive Officer
of Entergy Louisiana, Inc.; President and Chief
Executive Officer– Louisiana of Entergy Gulf States, 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.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

SIGNIFICANT FACTORS AND KNOWN TRENDS

Entergy Corporation is an investor-owned public utility holding company that operates through three business segments. The domestic utility business generates, transmits, distributes, and sells electric power to 2.6 million retail customers in portions of Arkansas, Louisiana, Mississippi, and Texas. The domestic utility business, particularly through Entergy Arkansas and Entergy Gulf States, also generates some revenue from wholesale electric power sales. The domestic non-utility nuclear business owns and operates four nuclear power plants that it has acquired over the past three years, and sells electric power produced by those plants to wholesale customers. Domestic non-utility nuclear also generates some revenue by providing operation and maintenance services to the owners of other nuclear power plants. The energy commodity services business provides energy commodity trading and gas transportation and storage services through Entergy-Koch, L.P., and develops power generation projects in the United States and Europe. Following are the percentages of Entergy's consolidated revenues and net income generated by these segments and the percentage of total assets held by them:

Segment	% of Revenue			% of Net Income			% of Total Assets		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Domestic utility	77	74	73	77	87	93	78	81	82
Domestic non-utility nuclear	8	3	1	17	7	3	13	9	3
Energy commodity services	14	23	26	14	8	(7)	9	10	8
Other	1	-	-	(8)	(2)	11	-	-	7

Following are significant factors and known trends that may affect our results of operations or financial position.

Critical Accounting Policies

Accounting and financial reporting involve significant estimates and judgments, including the selection of appropriate accounting policies. Note 1 to the financial statements provides a comprehensive discussion of Entergy's significant accounting policies. The following represent the accounting policies that Entergy's management believes are especially important to the reporting of Entergy's financial position and results of operations, due to their significance and subjectivity:

Application of SFAS 71 – Entergy's application of SFAS 71, "Accounting for the Effects of Certain Types of Regulation," to its domestic utility operations has a significant and pervasive impact on accounting and reporting for these operations. These matters are discussed in "Significant Factors and Known Trends - Continued Application of SFAS 71" and in Note 1 to the financial statements.

Accounting for Decommissioning – The accounting for decommissioning costs for nuclear power plants involves significant estimates related to costs to be incurred many years in the future. Changes in these estimates could significantly impact Entergy's financial position, results of operations, and cash flows (although estimate changes for the nuclear plants in Entergy's domestic utility operating segment should be earnings-neutral, because these costs are collected from ratepayers). These issues are discussed in more detail in Note 9 to the financial statements.

Accounting for Derivative Instruments and Hedges – Entergy's application of the provisions of SFAS 133 and EITF 98-10 to its various commodity and financial contracts has a significant impact on Entergy's financial statements. The risks associated with these instruments and Entergy's accounting for them are discussed in more detail in "Significant Factors and Known Trends – Market Risks Disclosure" and in Note 15 to the financial statements.

Accounting for Equity Method Investees and Off Balance Sheet Arrangements – During 2001, Entergy entered into two significant transactions that involved complex accounting judgments: 1) a joint venture with Koch Industries, Inc. involving energy trading and pipeline operations. This investment is accounted for under the equity method of accounting, and is discussed in more detail in "Results of Operations - Energy Commodity Services" and in Note 13 to the financial statements; and 2) a financing arrangement for Entergy's turbine acquisition program that involved the sale and assignment of Entergy's interests under certain turbine acquisition contracts to an independent special purpose entity. This transaction is described in more detail in "Liquidity and Capital Resources - Off Balance Sheet and Equity Method Investee Debt, Guarantees of Unconsolidated Obligations, and Lease Obligations."

Domestic Utility Transition to Retail 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. Events that occurred in 2001, particularly the crisis in California's restructured power supply market, may slow the onset of competition. The recent bankruptcy of Enron may further retard the move to competition.

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. Nevertheless, actions by one jurisdiction may conflict with actions by another. In addition, while the Arkansas and Texas legislatures have enacted laws to bring about electric utility competition, the process is going forward only in Texas, and retail competition in Entergy Gulf States' service area is subject to a delay in that state. Entergy is continuing to work with regulatory and legislative officials in all jurisdictions in designing the rules surrounding the implementation of 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 Consolidated 2001 Revenues Derived from Retail Electric Utility Operations in the Jurisdiction
Arkansas	Commencement delayed by amended law until at least October 2003, APSC has recommended delay until at least 2010.	13.6%
Texas	Delayed until at least September 15, 2002 in Entergy Gulf States' service area in a settlement approved by the PUCT.	10.7%
Louisiana	The LPSC has deferred pursuing retail open access, pending developments at the federal level and in other states.	33.4%
Mississippi	MPSC has recommended not pursuing open access at this time.	9.8%
New Orleans	City Council has taken no action on Entergy's proposal filed in 1997.	5.1%

Arkansas

Under current Arkansas legislation, the target date for retail open access has been delayed until no sooner than October 1, 2003 and no later than October 1, 2005. In December 2001, the APSC recommended to the Arkansas General Assembly that legislation be enacted during the 2003 legislative session to either repeal the legislation authorizing retail open access or further delay retail open access until at least 2010. Entergy Arkansas supports the proposal for further delay of retail open access but opposes repeal of deregulation legislation as premature at this time.

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 are competitive businesses, but transmission and distribution operations continue to be regulated. The new retail electric providers are the primary point of contact with customers. Although retail open access legislation is in place in Texas, its implementation in Entergy Gulf States' territory is delayed until at least September 15, 2002.

Pursuant to the provisions of the retail open access law, Entergy Gulf States' business separation plan provides that Entergy Gulf States will be divided into:

- a Texas distribution company;
- an intermediate 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.

Several proceedings necessary to implement retail open access are still pending, including proceedings to set the price-to-beat rates that will be charged by Entergy's retail electric service provider, to implement Entergy Gulf States' business separation plan, and to form an RTO that includes Entergy's service area. In addition, the LPSC has not approved for the Louisiana jurisdictional operations the transfer of generation assets to, or a power purchase agreement with, Entergy's proposed Texas generation company.

Louisiana

In a July 2001 report to the LPSC, the LPSC staff concluded that retail competition is not in the public interest at this time for any customer class. Nevertheless, the LPSC staff recommended that retail open access be made available for certain large industrial customers as early as January 2003. An eligible customer choosing to go to competition would be required to provide its utility with a minimum of six months notice prior to the date of retail open access. The LPSC staff report also recommended that all customers who do not currently co- or self-generate, or have co- or self-generation under construction as of a date to be specified by the LPSC, remain liable for their share of stranded costs. During its October 2001 meeting, the LPSC adopted dates by which a total of 800 MW of co- or self-generation could be developed in Louisiana without being affected by stranded costs. During its November 2001 meeting, the LPSC decided not to adopt a plan for retail open access at this time, but to have collaborative group meetings concerning open access from time to time, and to have the LPSC staff monitor developments in neighboring states and to report to the LPSC regarding the progress of retail access developments in those states.

Continued Application of SFAS 71

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 on a cost-of-service basis by an authorized body and the rates must be charged to and collected from customers.

As the generation portion of the utility industry moves toward competition, it is likely that generation rates will no longer be set on a cost-of-service basis. When that occurs, the generation portion of the business could be required to discontinue application of SFAS 71. The result of discontinuing application of SFAS 71 would be the removal of regulatory assets and liabilities from the balance sheet, and could include the recording of asset impairments. 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.

In the non-unanimous settlement agreement filed with the PUCT by Entergy Gulf States in March 2001 described above, the parties agreed 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. The PUCT approved the settlement in an interim written order issued in May 2001. In December 2001, the PUCT abated the proceeding until a date closer to opening the market to retail open access.

Management believes that definitive outcomes have not yet been determined regarding the transition to competition in any of Entergy's jurisdictions. While Arkansas and Texas have enacted retail open access laws as described above, 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. Resolution of the regulatory proceedings affecting the transition to competition of Entergy Gulf States' Texas generation business may require the discontinuance of the application of SFAS 71 accounting treatment to that business. Management does not expect a material adverse effect on Entergy's and Entergy Gulf States' results of operations if SFAS 71 accounting treatment for the Texas generation business is discontinued. Several uncertainties still exist in the transition to competition in Texas, including the effects of the settlement agreement that the PUCT approved that delays retail open access until at least September 15, 2002, and the effects of the ongoing proceedings in Texas. Therefore, the criteria under EITF 97-4 for discontinuing SFAS 71 treatment have not been met as of December 31, 2001.

Federal 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 2001 without final action on a deregulation bill by a committee of the House or Senate, and has not taken any significant action on such a bill in its 2002 session thus far.

State and Local Rate Regulation and Fuel-Cost Recovery

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, although Entergy Louisiana's formula rate plan expired at the end of 2001. Entergy plans to propose a statewide formula rate plan in Louisiana, which would include Entergy Louisiana and Entergy Gulf States.

If a statewide formula rate plan is not adopted in Louisiana in 2002, Entergy Gulf States will have to file a cost-of-service rate case by mid-2002, and Entergy Louisiana may have to file a rate case in the same timeframe. These filings are required because Entergy Gulf States' annual earnings review requirement ceased after the 2001 filing, and Entergy Louisiana's formula rate plan expired with the 2001 filing. These cost-of-service rate cases would be in addition to the Entergy New Orleans case that is scheduled to be filed by mid-2002.

In addition to their rate proceedings, the domestic utility companies' fuel costs recovered from customers are subject to regulatory scrutiny. This regulatory risk represents the domestic utility companies' largest potential exposure to price changes in the commodity markets.

The domestic utility companies' retail and wholesale rate matters and proceedings, including fuel cost recovery- related issues, are discussed more thoroughly in Note 2 to the financial statements.

System Agreement Proceedings

The System Agreement provides for the integrated planning, construction, and operation of Entergy's electric generation and transmission assets throughout the retail service territories of the domestic utility companies. Under the terms of the System Agreement, generating capacity and other power resources are shared among the domestic utility companies. The System Agreement provides 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 for generating units fueled by oil or gas, including operating expenses, fixed charges on debt, dividend requirements on preferred and preference stock, and a fair rate of return on common equity investment. 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.

The LPSC and the Council commenced a proceeding in 2001 at the FERC that requests amendments to the System Agreement, particularly in the area of production cost equalization. The LPSC and Council also allege that certain provisions of the System Agreement increase costs paid by the ratepayers in their jurisdictions. The APSC, MPSC, and Entergy have each opposed the relief sought by the LPSC and the Council. The LPSC also instituted a proceeding in 2001 to litigate several of the same issues. In the proceeding, the LPSC also questions whether Entergy Louisiana and Entergy Gulf States were prudent for not seeking changes to the System Agreement previously, so as to lower costs imposed upon their ratepayers and to increase costs imposed upon ratepayers of the other domestic utility companies. The domestic utility companies have challenged the propriety of the LPSC litigating these issues, and will oppose the relief sought by the LPSC staff. Nevertheless, the decisions in these proceedings could affect the rates charged to ratepayers by the individual domestic utility companies, and the timing and outcome of these proceedings cannot be predicted at this time.

Industrial, Commercial, and Wholesale Customers

Some of Entergy Gulf States' and Entergy Louisiana's large industrial and commercial customers continually explore ways to reduce their energy costs. In particular, cogeneration is an option available to a significant portion of Entergy Gulf States' and Entergy Louisiana's industrial customer base. Entergy responds by working with 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 each expect to lose large industrial customers to cogeneration by the end of 2002. Entergy Gulf States expects to lose two customers that accounted for approximately 1% of its net revenue in 2001. Entergy Louisiana expects to lose a customer that accounted for approximately 2% of its net revenue in 2001. In addition to working with its current customers, Entergy also continually participates in economic development activities that can increase industrial and commercial energy demand, from both current and new customers.

Entergy also faces competition in making wholesale power sales. In 2001, Entergy Arkansas lost a contract with a municipal wholesale customer that accounted for approximately 2% of its 2001 net revenue. The current contract with this customer expires on June 30, 2002, at which time the customer will buy power from another supplier. Entergy Arkansas is aggressively pursuing other wholesale power sales opportunities, however, to offset the revenue loss resulting from the loss of this contract.

Attacks of September 11, 2001

Since the attacks on New York and Washington, D.C. on September 11, 2001, security at Entergy's nuclear power plants has been at a heightened alert level. Entergy is working with the NRC and other government agencies on security at its nuclear sites. Based on current security plans, management does not expect a material effect on Entergy's financial statements to result from additional security measures that may be implemented at its nuclear sites. As the NRC, other governmental entities, and the industry continue to consider security issues, it is possible that more extensive security plans requiring higher-than-expected costs could be required.

Environmental Matters

Entergy is subject to federal and state regulation regarding air and water quality and other environmental matters. The Clean Air Act amendments of 1990 established programs to control sulfur dioxide, nitrogen oxides, and hazardous air pollutant emissions (primarily mercury). The ozone non-attainment program for control of nitrogen oxides currently impacts Entergy Gulf States' operations in the Beaumont and Houston areas. Entergy expects to incur up to $54 million in capital costs through 2007 to comply with the program controls. In addition, Entergy Gulf States expects to spend up to $72 million in capital costs through 2005 if LDEQ-proposed controls for the Baton Rouge area are implemented.

The United States Congress is considering a multi-pollutant approach to reauthorization of the Clean Air Act. In addition to the three types of emissions mentioned above, Congress is considering controls on carbon dioxide emissions. Entergy is committed to environmental compliance, and its high percentage of nuclear and natural gas capacity gives it an advantage when compared to the costs other utilities will face from potential environmental requirements. Furthering its commitment to reduce emissions, Entergy purchased 80 MW of wind-powered capacity in December 2001, and will consider additional investment in wind power.

Nuclear Matters

Concerns continue to be expressed in public forums about the safety of nuclear generation units and nuclear fuel. These concerns have led to various proposals being made to federal authorities as well as in some of the localities where Entergy owns nuclear power plants for legislative and regulatory changes that could lead to shut down of nuclear units, denial of life extension applications, unavailability of sites for spent nuclear fuel disposal, or other adverse effects on nuclear generation. Entergy currently owns 9 nuclear generation units and has agreed to acquire a tenth unit. If any of these proposals become effective, it may have a material adverse effect on the results of operations or financial condition of Entergy.

Market Risks Disclosure

Entergy is exposed to the following market risks (market risk is the risk of changes in the value of commodity and financial instruments, or in future operating results or cash flows, in response to changing market conditions):

- the commodity price risk associated with its energy commodity services segment;
- the foreign currency exchange rate risk associated with certain of its contractual obligations;
- the interest rate risk associated with variable rate credit facilities in its energy commodity services segment; and
- the interest rate and equity price risk associated with its investments in decommissioning trust funds.

In addition to these market risks, Entergy is also exposed to credit risk. Credit risk is risk of loss from nonperformance by suppliers, customers, or financial counter-parties to a contract or agreement. Where it is a significant consideration, counter-party credit risk is addressed in the discussions that follow.

Commodity Price Risk

Power Generation

The sale of electricity from the power generation plants owned by Entergy's non-utility nuclear business and energy commodity services is subject to the fluctuation of market power prices. Entergy's non-utility nuclear business has entered into power purchase agreements (PPAs) to sell the power produced by its power plants at prices established in the PPAs. To the extent that a plant's output is not subject to a PPA, power sales would be subject to market fluctuations. Following is a summary of the amount of the Entergy non-utility nuclear business' capacity currently subject to PPAs. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new PPAs with other parties.

		Capacity subject to PPAs			
Power Pool	**Entergy's Capacity in the Power Pool**	**2002**	**2003**	**2004**	**2005**
New York ISO	2,775 MW	100%	100%	79%	0%
ISO New England	670 MW	100%	85%	85%	20%

In addition, Entergy will sell 100% of Vermont Yankee's output up to its rated capacity to Vermont Yankee Nuclear Power Corporation's current owner-utilities under a 10-year PPA executed in conjunction with the transaction, which management expects to close in the summer of 2002. The PPA includes an adjustment clause where the prices specified in the PPA will be adjusted downward annually, beginning in 2006, if power market prices drop below the PPA prices. Vermont Yankee is a part of ISO New England.

Under the PPAs with NYPA for the output of power from Indian Point 3 and FitzPatrick, Entergy's non-utility nuclear business is obligated to produce at an average capacity factor of 85% with a financial true-up payment due to NYPA should NYPA's cost to purchase power due to an output shortfall be higher than the PPAs' price. These plants operated at 94% and 99% capacity factors, respectively, in 2001. The financial true-up obligation is guaranteed up to $20 million by an Entergy affiliate.

Energy commodity services enters into forward power sale agreements to hedge its exposure to market price fluctuations. The following represents the percentage of planned electricity output under physical or financial contract for energy commodity services' generation facilities as of December 31, 2001:

	2002		2003	
	Planned GWH	**% under contract**	**Planned GWH**	**% under contract**
Peaking plants	303	81%	345	12%
Base load plants	8,089	62%	10,463	25%

In many regions of the United States the spark spread, the difference between the price of electricity and the price of natural gas at certain conversion efficiencies, has declined significantly in 2001. The decline is adversely impacting the profitability of power projects selling into power markets on a spot or short-term basis. Energy commodity services actively manages its assets as an investment portfolio, and attempts to maximize flexibility to respond to different market environments. Active management of the portfolio by energy commodity services is expected to result in: the commercial operation of projects by energy commodity services; the sale of projects at various stages in their planning, development, or operation; or the abandonment of projects. Entergy continually monitors industry trends in order to determine whether asset impairments or other losses could result from a decline in value, or cancellation, of merchant power projects and the related turbines, and records provisions for impairments and losses accordingly.

Marketing and Trading

The earnings of Entergy's energy commodity services segment are exposed to commodity price market risks through Entergy's 50%-owned, unconsolidated investment in Entergy-Koch, energy-related derivative commodity and financial instruments held by certain consolidated subsidiaries, and Entergy's consolidated power marketing and trading business in 2000, which was contributed to Entergy-Koch in January 2001.

Entergy-Koch Trading (EKT) and Entergy use VAR models as one measure of the market risk of a loss in fair value for EKT's natural gas and power trading portfolio and energy commodity services' mark-to-market 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 these portfolios. The primary use of VAR is to provide a benchmark for market risk contained in these portfolios. VAR does not function as a comprehensive measure of all risks in the portfolios.

EKT's and Entergy's calculations of VAR exposure represent an estimate of reasonably possible net losses that would be recognized on portfolios of commodities and derivative financial instruments, assuming hypothetical movements in prices. VAR does not represent the maximum possible loss, 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.

EKT

To manage its portfolio, EKT enters into various derivative and contractual transactions in accordance with the policy approved by the trading committee of the governing board of its general partner. The trading portfolio consists of physical and financial natural gas and power as well as other energy and weather-related contracts. These contracts take many forms, including futures, forwards, swaps, and options.

EKT estimates its VAR using a model based on J.P. Morgan's Risk Metrics methodology combined with a Monte Carlo simulation approach. EKT estimates its daily VAR for natural gas and power using a 97.5% confidence level. EKT's daily VAR is a measure that indicates that, if prices moved against the positions, the loss in neutralizing the portfolio would not be expected to exceed the calculated VAR. EKT seeks to limit the daily VAR on any given day to a certain dollar amount approved by the trading committee. EKT's daily VAR for natural gas at December 31, 2001 was $4 million, with an average of $3 million for the year, and its daily VAR for power at December 31, 2001 was $2 million, with an average of $1 million for the year.

For all derivative and contractual transactions, EKT is exposed to losses in the event of nonperformance by counter-parties to these transactions. EKT's operations are primarily concentrated in the energy industry. Its trade receivables and other financial instruments are predominantly with energy, utility, and financial services related companies, as well as other trading companies in the United States, UK, and Western Europe. EKT maintains credit policies, which its management believes minimize overall credit risk. Prospective and existing customers are reviewed for creditworthiness based upon pre-established standards, with customers not meeting minimum standards providing various requisite secured payment terms, including the posting of cash collateral. EKT also has master netting agreements in place that allow EKT to offset gains and losses arising from derivative instruments that may be settled in cash and/or gains and losses arising from derivative instruments that may be settled with the underlying physical commodity. EKT's policy is to have such master netting agreements in place with significant counter-parties. Based on EKT's policies, risk exposures, and valuation adjustments related to credit, EKT does not anticipate a material adverse effect on its financial position as a result of counter-party nonperformance.

Other Marketing and Trading

The energy commodity services segment's VAR methodology for its derivative instruments, and for its consolidated power marketing and trading business in 2000, 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 test with a 97.5% confidence interval that measures the probability of loss; and
- a cross-product correlation matrix that measures the tendency of different basis products to move together.

Energy commodity services' consolidated subsidiaries VAR for its mark-to-market derivative instruments was approximately $7.3 million as of December 31, 2001. Management excludes the long-term gas supply contract for its UK power plant from this VAR computation due to its size and length. Management estimates that a 10% change in UK gas prices would result in approximately a $7.7 million change in net income due to mark-to-market accounting for this contract.

Power marketing and trading's VAR was approximately $3 million as of December 31, 2000.

Mark-to-market accounting

As required by generally accepted accounting principles, Entergy and Entergy-Koch mark-to-market commodity instruments held by them for trading and risk management purposes that are considered derivatives under SFAS 133 or energy trading contracts under EITF 98-10. Conversely, commodity contracts that are not considered derivatives or energy trading contracts, generally because they involve physical delivery of a commodity to the purchaser, are not marked to market. Examples of commodity instruments that are marked to market include:

- commodity options, swaps, and forwards that are expected to be net settled;
- power sales agreements that do not involve delivery of power from Entergy's power plants; and
- fuel supply contracts with volumetric optionality.

Examples of commodity contracts that are not marked to market include:

- the PPAs for Entergy's domestic non-utility nuclear plants;
- capacity purchases and sales by the domestic utility companies; and
- forward contracts that will result in physical delivery.

Fair value estimates of the commodity instruments that are marked to market are made at discrete points in time based on relevant market information. Market quotes are used in determining fair value whenever they are available. When market quotes are not available (e.g., in the case of a long-dated commodity contract), other information is used, including transactional data and internally developed models. Fair value estimates based on these other methodologies are necessarily subjective in nature and involve uncertainties and matters of significant judgment. Therefore, actual results may differ from these estimates. Following are the net mark-to-market assets and the period within which the assets would be realized in cash if they are held to maturity and market prices are unchanged:

	Net mark-to-market asset at Dec. 31, 2001	Cumulative cash realization period		
		2002	2003	2004-2005
Entergy consolidated subsidiaries	$41 million	55%	98%	100%
Entergy-Koch	$107 million	10%	83%	100%

Foreign Currency Exchange Rate Risk

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 are 61.3 million Euro ($54.5 million) and the forward currency rates range from .8690 to .8981. The maturities of these forward contracts depend on the purchase contract payment dates and range in time from June 2002 to February 2004. The mark-to-market valuation of the forward contracts at December 31, 2001 was a net liability of $0.4 million. The counter-party banks obligated on these agreements are rated by Standard and Poor's Rating Services at AA on their senior debt obligations as of December 31, 2001.

Interest Rate Risk - Debt

Entergy uses interest rate swaps to reduce the impact of interest rate changes on the Damhead Creek variable-rate credit facilities. 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, 2001:

	Notional Amount	Average Fixed Pay Rate	Maturity	Fair value
Damhead Creek	BPS275.8 million ($396.8 million)	6.52%	2010	BPS15.9 million liability ($22.9 million)

The counter-party banks obligated on these interest swaps are rated by Standard & Poor's Rating Services at AA- or higher on their senior debt obligations.

Interest Rate and Equity Price Risk – Decommissioning Trust Funds

Entergy's nuclear decommissioning trust funds expose it to fluctuations in equity prices and interest rates. The NRC requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf 1, Pilgrim, and Indian Point 1 and 2 (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and Fitzpatrick). The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. Management believes that its exposure to market fluctuations will not affect results of operations for the ANO, River Bend, Grand Gulf 1, and Waterford 3 trust funds because of the application of regulatory accounting principles. The Pilgrim and Indian Point 1 and 2 trust funds collectively hold approximately $542 million of fixed-rate, fixed-income securities as of December 31, 2001. These securities have an average coupon rate of approximately 6.8%, an average duration of approximately 5.4 years, and an average maturity of approximately 8.3 years. The Pilgrim and Indian Point 1 and 2 trust funds also collectively hold equity securities worth approximately $272 million as of December 31, 2001. These securities are held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index. The decommissioning trust funds are discussed more thoroughly in Notes 1 and 9 to the financial statements.

Litigation Environment

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.

New Accounting Pronouncements

The FASB issued several new accounting pronouncements in mid-2001. See Note 1 to the financial statements for a discussion of the expected effects of these pronouncements on Entergy.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Operations

Net cash flow provided by operating activities for Entergy, the domestic utility companies, and System Energy for the years ended December 31, 2001, 2000, and 1999 was:

	2001	2000	1999
		(In Millions)	
Entergy	$ 2,215.5	$ 1,967.8	$ 1,389.0
Entergy Arkansas	$ 413.2	$ 421.6	$ 352.6
Entergy Gulf States	$ 338.5	$ 403.9	$ 387.6
Entergy Louisiana	$ 430.5	$ 270.4	$ 410.4
Entergy Mississippi	$ 178.1	$ 182.3	$ 142.4
Entergy New Orleans	$ 77.7	$ 30.5	$ 60.2
System Energy	$ 165.9	$ 395.6	$ 102.8

Entergy's consolidated net cash flow provided by operating activities increased in 2001 primarily due to:

- an increase, after eliminating the effect of money pool activity, of $432 million in cash provided by the parent company, Entergy Corporation, primarily due to decreased income taxes paid resulting from book and tax income timing differences and the receipt of a federal tax refund associated primarily with deductions for 2000 ice storm costs, partially offset by increased interest expense and the payment of FPL merger-related costs; and
- an increase of $171 million in cash provided by the domestic non-utility nuclear business, primarily from the operation of the FitzPatrick and Indian Point 3 plants purchased in the fourth quarter of 2000 and the Indian Point 2 plant purchased in the third quarter of 2001.

These increases were partially offset by a decrease, after eliminating the effect of money pool activity, of $129 million in cash provided by the domestic utility companies and System Energy and net cash used of $128 million in 2001 compared to net cash provided of $64.3 million in 2000 by the energy commodity services segment. The energy commodity services segment includes the EWO business and the Entergy-Koch joint venture. In 2001, EWO used $73 million of net cash in operating activities; in 2000, EWO provided $37 million of operating cash flow. This fluctuation is primarily due to a net loss, excluding the gain on the sale of the Saltend plant, generated in 2001 compared with net income generated in 2000. Entergy's investment in Entergy-Koch used $55 million of net cash in operating activities in 2001 compared with power marketing and trading providing $27 million of operating cash flow in 2000. This fluctuation is primarily because, although income from this activity is higher in 2001, Entergy has not received dividends from Entergy-Koch, as the joint venture is currently retaining capital for trading opportunities.

Entergy Louisiana made a tax accounting election in 2001 that is expected to provide a cash flow benefit in 2002 through 2005. For the years 2006 through 2031, this benefit is expected to reverse, resulting in increased tax payments. The amount of the benefits in 2002 through 2005 will vary, depending on market prices of power, but it is likely to be substantial.

Money pool activity also affected the operating cash flows of the domestic utility companies and System Energy. The following represents the domestic utility companies and System Energy's receivables from and (payables) to the money pool as of December 31 for each of the years presented below. An increase in a company's (payable) to the money pool increases the operating cash flow of that company. An increased in a company's receivable from the money pool decreases the operating cash flow of that company.

Company	2001	2000	1999
		(In Millions)	
Entergy Arkansas	$23.8	($30.7)	($40.6)
Entergy Gulf States	$27.7	$23.4	($36.1)
Entergy Louisiana	$3.8	$22.9	($91.5)
Entergy Mississippi	$11.5	($33.3)	($50.0)
Entergy New Orleans	$9.2	($5.7)	($9.6)
System Energy	$13.9	$155.3	$234.2

See Note 4 to the financial statements for a description of the money pool.

The reduction in System Energy's net cash provided by operating activities in 2001 was caused by its payment of a refund to the four domestic utility companies that buy power from Grand Gulf 1. In the third quarter of 2001, System Energy's 1995 rate proceeding became final. System Energy refunded a total of $530.7 million in December 2001 to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. A total of $108.4 million will in turn be refunded to the customers of these domestic utility companies in early 2002. Refunds to customers will be lower than the amounts received from System Energy because the utility companies did not pass through to customers all of System Energy's proposed rate increase. The refunds from System Energy and the amounts due customers are as follows:

	System Energy refund	Refund due customers
	(In Millions)	
Entergy Arkansas	$191.1	$53.7
Entergy Louisiana	$74.3	$6.2
Entergy Mississippi	$175.1	$14.8
Entergy New Orleans	$90.2	$33.6

See Note 2 to the financial statements for additional discussion of the rate proceeding and refunds.

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 are earning 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 increase in operating cash flow in 2000 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 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.

Investing Activities

Net cash used in investing activities increased in 2001 primarily due to:

- approximately $600 million paid to acquire the Indian Point 2 nuclear plant in the third quarter of 2001;
- cash contributions of approximately $414 million made in the formation of Entergy-Koch;
- investments used as collateral for letters of credit by the domestic non-utility nuclear business discussed below in "**Uses of Capital** – Domestic Non-Utility Nuclear"; and
- the maturity of other temporary investments in 2000 and additional temporary investments made in 2001.

The following factors partially offset the overall increase in cash used in investing activities for 2001:

- receipt of approximately $810 million in proceeds from the sale of the Saltend plant to Calpine Corporation in August 2001;
- decreased construction expenditures due to completion of construction of the Saltend and Damhead Creek plants;
- decreased payments by EWO for turbines in 2001, discussed below in "**Uses of Capital** – Energy Commodity Services"; and
- decreased under-recovery of deferred fuel costs incurred at certain of the domestic utility companies. Entergy Arkansas, the Texas portion of Entergy Gulf States, and Entergy Mississippi for 2000 only, have treated these costs as regulatory investments because these companies are allowed by their regulatory jurisdictions to recover the accumulated fuel cost regulatory asset over longer than a twelve-month period. Entergy Mississippi's fuel recovery mechanism changed effective January 2001, and Entergy Mississippi's fuel cost under-recoveries incurred after that date are being recovered over less than a twelve-month period. The companies will earn a return on the under-recovered balances.

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 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.

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.

Financing Activities

Financing activities used cash in 2001 compared to providing a small amount of cash in 2000 primarily due to:

- the $555 million retirement of the Saltend credit facility in August 2001 when the plant was sold;
- a higher amount of debt issued by the domestic utility companies in 2000 than in 2001;
- no additional borrowings in 2001 under the Saltend and Damhead Creek credit facilities due to the completion of the construction of the plants in 2000; and
- a reduction in the amount of debt outstanding on the Entergy Corporation credit facility.

Partially offsetting the increase in cash used in 2001 were the following:

- decreased repurchases of Entergy common stock in 2001; and
- the redemption of Entergy Gulf States' preference stock in 2000.

Financing activities provided cash for 2000 primarily due to:

- new long-term debt issuances by each of the domestic utility companies; 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 power development business.

Capital Resources

Uses of Capital

Entergy requires capital resources for:

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

Following are the amounts of Entergy's planned construction and other capital investments, existing debt and lease obligations, and other purchase obligations (the domestic utility companies and System Energy present this information in their "Selected Financial Data – Five-Year Comparison," which follow their respective financial statements):

	2002	2003	2004	After 2004
		(In Millions)		
Planned construction and capital investment	$1,731	$1,352	$1,225	N/A
Long-term debt maturities	$683	$1,170	$899	$5,252
Short-term facility maturities (1)	$350	N/A	N/A	N/A
Capital and operating lease payments(2)	$102	$88	$85	$180
Unconditional fuel and purchased power obligations(3)	$424	$379	$385	$5,453
Nuclear fuel lease obligations (2)(4)	$138	$129	N/A	N/A

(1) These 364-day credit facilities are discussed below under "**Sources of Capital.**"
(2) Lease obligations are discussed in Note 10 to the financial statements.
(3) Unconditional fuel and purchased power obligations are discussed in Note 9 to the financial statements under "Fuel Purchase Agreements" and "Power Purchase Agreements."
(4) It is expected that additional financing under these leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. If such additional financing cannot be arranged, however, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

In addition to the capital spending plans and contractual commitments, Entergy has guarantees of unconsolidated obligations outstanding as of December 31, 2001 as follows:

	Total Amounts Committed	Amount of Commitment Expiration per Period		
		2002-2003	2004-2006	Beyond 2006
Guarantees of unconsolidated obligations	$617 million	$40 million	$542 million	$35 million

These guarantees of unconsolidated obligations are discussed further in the section below titled "Off Balance Sheet and Equity Method Investee Debt, Guarantees of Unconsolidated Obligations, and Lease Obligations."

The planned capital investment estimate includes \$2.8 billion in spending by the domestic utility companies and System Energy, \$0.8 billion in spending by energy commodity services, and \$0.7 billion in spending by the domestic non-utility nuclear business. This plan reflects capital required to support existing businesses and Board-approved investments. The estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints, business opportunities, market volatility, economic trends, business restructuring, and the ability to access capital. 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 domestic utility companies and System Energy will focus their planned spending on projects that will support continued reliability improvements and customer growth. Following is a discussion, by business segment, of potential significant uses of capital by Entergy.

Entergy Corporation

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. At its October 2001 meeting, the Board increased Entergy's quarterly dividend per share by 5%, to \$0.33. In 2001, Entergy Corporation paid \$269.1 million in cash dividends on its common stock. Dividend restrictions are discussed in Note 8 to the financial statements.

Management is also actively considering a share repurchase program and expects to reach a decision sometime in 2002.

Domestic Non-Utility Nuclear

The domestic non-utility nuclear business will focus its planned spending on routine construction projects and nuclear fuel purchases for owned plants, power uprates for those plants, and on the anticipated purchase of the Vermont Yankee nuclear power plant. In August 2001, Entergy's domestic non-utility nuclear business agreed to purchase the 510 MW Vermont Yankee Nuclear Power Plant in Vernon, Vermont, from Vermont Yankee Nuclear Power Corporation for \$180 million, to be paid in cash upon closing. Management expects to close the transaction in the summer of 2002, pending the approvals of the NRC, the Public Service Board of Vermont, and other regulatory agencies.

In connection with the acquisition of FitzPatrick and Indian Point 3 in 2000, 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 the acquisition of the NYPA plants, Entergy delivered a \$577 million letter of credit, with NYPA as beneficiary. The letter of credit was backed by cash collateral, and this cash is reflected in the consolidated balance sheet at December 31, 2000, as "Special deposits." In January 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 contributions to the Entergy-Koch joint venture. In June 2001, Entergy Corporation obtained new letters of credit totaling \$577 million, which replaced the letter of credit initially provided to NYPA. The new letters of credit are partially backed by an Entergy Corporation guarantee and partially backed by \$272 million of cash collateral. The cash collateral is included in "Other" in the Other Property and Investments section of the consolidated balance sheet at December 31, 2001.

Energy Commodity Services

Energy commodity services will focus its planned spending on merchant power plant projects currently under construction, including the purchase of some of the gas turbines scheduled for delivery in 2002 through 2004 under an option to purchase obtained from General Electric Company that is discussed below. The estimate does not include potential acquisitions of assets that may be offered for sale by third parties or additional capital investment in Entergy-Koch, which is an unconsolidated equity investment. Entergy is obligated to make a \$73 million cash contribution to Entergy-Koch in January 2004.

Entergy's energy commodity services segment is currently constructing the following projects. The Crete Project, a 320 MW simple cycle gas turbine merchant power plant in Crete, Illinois, is anticipated to be operational in June 2002. Entergy will own approximately 160 MW of the capacity of the Crete plant, with the remainder owned by DTE Energy. During 2000, construction began on the RS Cogen Project, a 425 MW combined-cycle gas turbine power plant in Lake Charles, Louisiana. Entergy will own approximately 212 MW, with the remainder owned by PPG Industries. RS Cogen is expected to begin operation in 2002. Construction also began in 2001 on the Northeast Texas Electric Cooperative Project, a 550 MW combined-cycle gas turbine power plant in Harrison County, Texas. Entergy will own approximately 385 MW once construction is completed and operation has begun (currently projected to be June 2003), with Northeast Texas Electric Cooperative, Inc. owning the remainder.

The power development business obtained contracts in October 1999 to acquire 36 turbines from General Electric Company. The rights and obligations under the contracts for 22 of the turbines were sold to an independent special purpose entity in May 2001. In conjunction with Entergy's obligations related to this sale, Entergy retained certain rights to reacquire turbines or to cancel the construction of turbines. Thus far, EWO has placed 17 of the originally planned 36 turbines at sites that are either operating, under construction, or sold. In addition, as allowed by the May 2001 sale agreement, cancellation of four turbines is pending. If EWO were to decide to cancel the remaining turbines subject to the May 2001 sale agreement, its maximum projected exposure would be approximately \$250 million. This exposure, however, does not take into account EWO's ongoing efforts to develop sites for the turbines. Entergy continually monitors its obligations under this arrangement and provides for potential losses (e.g., as a result of turbine cancellations) when the losses become likely. EWO will continue to actively manage its assets as an investment portfolio, and attempt to maximize flexibility to respond to different market environments. Active management of the portfolio by EWO is expected to result in: the commercial operation of projects by EWO; the sale of projects at various stages in their planning, development, or operation; or the abandonment of projects.

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. As authorized by the SEC, Entergy is allowed to invest an amount equal to 100% of its average consolidated retained earnings in domestic and foreign generation businesses. As of December 31, 2001, Entergy's investments subject to this rule totaled \$1.64 billion constituting 46.6% 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.

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, 2001 was approximately $1.7 billion.

Sources of Capital

Entergy's sources to meet its capital requirements include:

- internally generated funds, which have been the source of the majority of Entergy's capital;
- cash on hand ($750 million as of December 31, 2001) and other temporary investments ($150 million as of December 31, 2001);
- debt issuances;
- bank financing under new or existing facilities; and
- sales of assets.

The majority of Entergy's internally generated funds come from the domestic utility segment. Circumstances such as unusual weather patterns, unusual price fluctuations, and unanticipated expenses, including unscheduled plant outages, could affect the level of internally generated funds in the future.

Each of the domestic utility companies issued debt in 2001, with the exception of Entergy Louisiana. The net proceeds of these issuances were used for general corporate purposes, including capital expenditures and the retirement of short-term indebtedness incurred for working capital and other purposes. 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.

In December 2001, Entergy indirectly acquired the controlling interest in the Top of Iowa Wind Farm, an 80 MW wind generation facility. An Entergy subsidiary in the energy commodity services segment financed the acquisition of its interest in the wind farm through a $95 million credit facility that is backed by an Entergy Corporation guarantee. As of December 31, 2001, $78.5 million had been drawn on the facility. The facility is a bridge loan that matures January 19, 2003. The interest margins and commitment fees under the credit facility vary based on the rating of the second-lowest credit rating for senior secured long-term debt of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana and Entergy Mississippi. Entergy is not in default under the credit facility if a minimum credit rating is not maintained. The Entergy guarantee does not require the posting of alternative credit support or cash collateral if a minimum credit rating is not maintained.

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 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. The Damhead Creek credit facility requires that the annual debt service coverage ratio be at least 1.05 to 1 for the previous 12 months at semi-annual dates commencing with June 30, 2002. Given the low electricity prices currently affecting the UK market, Damhead Creek may not meet the annual debt service coverage ratio test in respect of the 12 months to June 30, 2002, which could trigger an event of default. In the event the annual debt service coverage ratio is deficient at June 30, 2002, the power development business will seek a waiver of the default from the lenders. There is no requirement for EPDC to make capital contributions or provide credit support to Damhead Creek following the occurrence of an event of default. Note 7 to the financial statements more thoroughly discusses long-term debt.

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 also subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. As shown in the earnings ratios in Item 1 of this Form 10-K, Entergy New Orleans' earnings for the year ended December 31, 2001 were not adequate to cover its fixed charges. Under its mortgage covenants, Entergy New Orleans does not have the capacity to issue new secured debt. Management does not have plans to issue new secured debt at Entergy New Orleans through at least 2002, however, and believes that its short-term and unsecured borrowing capacity will be sufficient for its foreseeable capital needs. Under restrictions contained in its articles of incorporation, Entergy New Orleans could issue approximately $38 million of new unsecured debt as of December 31, 2001.

Short-term borrowings by the domestic utility companies and System Energy, including borrowings under the money pool, are limited to amounts authorized by the SEC. Under the SEC order authorizing the short-term borrowing limits, the domestic operating companies cannot incur new short-term indebtedness if the issuer's equity would comprise less than 30% of its capital. In addition, this order restricts Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, or System Energy from issuing long-term debt unless that debt will be rated as investment grade. See Note 4 to the financial statements for further discussion of Entergy's short-term borrowing limits.

Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi each have 364-day credit facilities available as follows:

Company	Expiration Date	Amount of Facility	Amount Drawn as of Dec. 31, 2001
Entergy Corporation	May 2002	$1.375 billion	$350 million
Entergy Arkansas	May 2002	$63 million	-
Entergy Louisiana	January 2003	$15 million	-
Entergy Mississippi	May 2002	$25 million	-

Entergy Corporation has used borrowings from its facility for general corporate purposes and to make additional investments in competitive businesses, including the purchase of Indian Point 2 from Consolidated Edison in September 2001. Entergy Corporation's facility requires Entergy to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy's debt ratio exceeds this limit, or if Entergy or the domestic utility companies default on other credit facilities or are in bankruptcy or insolvency proceedings, an acceleration of the facility's maturity may occur.

Off Balance Sheet and Equity Method Investee Debt, Guarantees of Unconsolidated Obligations, and Lease Obligations

Entergy has an off balance sheet financing arrangement to finance EWO's turbine acquisition program, and the debt of its equity method investees is not consolidated in Entergy's financial statements, according to generally accepted accounting principles. The equity method investees are discussed more thoroughly in Note 13 to the financial statements. Entergy also has guarantees outstanding, which are discussed below, in support of unconsolidated obligations. In addition, Entergy has operating lease obligations that are not reflected as liabilities in the financial statements, according to generally accepted accounting principles. The operating leases are discussed more thoroughly in Note 10 to the financial statements.

In order to provide a source of financing for EWO's turbine acquisition program, an Entergy subsidiary (EPDC) sold its rights and obligations under certain of its turbine acquisition contracts with General Electric Company to an independent special-purpose entity in May 2001. The special-purpose entity was formed through equity contributions from an unrelated third party. The rights to 22 turbines were included in the sale. As discussed above in "**Uses of Capital**," cancellation of four of these turbines is pending, and three others have been committed to a site under construction. Construction of some of the turbines had begun at the time of the sale, and the sale price of approximately $150 million corresponded to the amount that EPDC had invested in the turbines that were under construction at that time. The purchaser obtained a revolving financing facility of up to $450 million for the construction and acquisition of turbines. EPDC has certain rights to reacquire the turbines from the purchaser, whether pursuant to an interim lease commencing when a turbine is ready for shipment or pursuant to certain purchase rights. The methodology for calculation of the lease payments and purchase price for each turbine have been established pursuant to various agreements between EPDC, the purchaser, and the purchaser's lenders. If EPDC does not take title to the turbines prior to certain specified dates, the purchaser has certain rights to sell the turbines and EPDC may be held liable for specific defined shortfalls, if any. If Entergy were to consolidate the special-purpose entity as of December 31, 2001, its net debt ratio would increase from 49.7% to 50.5%. Certain EPDC obligations under these agreements are backed by an Entergy Corporation guarantee of up to $309 million as of December 31, 2001, including $84 million related to the Harrison County project currently under construction. In addition, if Entergy Corporation's debt is rated by two rating agencies (Entergy Corporation currently does not have debt issued that is rated) and if one rating falls below investment grade, or if two or more of its significant subsidiaries have their credit ratings downgraded to below investment grade, Entergy will have to put up cash collateral. As of December 31, 2001, Entergy would have to post up to $258 million as collateral in the event of such downgrades, including $59 million related to the Harrison County project.

Two of Entergy's unconsolidated 50/50 joint ventures, Entergy-Koch and RS Cogen, have obtained long-term financing. As of December 31, 2001, 50% of the debt financing outstanding for those two entities was $347 million. Two of the contracts transferred to Entergy-Koch by Entergy's power marketing and trading business were backed by Entergy Corporation guarantees authorized in the amount of $45 million at December 31, 2001. RS Cogen is currently in the construction phase, and Entergy's $30 million equity commitment has not been funded. This commitment is secured by an Entergy Corporation guarantee, which will terminate when Entergy makes its equity contribution upon completion of construction. Entergy has also supported the RS Cogen project by causing a subsidiary to enter into a power toll processing agreement (PTPA) with RS Cogen. The PTPA provides for a 20-year term, dedicates 50% of RS Cogen's conversion capacity to the Entergy subsidiary and obligates the Entergy subsidiary to pay a monthly capacity charge.

In August 2001, EntergyShaw entered into a turnkey construction agreement with an Entergy subsidiary, Entergy Power Ventures, L.P. (EPV), and with Northeast Texas Electric Cooperative, Inc. (NTEC), providing for the construction by EntergyShaw of a 550 MW electric generating station to be located in Harrison County, Texas. Entergy has guaranteed the obligations of EntergyShaw to construct the plant, which will be 70% owned by EPV. Entergy's maximum liability on the guarantee is $232.5 million.

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.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Entergy Corporation:

We have audited the accompanying consolidated balance sheets of Entergy Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, of retained earnings, comprehensive income, and paid-in capital and of cash flows (pages 86 through 91 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Entergy Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments in 2001.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Entergy's consolidated earnings applicable to common stock were $726.2 million and $679.3 million for the years ended December 31, 2001 and 2000, respectively. The changes in earnings applicable to common stock by operating segments for 2001 and 2000 as compared to the prior year are as follows:

Operating Segments	Increase/(Decrease) 2001	2000
	(In Thousands)	
Domestic Utility and System Energy	($36,399)	$75,684
Domestic Non-Utility Nuclear	78,722	33,453
Energy Commodity Services (primarily EWO and Entergy-Koch)	51,031	94,848
Other, including parent company	(46,452)	(77,150)
Total	$46,902	$126,835
Increases in earnings per average common share for Entergy:		
Basic	10%	33%
Diluted	9%	32%

Entergy's income before taxes is discussed according to the operating segments listed above. See Note 12 to the financial statements for further discussion of Entergy's operating segments and their financial results in 2001, 2000, and 1999. In addition to the matters discussed below, Entergy's share repurchase program contributed to the increases in earnings per share in both 2001 and 2000 by decreasing the weighted average number of shares outstanding. Also, as noted below under Energy Commodity Services, the cumulative effect of $23.5 million (net of tax) of an accounting change made in the fourth quarter of 2001 contributed to the increase in net income.

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

Domestic Utility and System Energy

The decrease in earnings for the domestic utility companies and System Energy in 2001 was primarily due to less favorable sales volume and weather, a decrease in the pricing of unbilled revenue, and an increase in interest expense. The decrease in earnings was partially offset by decreases in decommissioning expense, other operation and maintenance expenses, and depreciation and amortization expense, largely as a result of adjustments made after receipt of a final FERC order issued in connection with the 1995 System Energy rate increase filing, as well as by increased interest and dividend income. See Note 2 to the financial statements herein for further discussion of the System Energy rate proceeding.

The increase in 2000 earnings at the domestic utility companies and System Energy was primarily due to more favorable sales volume and weather, an increase in the pricing of unbilled revenue, and a decrease in interest expense, partially offset by increases in other operation and maintenance expenses, depreciation and amortization expense, taxes other than income taxes, and the effective income tax rate.

Electric operating revenues

The changes in electric operating revenues for Entergy's domestic utility companies for 2001 and 2000 are as follows:

Description	Increase/(Decrease) 2001	2000
	(In Millions)	
Base rate changes	$62.0	($94.2)
Rate riders	(38.5)	(17.1)
Fuel cost recovery	462.7	792.5
Sales volume/weather	(76.8)	107.1
Unbilled revenue	(261.1)	94.7
Other revenue	(95.0)	39.6
Sales for resale	(28.2)	25.7
Total	$25.1	$948.3

Base rate changes

Base rate changes increased revenue in 2001 primarily due to lower accruals for rate refund provisions at Entergy Gulf States and Entergy Louisiana.

Base rate changes decreased revenue 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 resulting from the settlement agreement in Entergy Gulf States' 1996 and 1998 Texas rate filings.

Rate riders

Rate rider revenues do not impact earnings since specific incurred expenses offset them.

In 2001, rate rider revenues decreased as a result of the cessation of the ANO decommissioning rate rider for calendar year 2001 at Entergy Arkansas and decreases in the Grand Gulf riders effective July 2001 and October 2000 at Entergy Arkansas and Entergy Mississippi, 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 do not have a material net effect on earnings.

The increase in fuel cost recovery revenue in 2001 is 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 recovered through fuel mechanisms at Entergy Gulf States in the Louisiana jurisdiction and Entergy New Orleans due to the increased market prices of natural gas and purchased power early in 2001.

Corresponding to the increase in fuel cost recovery revenue, fuel and purchased power expenses related to electric sales increased by $418.0 million in 2001 primarily due to an increase in the market prices of natural gas and purchased power early in 2001.

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 Gulf States in the Louisiana jurisdiction, 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 in 2000 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.

Sales volume/weather

Lower electric sales volume reduced revenues in 2001 due to decreased weather-adjusted usage of 2,067 GWH. The primary decreases in weather-adjusted usage were from industrial customers at Entergy Louisiana and Entergy Gulf States. The effect of milder-than-normal weather conditions also caused a decrease in electric sales in 2001. Electric sales volume in the domestic utility companies' service territories decreased 1,194 GWH due to the impact of weather conditions in 2001. The number of customers in the domestic utility companies' service territories increased only slightly during these periods.

In 2000, higher electric sales volume increased revenues primarily due to increased usage and more favorable weather conditions as well as increased generation and subsequent sales from River Bend in 2000 as a result of a refueling outage in 1999.

Unbilled revenue

Unbilled revenues decreased in 2001 due to the effect of higher fuel prices and more favorable weather in December 2000 on the unbilled revenue calculation.

In 2000, unbilled revenues increased due to the effect of higher fuel prices in December 2000 on the unbilled revenue calculation.

Other revenue

Other revenue decreased in 2001, reflecting the receipt of a final FERC order requiring System Energy to refund a portion of its December 1995 rate increase, which increased provisions for rate refunds by $93 million at System Energy. The net income impact of the provision was more than offset by the other effects of the final FERC order that are discussed below in "Other effects on results of operations."

Gas operating revenues

Natural gas revenues increased $20.0 million in 2001, primarily due to increased market prices for natural gas early in 2001 and additional sales volume due to the colder-than-normal January 2001 winter period.

Natural gas revenues increased $55.5 million in 2000, primarily due to higher natural gas prices in late 2000.

Other effects on results of operations

Results for the year ended December 31, 2001 for the domestic utility companies and System Energy were also affected by the following:

- decreases in other operation and maintenance expenses of $95.6 million, which are explained below;
- a decrease in decommissioning expense at System Energy of $32.4 million resulting from the final resolution of the FERC order addressing the 1995 rate increase filing;
- decreases in depreciation and amortization expense at System Energy of $74.5 million primarily resulting from the final resolution of the FERC order addressing the 1995 rate increase filing;
- net increases in regulatory credits of $40.8 million, which are explained below; and
- increases in interest expense of $61.5 million, which are explained below.

The decreases in other operation and maintenance expenses in 2001 were primarily due to:

- a decrease in property damage expenses of $49.7 million primarily due to a reversal of $24.5 million in June 2001, upon recommendation from the APSC, of ice storm costs previously charged to expense in December 2000 (these costs are now reflected as regulatory assets). The effect of the reversal of the ice storm costs on net income was largely offset by the adjustment to the transition cost account as a result of the 2000 earnings review in 2001;
- decreases in outside services employed of $9.3 million and $11.0 million at Entergy Arkansas and Entergy Louisiana, respectively, as a result of rate and regulatory proceedings in 2000; and
- decreases of $10.7 million and $14.6 million at Entergy Louisiana and Entergy Mississippi, respectively, because of maintenance and planned maintenance outages at certain fossil plants in 2000.

The net increases in regulatory credits in 2001 were primarily due to:

- the amount of capacity charges included in purchased power costs for the summers of 2000 and 2001 that Entergy Gulf States and Entergy Louisiana deferred and will recover in future periods; and
- an under-recovery of Grand Gulf costs in 2001 at Entergy Mississippi as a result of a lower rider implemented in October 2000.

The net increases in regulatory credits in 2001 were partially offset by the following:

- the accrual of $22.3 million in the transition cost account at Entergy Arkansas; and
- the amortization of the 2000 capacity charges mentioned above, which will occur through July 2002.

The increases in interest expense in 2001 were primarily due to:

- the final FERC order addressing the 1995 System Energy rate increase filing;
- debt issued at Entergy Arkansas in July 2001, at Entergy Gulf States in June 2000 and August 2001, at Entergy Mississippi in January 2001, and at Entergy New Orleans in July 2000 and February 2001; and

- borrowings under credit facilities during 2001, primarily at Entergy Arkansas.

Results for the year ended December 31, 2000 for the domestic utility companies and System Energy were also affected by the following:

- increases in other operation and maintenance expenses of $95.8 million, which are explained below;
- an increase of $44.5 million in depreciation and amortization expenses, which is explained below; and
- a decrease in interest charges of $21.4 million 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.

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

- increased damage 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.

Depreciation and amortization expenses increased 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.

Domestic Non-Utility Nuclear

The increase in earnings in 2001 for the domestic non-utility nuclear business was primarily due to the operation of FitzPatrick and Indian Point 3 for a full year, as each was purchased in November 2000, and the operation of Indian Point 2, which was purchased in September 2001. Following are key performance measures for domestic non-utility nuclear operations:

	2001	2000
Net MW in operation at December 31	3,445	2,475
Generation in GWH for the year	22,614	7,171
Capacity factor for the year	93%	94%

The following fluctuations in the results of operations for domestic non-utility nuclear in 2001 were primarily caused by the acquisition of FitzPatrick, Indian Point 3, and Indian Point 2:

- revenues increased by $491.1 million;
- other operation and maintenance expenses increased $217.6 million;
- interest expense, primarily related to debt incurred to purchase the plants, increased $47.9 million;
- fuel expenses increased $51.0 million; and
- taxes other than income taxes increased $30.9 million.

The increased earnings in 2000 for the domestic non-utility nuclear business were primarily due to increased revenues from the operation of the Pilgrim, FitzPatrick, and Indian Point 3 plants. Pilgrim was purchased in July 1999 and FitzPatrick and Indian Point 3 were purchased in November 2000. Partially offsetting the increased revenues were increases in fuel and purchased power expense, other operation and maintenance expense, and interest expense resulting from the acquisition of these three plants.

Energy Commodity Services

The increase in earnings for energy commodity services in 2001 was primarily due to:

- the gain on the sale of EWO's Saltend plant discussed below;
- the favorable results from Entergy-Koch discussed below;
- the $33.5 million ($23.5 million net of tax) cumulative effect of an accounting change marking to market the Damhead Creek gas contract;
- liquidated damages of $13.9 million ($9.7 million net of tax) received in 2001 from the Damhead Creek construction contractor as compensation for lost operating margin from the plant due to construction delays; and
- a $12.2 million ($7.9 million net of tax) gain on the sale of a permitted site in Desoto County, Florida, in May 2001.

Partially offsetting the increase in earnings for energy commodity services in 2001 was the following:

- $60.1 million ($49.9 million net of tax) of losses or asset impairments recorded on EWO's Latin American investments and other development projects;
- a $9.8 million ($6.4 million net of tax) loss recorded primarily because of the pending cancellation of four gas turbines scheduled for delivery in 2004;
- liquidated damages of $55.1 million ($38.6 million net of tax) received in 2000 from the Saltend contractor as compensation for lost operating margin from the plant due to construction delays;
- a $19.7 million ($12.8 million net of tax) gain on the sale of the Freestone project located in Fairfield, Texas, in June 2000;
- increased depreciation expense of $23.6 million in 2001 primarily due to the commencement of the commercial operation of the Saltend and Damhead Creek plants; and
- increased interest expense of $78.7 million in 2001 primarily because of the commencement of commercial operation of the Saltend and Damhead Creek plants.

Revenues decreased for energy commodity services by $983.3 million in 2001, primarily due to the contribution of substantially all of Entergy's power marketing and trading business to Entergy-Koch in 2001. Earnings from Entergy-Koch are reported as equity in earnings of unconsolidated equity affiliates in the financial statements. As a result, in 2001, revenues from this activity were lower by $1,957.0 million compared to 2000 revenue for Entergy's power marketing and trading segment, and purchased power expenses were lower by $1,830.0 million. The net income effect in 2001 of the lower revenue was more than offset by the equity in earnings from Entergy's interest in Entergy-Koch. Entergy's earnings from this activity increased in 2001 as a result of increased electricity and gas trading volumes as well as a broader range of commodity sources and options provided to customers by the joint venture than provided previously by Entergy. Following are key performance measures for Entergy-Koch's operations in 2001:

Entergy-Koch Trading	
Gas volatility	81%
Electricity volatility	66%
Gas marketed (BCF/D)	6.9
Electricity marketed (GWH)	108,645
Gulf South Pipeline	
Throughput (BCF/D)	2.45
Production cost ($/MMBTU)	$0.093

Entergy accounts for its 50% share in Entergy-Koch under the equity method of accounting. Certain terms of the partnership arrangement allocate income from various sources, and the taxes on that income, on a significantly disproportionate basis through 2003. Losses and distributions from operations are allocated to the partners equally. The disproportionate allocations were favorable to Entergy in the aggregate in 2001. In 2004, a revaluation of Entergy-Koch's assets for capital account purposes will occur, and future allocations will change after the revaluation. The profit allocations other than for weather trading and international trading are expected to become equal, unless special allocations are necessary to equalize the partners' capital accounts. Earnings allocated under the terms of the partnership agreement constitute equity, not subject to reallocation, for the partners.

The decrease in revenues in 2001 was partially offset by an increase in operating revenues for EWO primarily due to an increase of $409.8 million from EWO's interest in Highland Energy and an increase of $450.1 million from the Saltend and Damhead Creek plants. Highland Energy was acquired in June 2000, and the Saltend and Damhead Creek plants began commercial operation in late November 2000 and early 2001, respectively. Highland Energy was sold in the fourth quarter of 2001. The increase in revenues for EWO is largely offset by increased fuel and purchased power expenses of $644.1 million and increased other operation and maintenance expenses of $94.6 million.

EWO sold the Saltend plant in August 2001 and revenues include the $88.1 million ($57.2 million net of tax) gain on the sale.

In 2000, the increase in earnings for energy commodity services was primarily due to the following related to the power marketing and trading business:

- improved trading performance in electricity;
- increased long-term marketing of electricity; and
- trading gains in natural gas in 2000 due to natural gas prices reaching record high levels compared to trading losses in 1999.

Also contributing to the increase in earnings in energy commodity services in 2000 was $55.1 million of liquidated damages received from the Saltend contractor as compensation for lost operating margin from the plant due to construction delays and a $19.7 million ($12.8 million net of tax) gain in June 2000 on the sale of the power development business' investment in the Freestone project located in Fairfield, Texas. Partially offsetting the increase was the absence of a $26.7 million ($17 million net of tax) gain on the sale of Entergy Power Edesur Holdings which occurred in June 1999.

Other, including parent company

Earnings from Other decreased in 2001 primarily due to a decrease in interest income of $41.2 million and $21.8 million ($14.1 million net of tax) of merger-related expenses incurred by Entergy Corporation in the first quarter of 2001. Also contributing to the decreased earnings was an increase in interest expense of $19.5 million. The decreased earnings were partially offset by the write-down of investments in Latin American projects in 2000 discussed below.

Earnings from Other decreased in 2000 primarily due to a $42.5 million ($27.6 million net of tax) write-down in 2000 of investments in Latin American projects to their estimated fair values. The decrease is also due to the absence of the following items that occurred in 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.

Income taxes

The effective income tax rates for 2001, 2000, and 1999 were 38.5%, 40.3%, and 37.5%, respectively. The decrease in 2001 was primarily due to the effects of the final FERC order addressing System Energy's 1995 rate proceeding. 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.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2001	2000	1999
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Domestic electric	$7,244,827	$7,219,686	$6,271,414
Natural gas	185,902	165,872	110,355
Steam products	-	-	15,852
Competitive businesses	2,190,170	2,636,571	2,368,014
TOTAL	9,620,899	10,022,129	8,765,635
OPERATING EXPENSES			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	3,681,677	2,645,835	2,082,875
Purchased power	1,021,432	2,662,881	2,442,484
Nuclear refueling outage expenses	89,145	70,511	76,057
Other operation and maintenance	2,151,742	1,943,814	1,705,545
Decommissioning	3,189	39,484	45,988
Taxes other than income taxes	399,849	370,344	339,284
Depreciation and amortization	721,033	746,125	698,881
Other regulatory charges (credits) - net	(37,093)	3,681	14,833
Amortization of rate deferrals	16,583	30,392	115,627
TOTAL	8,047,557	8,513,067	7,521,574
OPERATING INCOME	1,573,342	1,509,062	1,244,061
OTHER INCOME			
Allowance for equity funds used during construction	26,209	32,022	29,291
Gain on sale of assets - net	5,226	2,340	71,926
Interest and dividend income	159,805	163,050	143,601
Equity in earnings of unconsolidated equity affiliates	180,956	13,715	7,593
Miscellaneous - net	(22,843)	27,077	10,822
TOTAL	349,353	238,204	263,233
INTEREST AND OTHER CHARGES			
Interest on long-term debt	544,920	477,071	476,877
Other interest - net	197,638	85,635	82,471
Distributions on preferred securities of subsidiaries	18,838	18,838	18,838
Allowance for borrowed funds used during construction	(21,419)	(24,114)	(22,585)
TOTAL	739,977	557,430	555,601
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	1,182,718	1,189,836	951,693
Income taxes	455,693	478,921	356,667
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	727,025	710,915	595,026
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (net of income taxes of $10,064)	23,482	-	-
CONSOLIDATED NET INCOME	750,507	710,915	595,026
Preferred dividend requirements and other	24,311	31,621	42,567
EARNINGS APPLICABLE TO COMMON STOCK	$726,196	$679,294	$552,459
Earnings per average common share before cumulative effect of accounting change:			
Basic	$3.18	$3.00	$2.25
Diluted	$3.13	$2.97	$2.25
Earnings per average common share:			
Basic	$3.29	$3.00	$2.25
Diluted	$3.23	$2.97	$2.25
Dividends declared per common share	$1.28	$1.22	$1.20
Average number of common shares outstanding:			
Basic	220,944,270	226,580,449	245,127,460
Diluted	224,733,662	228,541,307	245,326,883

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING ACTIVITIES			
Consolidated net income	$750,507	$710,915	$595,026
Noncash items included in net income:			
Amortization of rate deferrals	16,583	30,392	115,627
Reserve for regulatory adjustments	(359,199)	18,482	10,531
Other regulatory charges (credits) - net	(37,093)	3,681	14,833
Depreciation, amortization, and decommissioning	724,222	785,609	744,869
Deferred income taxes and investment tax credits	87,752	124,457	(189,465)
Allowance for equity funds used during construction	(26,209)	(32,022)	(29,291)
Cumulative effect of accounting change	(23,482)	-	-
Gain on sale of assets - net	(5,226)	(2,340)	(71,926)
Equity in undistributed earnings of subsidiaries and unconsolidated affiliates	(168,873)	(13,715)	(7,593)
Changes in working capital (net of effects from acquisitions and dispositions):			
Receivables	302,230	(437,146)	9,246
Fuel inventory	(3,419)	(20,447)	(1,359)
Accounts payable	(415,160)	543,606	35,233
Taxes accrued	486,676	20,871	158,733
Interest accrued	17,287	45,789	(56,552)
Deferred fuel	495,007	(38,001)	10,583
Other working capital accounts	(39,978)	102,336	45,285
Provision for estimated losses and reserves	19,093	6,019	(59,464)
Changes in other regulatory assets	119,215	(66,903)	(36,379)
Other	275,615	186,264	101,087
Net cash flow provided by operating activities	2,215,548	1,967,847	1,389,024
INVESTING ACTIVITIES			
Construction/capital expenditures	(1,380,417)	(1,493,717)	(1,195,750)
Allowance for equity funds used during construction	26,209	32,022	29,291
Nuclear fuel purchases	(130,670)	(121,127)	(137,649)
Proceeds from sale/leaseback of nuclear fuel	71,964	117,154	137,093
Proceeds from sale of businesses	784,282	61,519	351,082
Investment in other nonregulated/nonutility properties	(1,278,990)	(238,062)	(81,273)
Changes in other temporary investments - net	(150,000)	321,351	635,005
Decommissioning trust contributions and realized change in trust assets	(95,571)	(63,805)	(61,766)
Other regulatory investments	(3,460)	(385,331)	(81,655)
Other	(68,067)	(44,016)	(42,258)
Net cash flow used in investing activities	(2,224,720)	(1,814,012)	(447,880)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	682,402	904,522	1,113,370
Common stock	64,345	41,908	15,320
Retirement of:			
Long-term debt	(962,112)	(181,329)	(1,195,451)
Repurchase of common stock	(36,895)	(550,206)	(245,004)
Redemption of preferred stock	(39,574)	(157,658)	(98,597)
Changes in short-term borrowings - net	(37,004)	267,000	(165,506)
Dividends paid:			
Common stock	(269,122)	(271,019)	(291,483)
Preferred stock	(24,044)	(32,400)	(43,621)
Net cash flow provided by (used in) financing activities	(622,004)	20,818	(910,972)
Effect of exchange rates on cash and cash equivalents	325	(5,948)	(948)
Net increase (decrease) in cash and cash equivalents	(630,851)	168,705	29,224
Cash and cash equivalents at beginning of period	1,382,424	1,213,719	1,184,495
Cash and cash equivalents at end of period	$751,573	$1,382,424	$1,213,719
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	$708,748	$505,414	$601,739
Income taxes	($118,881)	$345,361	$373,537
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($34,517)	($11,577)	$41,582
Proceeds from long-term debt issued for the purpose of refunding prior long-term debt	$47,000	-	-
Decommissioning trust funds acquired in nuclear power plant acquisitions	$430,000	-	$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, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$129,866	$157,550
Temporary cash investments - at cost, which approximates market	618,327	640,038
Special deposits	3,380	584,836
Total cash and cash equivalents	751,573	1,382,424
Other temporary investments	150,000	-
Notes receivable	2,137	3,608
Accounts receivable:		
Customer	294,799	497,821
Allowance for doubtful accounts	(19,255)	(9,947)
Other	286,671	395,518
Accrued unbilled revenues	268,680	415,409
Total receivables	830,895	1,298,801
Deferred fuel costs	172,444	568,331
Accumulated deferred income taxes	6,488	-
Fuel inventory - at average cost	97,497	93,679
Materials and supplies - at average cost	460,644	425,357
Rate deferrals	-	16,581
Deferred nuclear refueling outage costs	79,755	46,544
Prepayments and other	129,251	122,690
TOTAL	2,680,684	3,958,015
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	766,103	136,487
Decommissioning trust funds	1,775,950	1,315,857
Non-utility property - at cost (less accumulated depreciation)	295,616	262,952
Other	495,542	79,917
TOTAL	3,333,211	1,795,213
PROPERTY, PLANT AND EQUIPMENT		
Electric	26,359,376	25,137,562
Plant acquisition adjustment	374,399	390,664
Property under capital lease	753,310	831,822
Natural gas	201,841	190,989
Construction work in progress	882,829	936,785
Nuclear fuel under capital lease	265,464	277,673
Nuclear fuel	232,387	157,603
TOTAL PROPERTY, PLANT AND EQUIPMENT	29,069,606	27,923,098
Less - accumulated depreciation and amortization	11,805,578	11,477,352
PROPERTY, PLANT AND EQUIPMENT - NET	17,264,028	16,445,746
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	946,126	980,266
Unamortized loss on reacquired debt	166,546	183,627
Deferred fuel costs	-	95,661
Other regulatory assets	707,439	792,515
Long-term receivables	28,083	29,575
Other	784,194	1,171,278
TOTAL	2,632,388	3,252,922
TOTAL ASSETS	$25,910,311	$25,451,896

See Notes to Financial Statements.

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

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$682,771	$464,215
Notes payable	351,018	388,023
Accounts payable	592,529	1,204,227
Customer deposits	188,230	172,169
Taxes accrued	700,133	451,811
Accumulated deferred income taxes	-	225,649
Nuclear refueling outage costs	2,080	10,209
Interest accrued	192,420	172,033
Obligations under capital leases	149,352	156,907
Other	345,387	192,908
TOTAL	3,203,920	3,438,151
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	3,574,664	3,249,083
Accumulated deferred investment tax credits	471,090	494,315
Taxes accrued	250,000	-
Obligations under capital leases	181,085	201,873
Other regulatory liabilities	135,878	135,586
Decommissioning	1,194,333	749,708
Transition to competition	231,512	191,934
Regulatory reserves	37,591	396,789
Accumulated provisions	425,399	390,116
Other	852,269	853,137
TOTAL	7,353,821	6,662,541
Long-term debt	7,321,028	7,732,093
Preferred stock with sinking fund	26,185	65,758
Preferred stock without sinking fund	334,337	334,688
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated deferrable debentures	215,000	215,000
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 248,174,087 shares in 2001 and 248,094,614 shares in 2000	2,482	2,481
Paid-in capital	4,662,704	4,660,483
Retained earnings	3,638,448	3,190,639
Accumulated other comprehensive loss	(88,794)	(75,033)
Less - treasury stock, at cost (27,441,384 shares in 2001 and 28,490,031 shares in 2000)	758,820	774,905
TOTAL	7,456,020	7,003,665
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$25,910,311	$25,451,896

See Notes to Financial Statements.

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

	For the Years Ended December 31,					
	2001		2000		1999	
			(In Thousands)			
RETAINED EARNINGS						
Retained Earnings - Beginning of period	$3,190,639		$2,786,467		$2,526,888	
Add - Earnings applicable to common stock	726,196	$726,196	679,294	$679,294	552,459	$552,459
Deduct:						
Dividends declared on common stock	278,342		275,929		294,352	
Capital stock and other expenses	45		(807)		(1,472)	
Total	278,387		275,122		292,880	
Retained Earnings - End of period	$3,638,448		$3,190,639		$2,786,467	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Net of tax):						
Balance at beginning of period	($75,033)		($73,805)		($46,739)	
Cumulative effect to January 1, 2001 of accounting change regarding fair value of derivative instruments	(18,021)		-		-	
Net derivative instrument fair value changes arising during the period	48	48	-	-	-	-
Foreign currency translation adjustments	4,615	4,615	(5,216)	(5,216)	(22,043)	(22,043)
Net unrealized investment gains (losses)	(403)	(403)	3,988	3,988	(5,023)	(5,023)
Balance at end of period:						
Accumulated derivative instrument fair value changes	(17,973)		-		-	
Other accumulated comprehensive income (loss) items	(70,821)		(75,033)		(73,805)	
Total	($88,794)		($75,033)		($73,805)	
Comprehensive Income		$730,456		$678,066		$525,393
PAID-IN CAPITAL						
Paid-in Capital - Beginning of period	$4,660,483		$4,636,163		$4,630,609	
Add:						
Common stock issuances related to stock plans	2,221		24,320		5,554	
Paid-in Capital - End of period	$4,662,704		$4,660,483		$4,636,163	

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998 (1)	1997 (2)
	(In Thousands, Except Percentages and Per Share Amounts)				
Operating revenues	$ 9,620,899	$ 10,022,129	$ 8,765,635	$ 11,494,772	$ 9,538,926
Income before cumulative effect of accounting change	$ 727,025	$ 710,915	$ 595,026	$ 785,629	$ 300,899
Earnings per share before cumulative effect of accounting change					
Basic	$ 3.18	$ 3.00	$ 2.25	$ 3.00	$ 1.03
Diluted	$ 3.13	$ 2.97	$ 2.25	$ 3.00	$ 1.03
Dividends declared per share	$ 1.28	$ 1.22	$ 1.20	$ 1.50	$ 1.80
Return on average common equity	10.04%	9.62%	7.77%	10.71%	3.71%
Book value per share, year-end	$ 33.78	$ 31.89	$ 29.78	$ 28.82	$ 27.23
Total assets	$ 25,910,311	$ 25,451,896	$ 22,969,940	$ 22,836,694	$ 27,000,700
Long-term obligations (3)	$ 7,743,298	$ 8,214,724	$ 7,252,697	$ 7,349,349	$ 10,154,330

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

	2001	2000	1999	1998	1997
	(Dollars In Thousands)				
Domestic Electric Operating Revenues:					
Residential	$2,612,889	$2,524,529	$2,231,091	$2,299,317	$2,271,363
Commercial	1,860,040	1,699,699	1,502,267	1,513,050	1,581,878
Industrial	2,298,825	2,177,236	1,878,363	1,829,085	2,018,625
Governmental	205,054	185,286	163,403	172,368	171,773
Total retail	6,976,808	6,586,750	5,775,124	5,813,820	6,043,639
Sales for resale	395,353	423,519	397,844	448,842	359,881
Other (1)	(127,334)	209,417	98,446	(126,340)	135,311
Total	$7,244,827	$7,219,686	$6,271,414	$6,136,322	$6,538,831
Billed Electric Energy Sales (GWH):					
Residential	31,080	31,998	30,631	30,935	28,286
Commercial	24,706	24,657	23,775	23,177	21,671
Industrial	41,577	43,956	43,549	43,453	44,649
Governmental	2,593	2,605	2,564	2,659	2,507
Total retail	99,956	103,216	100,519	100,224	97,113
Sales for resale	8,896	9,794	9,714	11,187	9,707
Total	108,852	113,010	110,233	111,411	106,820

(1) 1998 includes the effect of a reserve for rate refund at Entergy Gulf States. 2001 includes the effect of a reserve for rate refund at System Energy.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Entergy Arkansas, Inc. as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows (pages 99 through 103 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy Arkansas, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

ENTERGY ARKANSAS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased in 2001 primarily due to a refund from System Energy as a result of the receipt of a final FERC order in System Entergy's 1995 rate proceeding and decreased operation and maintenance expenses. The adjustments necessary to record the effects of the FERC order reduced purchased power expense by $62.7 million ($38.6 million net-of-tax). The increase was partially offset by decreased regulatory credits and other income and increased interest charges. Refer to Note 2 of the financial statements for further discussion of the FERC order in System Entergy's 1995 rate proceeding.

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

Revenues and Sales

The changes in electric operating revenues for the twelve months ended December 31, 2001 and 2000 are as follows:

Description	Increase/(Decrease) 2001	2000
	(In Millions)	
Base rate changes	$0.7	($6.5)
Rate riders	(18.6)	(21.8)
Fuel cost recovery	78.8	61.8
Sales volume/weather	5.1	30.8
Unbilled revenue	(15.9)	45.1
Other revenue	3.2	2.5
Sales for resale	(39.2)	108.8
Total	$14.1	$220.7

Rate riders

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

In 2001, rate rider revenues decreased as a result of the cessation of the ANO Decommissioning rate rider for the calendar year 2001. The ANO Decommissioning rider allows Entergy Arkansas to recover the decommissioning costs associated with ANO 1 and 2. In October 2000, the APSC concluded that funds previously collected, together with future earnings on those funds, will be sufficient to decommission ANO 1 and 2. Also contributing to the decrease in rate rider revenues is a decrease in the Grand Gulf rate rider effective July 2001. The Grand Gulf rate rider allows Entergy Arkansas to recover 78% of its share of operating costs for Grand Gulf 1.

In 2000, rate rider revenues decreased as a result of decreased ANO Decommissioning and Grand Gulf rate riders. The decreased rates in both riders became effective in January 2000.

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 2001 primarily due to increases in the energy cost rate that became effective in April 2000 and April 2001. The energy cost recovery rider (Rider ECR) is determined annually by formula. The increase in the energy cost rate allows Entergy Arkansas to recover previously under-recovered fuel expenses. Rider ECR is discussed further in Note 2 to the financial statements.

Fuel cost recovery revenues increased in 2000 primarily due to an increase in the energy cost rate in April 2000.

Sales volume/weather

Electric sales vary seasonally in response to weather and usually peak in the summer. The colder winter weather in 2000 contributed 1,508 GWH to the increase in electric sales volume in the residential and commercial sectors as compared to 1999. Higher electric sales volume in 2000 also increased revenues due to increased weather-adjusted usage of 742 GWH in the residential and commercial sectors. Increased usage in the industrial sector of 406 GWH also contributed to the increase in electric sales.

Unbilled revenue

In 2001, unbilled revenue decreased primarily due to the effect of colder weather in December 2000 on the unbilled revenue calculation compared to the calculation in the current year.

In 2000, unbilled 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. Unbilled revenues also increased due to greater unbilled volume and the addition of unbilled revenue for wholesale customers to the unbilled balance.

Sales for resale

In 2001, sales for resale decreased due to a decrease in sales volume to adjoining utility systems and municipal and co-operative customers as a result of less energy available for resale, coupled with a decrease in the average price of energy.

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

Expenses

Fuel and purchased power

In 2001, fuel and purchased power expenses decreased primarily due to:

- decreased gas generation as a result of displacement by nuclear generation;
- decreased purchased power volume as a result of displacement by nuclear generation; and
- receipt of a final FERC order requiring System Energy to refund a portion of its requested December 1995 rate increase. The effect of the order required adjustments that reduced purchased power expense at Entergy Arkansas by $62.7 million.

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 Rider ECR filings. This adjustment reflects deferred costs that Entergy Arkansas expects to recover in the future.

Other operation and maintenance

Other operation and maintenance expenses decreased for 2001 primarily due to:

- a decrease in damage expenses of $49.7 million primarily due to a reversal of $24.5 million in June 2001, upon recommendation from the APSC, of ice storm costs previously charged to expense in December 2000 (these costs are now reflected in other regulatory assets on Entergy Arkansas' balance sheet). The effect of the reversal of the ice storm costs on net income was largely offset by the adjustment to the transition cost account as a result of the 2000 earnings review in 2001;
- a decrease in nuclear expenses of $17 million due to maintenance and inspection outages in 2000, compared to no outages in 2001, as well as the steam generator replacement project at ANO 2 in late 2000; and
- a decrease in outside service expense of $9.3 million primarily due to decreased transition to competition support costs.

The decrease in other operation and maintenance expenses was partially offset by a $15.9 million increase due to the payment of turbine refurbishing costs for the Blytheville plant, the lease of which expired after the summer of 1999.

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 transition to competition support work.

Decommissioning

Decommissioning expense decreased in 2001 primarily due to the cessation of the ANO Decommissioning rate rider for the calendar year 2001. In October 2000, the APSC concluded that funds previously collected, together with future earnings on those funds, will be sufficient to decommission ANO 1 and 2.

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

Other regulatory charges (credits) - net

In 2001, other regulatory credits decreased primarily due to:

- the accrual of $22.3 million to the transition cost account;
- the decreased accrual of transition costs recorded as a regulatory asset expected to be recovered in a customer transition tariff; and
- increased recovery of Grand Gulf 1 costs due to an increase in the Grand Gulf 1 rider effective January 2001, partially offset by a later decrease in the rider effective July 2001.

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 $15.4 million to the transition cost account.

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

Other

Other income

Other income decreased in 2001 primarily due to a decrease in the allowance for equity funds used during construction due to a lower construction work in progress balance during 2001 compared to the same period in 2000. The construction balance was lower because the ANO 2 replacement steam generators were placed in service in late 2000.

Interest charges

Interest charges increased in 2001 primarily due to:

- a decrease in the allowance for borrowed funds used for construction because of the lower construction work in progress balance during 2001;
- the issuance of $100 million of long-term debt in July 2001; and
- interest expense on a $63 million credit facility obtained in January 2001.

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

Income taxes

The effective income tax rates for 2001, 2000, and 1999 were 37.3%, 42.3%, and 43.8%, respectively.

The effective income tax rate decreased in 2001 primarily due to resolution of matters related to prior year taxes, which were lower than previously estimated. Also contributing to the decreased rate was lower tax depreciation.

ENTERGY ARKANSAS, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$1,776,776	$1,762,635	$1,541,894
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	397,080	258,294	257,946
Purchased power	397,885	560,793	455,425
Nuclear refueling outage expenses	28,695	25,884	29,857
Other operation and maintenance	364,409	427,409	389,462
Decommissioning	13	3,845	10,670
Taxes other than income taxes	35,186	39,662	36,669
Depreciation and amortization	174,539	169,806	161,234
Other regulatory charges (credits) - net	(721)	(33,078)	5,230
TOTAL	1,397,086	1,452,615	1,346,493
OPERATING INCOME	379,690	310,020	195,401
OTHER INCOME			
Allowance for equity funds used during construction	6,115	15,020	12,866
Interest and dividend income	8,983	8,784	7,274
Miscellaneous - net	(5,109)	(4,453)	(3,652)
TOTAL	9,989	19,351	16,488
INTEREST AND OTHER CHARGES			
Interest on long-term debt	90,260	88,140	80,800
Other interest - net	14,163	8,360	11,123
Distributions on preferred securities of subsidiary	5,100	5,100	5,100
Allowance for borrowed funds used during construction	(3,962)	(9,788)	(8,459)
TOTAL	105,561	91,812	88,564
INCOME BEFORE INCOME TAXES	284,118	237,559	123,325
Income taxes	105,933	100,512	54,012
NET INCOME	178,185	137,047	69,313
Preferred dividend requirements and other	7,744	7,776	10,854
EARNINGS APPLICABLE TO COMMON STOCK	$170,441	$129,271	$58,459

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS

	2001	2000	1999
	For the Years Ended December 31,		
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$178,185	$137,047	$69,313
Noncash items included in net income:			
Other regulatory charges (credits) - net	(721)	(33,078)	5,230
Depreciation, amortization, and decommissioning	174,552	173,651	171,904
Deferred income taxes and investment tax credits	6,389	39,776	22,421
Allowance for equity funds used during construction	(6,115)	(15,020)	(12,866)
Changes in working capital:			
Receivables	(16,073)	(47,647)	40,375
Fuel inventory	5,437	(6,512)	(4,633)
Accounts payable	(206,185)	141,172	56,985
Taxes accrued	64,018	1,731	(30,054)
Interest accrued	2,920	5,246	(2,908)
Deferred fuel costs	89,184	35,993	38,814
Other working capital accounts	23,283	17,162	2,444
Provision for estimated losses and reserves	(978)	(895)	(8,116)
Changes in other regulatory assets	(39,924)	(85,452)	45,898
Other	139,206	58,386	(42,249)
Net cash flow provided by operating activities	413,178	421,560	352,558
INVESTING ACTIVITIES			
Construction expenditures	(280,755)	(369,370)	(238,009)
Allowance for equity funds used during construction	6,115	15,020	12,866
Nuclear fuel purchases	(19,103)	(44,722)	(32,517)
Proceeds from sale/leaseback of nuclear fuel	19,103	44,722	32,517
Decommissioning trust contributions and realized change in trust assets	(10,105)	(15,761)	(17,746)
Changes in other temporary investments - net	(38,397)	-	-
Other regulatory investments	(3,460)	(97,343)	(39,243)
Net cash flow used in investing activities	(326,602)	(467,454)	(282,132)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	97,384	99,381	-
Retirement of long-term debt	-	(220)	(39,607)
Redemption of preferred stock	-	-	(22,666)
Dividends paid:			
Common stock	(82,500)	(44,600)	(82,700)
Preferred stock	(5,832)	(7,691)	(11,696)
Net cash flow provided by (used in) financing activities	9,052	46,870	(156,669)
Net increase (decrease) in cash and cash equivalents	95,628	976	(86,243)
Cash and cash equivalents at beginning of period	7,838	6,862	93,105
Cash and cash equivalents at end of period	$103,466	$7,838	$6,862
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$101,330	$91,291	$94,872
Income taxes	$31,939	$60,291	$61,273
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($14,843)	($3,920)	$22,980
Proceeds from long-term debt issued for the purpose of refunding prior long-term debt	$47,000	-	-

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
ASSETS

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$18,331	$7,838
Temporary cash investments - at cost, which approximates market	85,135	-
Total cash and cash equivalents	103,466	7,838
Other temporary investments	38,397	-
Accounts receivable:		
Customer	80,719	98,550
Allowance for doubtful accounts	(1,667)	(1,667)
Associated companies	65,102	22,286
Other	20,889	26,221
Accrued unbilled revenues	62,307	65,887
Total accounts receivable	227,350	211,277
Deferred fuel costs	17,246	102,970
Accumulated deferred income taxes	22,698	-
Fuel inventory - at average cost	4,372	9,809
Materials and supplies - at average cost	75,499	80,682
Deferred nuclear refueling outage costs	14,508	23,541
Prepayments and other	53,386	5,540
TOTAL	556,922	441,657
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	11,217	11,217
Decommissioning trust funds	351,114	355,852
Non-utility property - at cost (less accumulated depreciation)	1,465	1,469
Other - at cost (less accumulated depreciation)	2,976	3,032
TOTAL	366,772	371,570
UTILITY PLANT		
Electric	5,399,294	5,274,066
Property under capital lease	35,604	40,289
Construction work in progress	157,994	87,389
Nuclear fuel under capital lease	65,556	107,023
Nuclear fuel	8,156	6,720
TOTAL UTILITY PLANT	5,666,604	5,515,487
Less - accumulated depreciation and amortization	2,615,013	2,534,463
UTILITY PLANT - NET	3,051,591	2,981,024
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	164,146	162,952
Unamortized loss on reacquired debt	40,817	44,428
Other regulatory assets	260,535	221,805
Other	10,797	4,775
TOTAL	476,295	433,960
TOTAL ASSETS	$4,451,580	$4,228,211

See Notes to Financial Statements.

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

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$85,000	$100
Notes payable	667	667
Accounts payable:		
Associated companies	32,868	94,776
Other	87,036	231,313
Customer deposits	32,589	29,775
Taxes accrued	104,281	40,263
Accumulated deferred income taxes	-	55,127
Interest accrued	30,544	27,624
Obligations under capital leases	51,973	45,962
System Energy refund	53,732	-
Other	17,221	14,942
TOTAL	495,911	540,549
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	809,742	715,891
Accumulated deferred investment tax credits	83,239	88,264
Obligations under capital leases	49,187	101,350
Transition to competition	152,414	119,553
Accumulated provisions	41,415	42,393
Other	107,424	64,267
TOTAL	1,243,421	1,131,718
Long-term debt	1,308,075	1,239,712
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 2001 and 2000	470	470
Paid-in capital	591,127	591,127
Retained earnings	636,226	548,285
TOTAL	1,344,173	1,256,232
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,451,580	$4,228,211

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
Retained Earnings, January 1	$548,285	$463,614	$487,855
Add:			
Net income	178,185	137,047	69,313
Deduct:			
Dividends declared:			
Preferred stock	7,744	7,776	9,223
Common stock	82,500	44,600	82,700
Capital stock expenses and other	-	-	1,631
Total	90,244	52,376	93,554
Retained Earnings, December 31	$636,226	$548,285	$463,614

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998	1997
			(In Thousands)		
Operating revenues	$1,776,776	$1,762,635	$1,541,894	$1,608,698	$1,715,714
Net income	$ 178,185	$ 137,047	$ 69,313	$ 110,951	$ 127,977
Total assets	$4,451,580	$4,228,211	$3,917,111	$4,006,651	$4,106,877
Long-term obligations (1)	$1,417,262	$1,401,062	$1,265,846	$1,335,248	$1,419,728

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

	2001	2000	1999	1998	1997
Electric Operating Revenues:			(Dollars In Thousands)		
Residential	$586,361	$561,363	$533,245	$562,325	$551,821
Commercial	329,437	307,320	288,677	288,816	332,715
Industrial	370,772	353,046	335,824	330,016	372,083
Governmental	16,149	14,935	14,606	14,640	18,200
Total retail	1,302,719	1,236,664	1,172,352	1,195,797	1,274,819
Sales for resale:					
Associated companies	240,073	245,541	178,150	149,603	213,845
Non-associated companies	201,111	234,873	193,449	240,090	215,249
Other	32,873	45,557	(2,057)	23,208	11,801
Total	$1,776,776	$1,762,635	$1,541,894	$1,608,698	$1,715,714
Billed Electric Energy Sales (GWH):					
Residential	6,918	6,791	6,493	6,613	5,988
Commercial	5,162	5,063	4,880	4,773	4,445
Industrial	7,052	7,240	7,054	6,837	6,647
Governmental	245	239	237	233	239
Total retail	19,377	19,333	18,664	18,456	17,319
Sales for resale:					
Associated companies	7,217	6,513	7,592	6,500	9,557
Non-associated companies	4,909	5,537	4,868	5,948	6,828
Total	31,503	31,383	31,124	30,904	33,704

	2002	2003	2004	after 2004
		(In Millions)		
Planned construction and capital investment	$239	$200	$194	N/A
Long-term debt maturities	$85	$255	$-	$1,053
Short-term facility maturities (1)	$-	N/A	N/A	N/A
Capital and operating lease payments	$31	$22	$22	$45
Unconditional fuel and purchased power obligations	$228	$200	$203	$1,428
Nuclear fuel lease obligations (2)	$47	$19	N/A	N/A

(1) Entergy Arkansas' 364-day credit facility is discussed in **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – LIQUIDITY AND CAPITAL RESOURCES"**.

(2) It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. If such additional financing cannot be arranged, however, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Entergy Gulf States, Inc. as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows (pages 111 through 115 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy Gulf States, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

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

Net Income

Net income decreased slightly in 2001 primarily due to decreased unbilled revenue, less favorable sales volume and weather, and increased interest expense. The decrease was offset by lower rate refund provisions, decreased nuclear refueling outage expenses, increased interest income, and lower income taxes.

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

Revenues and Sales

Electric operating revenues

The changes in electric operating revenues for the twelve months ended December 31, 2001 and 2000 are as follows:

Description	Increase/(Decrease) 2001	2000
	(In Millions)	
Base rate changes	$35.9	($83.2)
Fuel cost recovery	200.9	342.5
Sales volume/weather	(30.9)	40.7
Unbilled revenue	(96.8)	33.7
Other revenue	(2.0)	(3.9)
Sales for resale	12.9	58.7
Total	$120.0	$388.5

Base rate changes

In 2001, base rate changes increased primarily due to lower accruals for rate refund provisions in 2001.

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

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.

ENTERGY GULF STATES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

In 2001, fuel cost recovery revenues increased in both operational jurisdictions of Entergy Gulf States. In the Louisiana jurisdiction, fuel recovery revenues increased $103.9 million due to the recovery through the fuel adjustment clause of higher fuel and purchased power costs in 2001. In the Louisiana jurisdiction, these fuel costs are recovered on a two-month lag. In the Texas jurisdiction, fuel cost recovery revenues increased $97 million due to increases in the fixed fuel factor in March 2001 and August 2001 as well as a fuel recovery surcharge which became effective in February 2001 and expired in December 2001.

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.

Sales volume/weather

Electric sales vary seasonally in response to weather and usually peak in the summer. Lower electric sales volume reduced revenues for 2001 primarily due to decreased usage of 379 GWH in the residential and commercial sectors as a result of less favorable summer weather. Lower usage in the industrial sector of 1,302 GWH also contributed to the decrease in electric sales.

In 2000, higher electric sales volume increased revenues primarily due to more favorable weather. The effect of more favorable winter weather increased usage by 462 GWH in the residential and commercial sectors. The increase in revenues was also due to increased usage of 276 GWH in the industrial sector.

Unbilled revenue

In 2001, unbilled revenue decreased as a result of higher fuel prices and more favorable weather in December 2000.

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

Sales for resale

In 2001, sales for resale increased primarily due to increased sales volume to municipal and co-op customers coupled with an increase in the average price of energy supplied, partially offset by decreased sales volume to adjoining utility systems and affiliated companies due to decreased demand.

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. Such sales volume was possible as a result of increased generation, particularly nuclear generation, resulting in more energy available for resale.

Gas and steam operating revenues

Gas operating revenues increased in 2001 primarily due to a 39% increase in the market price for natural gas as well as increased sales volume in the residential and commercial sectors, particularly during the first quarter of 2001. The increase in gas revenues was largely offset by increased expense for gas purchased for resale.

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 2000, steam operating revenues decreased primarily due to a new lease arrangement that began in June 1999 for the Louisiana Station 1 generating facility. Under the new arrangement, 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 2001, fuel and purchased power expenses increased primarily due to adjustments to the deferred fuel balance as a result of the over-recovery of fuel and purchased power costs. The over-recovery in the Louisiana jurisdiction is due to the collection of higher fuel and purchased power costs through the fuel adjustment clause as discussed above. The over-recovery in the Texas jurisdiction is due to increases in the fixed fuel factor and a fuel recovery surcharge.

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.

Nuclear refueling outage expenses

In 2001, nuclear refueling outage expenses decreased as a result of the lower accrual of anticipated future outage expenses. River Bend's next refueling outage is not scheduled until 2003.

Other operation and maintenance expenses

In 2000, other operation and maintenance expenses increased primarily due to increased expenses of $12.6 million in 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 a decrease in environmental reserve charges of $5.7 million.

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.

Other regulatory credits

In 2001, other regulatory credits increased due to:

- the establishment of the Texas System Benefit Fund; and
- the deferral of the Louisiana Retail jurisdiction portion of capacity charges included in purchased power costs for the summers of 2000 and 2001 that Entergy Gulf States expects to recover in the future.

The increase was partially offset by the amortization of the 2000 capacity charges, which will occur through July 2002.

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.

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.

As of December 31, 2001, the rate deferrals have been fully amortized.

Other

Other income

In 2001, other income increased primarily due to increased interest income recorded on the deferred fuel balance.

In 2000, other income decreased primarily due to decreased non-utility operating income from Louisiana Station 1 as well as the 1999 adjustment to the accumulated depreciation balance of River Bend abeyed plant.

Interest charges

Interest charges increased in 2001 primarily due to:

- the issuance of $300 million of long-term debt in June 2000 and the net issuance of an additional $177 million of long-term debt in August 2001; and
- an adjustment to the liability for deferred compensation for certain former Entergy Gulf States employees in accord with an actuarial study.

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

Income taxes

The effective income tax rates for 2001, 2000, and 1999 were 31.4%, 36.5%, and 37.6%, respectively.

The decrease in the effective income tax rate in 2001 was primarily due to accelerated tax depreciation deductions accounted for on a flow-through basis and an adjustment of prior year taxes, which were lower than estimated.

ENTERGY GULF STATES, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$2,590,836	$2,470,884	$2,082,358
Natural gas	57,724	40,356	28,998
Steam products	-	-	15,852
TOTAL	2,648,560	2,511,240	2,127,208
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,061,037	895,361	634,726
Purchased power	467,196	455,300	365,245
Nuclear refueling outage expenses	11,159	16,663	16,307
Other operation and maintenance	422,667	423,031	419,713
Decommissioning	6,247	6,273	7,588
Taxes other than income taxes	118,670	120,428	111,872
Depreciation and amortization	191,120	189,149	185,254
Other regulatory credits - net	(32,334)	(13,860)	(24,092)
Amortization of rate deferrals	5,606	5,606	89,597
TOTAL	2,251,368	2,097,951	1,806,210
OPERATING INCOME	397,192	413,289	320,998
OTHER INCOME			
Allowance for equity funds used during construction	9,248	7,617	6,306
Gain on sale of assets	2,454	2,327	2,046
Interest and dividend income	24,818	16,428	18,069
Miscellaneous - net	(7,148)	(3,692)	4
TOTAL	29,372	22,680	26,425
INTEREST AND OTHER CHARGES			
Interest on long-term debt	153,393	143,053	138,602
Other interest - net	13,537	8,458	6,994
Distributions on preferred securities of subsidiary	7,438	7,438	7,438
Allowance for borrowed funds used during construction	(9,286)	(6,926)	(5,776)
TOTAL	165,082	152,023	147,258
INCOME BEFORE INCOME TAXES	261,482	283,946	200,165
Income taxes	82,038	103,603	75,165
NET INCOME	179,444	180,343	125,000
Preferred dividend requirements and other	5,025	9,998	17,423
EARNINGS APPLICABLE TO COMMON STOCK	$174,419	$170,345	$107,577

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$179,444	$180,343	$125,000
Noncash items included in net income:			
Amortization of rate deferrals	5,606	5,606	89,597
Reserve for regulatory adjustments	(27,374)	(49,571)	(97,953)
Other regulatory credits - net	(32,334)	(13,860)	(24,092)
Depreciation, amortization, and decommissioning	197,367	195,422	192,842
Deferred income taxes and investment tax credits	4,320	54,279	(1,495)
Allowance for equity funds used during construction	(9,248)	(7,617)	(6,306)
Gain on sale of assets	(2,454)	(2,327)	(2,046)
Changes in working capital:			
Receivables	59,132	(131,643)	9,791
Fuel inventory	(16,753)	1,013	(8,070)
Accounts payable	(151,090)	130,435	42,370
Taxes accrued	(41,764)	30,570	46,018
Interest accrued	(125)	14,969	(14,061)
Deferred fuel costs	161,396	(26,291)	40,851
Other working capital accounts	6,183	20,896	(10,954)
Provision for estimated losses and reserves	(3,593)	(1,991)	8,496
Changes in other regulatory assets	(54,613)	(47,777)	(59,242)
Other	64,386	51,424	56,817
Net cash flow provided by operating activities	338,486	403,880	387,563
INVESTING ACTIVITIES			
Construction expenditures	(317,776)	(277,635)	(199,076)
Allowance for equity funds used during construction	9,248	7,617	6,306
Nuclear fuel purchases	(14,148)	(34,735)	(53,293)
Proceeds from sale/leaseback of nuclear fuel	15,222	34,154	53,293
Decommissioning trust contributions and realized change in trust assets	(11,319)	(12,051)	(10,853)
Changes in other temporary investments - net	(44,643)	-	-
Other regulatory investments	-	(127,377)	(42,412)
Net cash flow used in investing activities	(363,416)	(410,027)	(246,035)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	298,554	298,819	122,906
Retirement of long-term debt	(124,829)	(185)	(197,960)
Redemption of preferred stock	(4,573)	(157,658)	(25,931)
Dividends paid:			
Common stock	(83,700)	(88,000)	(107,000)
Preferred stock	(5,073)	(10,862)	(16,967)
Net cash flow provided by (used in) financing activities	80,379	42,114	(224,952)
Net increase (decrease) in cash and cash equivalents	55,449	35,967	(83,424)
Cash and cash equivalents at beginning of period	68,279	32,312	115,736
Cash and cash equivalents at end of period	$123,728	$68,279	$32,312
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$169,067	$136,154	$161,326
Income taxes	$107,726	$23,259	$28,410
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($9,492)	($3,172)	$14,054

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
ASSETS

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$19,503	$10,726
Temporary cash investments - at cost, which approximates market	104,225	57,553
Total cash and cash equivalents	123,728	68,279
Other temporary investments	44,643	-
Accounts receivable:		
Customer	81,136	125,412
Allowance for doubtful accounts	(2,131)	(2,131)
Associated companies	34,032	27,660
Other	53,249	22,837
Accrued unbilled revenues	84,744	136,384
Total accounts receivable	251,030	310,162
Deferred fuel costs	126,730	288,126
Fuel inventory - at average cost	54,011	37,258
Materials and supplies - at average cost	95,674	100,018
Rate deferrals	-	5,606
Prepayments and other	22,373	22,332
TOTAL	718,189	831,781
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	245,382	243,555
Non-utility property - at cost (less accumulated depreciation)	194,830	194,422
Other	15,970	14,826
TOTAL	456,182	452,803
UTILITY PLANT		
Electric	7,694,226	7,574,905
Property under capital lease	28,087	38,564
Natural gas	59,100	56,163
Construction work in progress	221,730	144,814
Nuclear fuel under capital lease	67,688	57,472
TOTAL UTILITY PLANT	8,070,831	7,871,918
Less - accumulated depreciation and amortization	3,750,770	3,680,662
UTILITY PLANT - NET	4,320,061	4,191,256
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	426,623	403,934
Unamortized loss on reacquired debt	34,321	37,903
Other regulatory assets	201,329	169,405
Long-term receivables	26,576	29,586
Other	26,460	17,349
TOTAL	715,309	658,177
TOTAL ASSETS	$6,209,741	$6,134,017

See Notes to Financial Statements.

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

	December 31,	
	2001	**2000**
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$147,921	$122,750
Accounts payable:		
Associated companies	38,728	66,312
Other	135,023	258,529
Customer deposits	45,876	37,489
Taxes accrued	90,604	132,368
Accumulated deferred income taxes	21,412	94,032
Nuclear refueling outage costs	2,080	10,209
Interest accrued	43,414	43,539
Obligations under capital leases	36,668	42,524
Other	20,995	19,418
TOTAL	582,721	827,170
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	1,227,084	1,115,119
Accumulated deferred investment tax credits	163,766	171,000
Obligations under capital leases	60,163	53,512
Other regulatory liabilities	-	669
Decommissioning	144,926	142,604
Transition to competition	79,098	72,381
Regulatory reserves	33,591	60,965
Accumulated provisions	63,811	67,404
Other	93,719	98,501
TOTAL	1,866,158	1,782,155
Long-term debt	1,958,897	1,808,879
Preferred stock with sinking fund	26,185	30,758
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	47,327	47,677
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 100 shares in 2001 and 2000	114,055	114,055
Paid-in capital	1,157,459	1,153,195
Retained earnings	371,939	285,128
TOTAL	1,690,780	1,600,055
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$6,209,741	$6,134,017

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
	(In Thousands)		
Retained Earnings, January 1	$285,128	$202,782	$202,205
Add:			
Net income	179,444	180,343	125,000
Deduct:			
Dividends declared:			
Preferred and preference stock	5,025	9,933	16,784
Common stock	83,700	88,000	107,000
Capital stock expenses and other	3,908	64	639
Total	92,633	97,997	124,423
Retained Earnings, December 31	$371,939	$285,128	$202,782

See Notes to Financial Statements.

ENTERGY GULF STATES, INC. AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998	1997
			(In Thousands)		
Operating revenues	$2,648,560	$ 2,511,240	$ 2,127,208	$ 1,853,809	$ 2,147,829
Net income	$ 179,444	$ 180,343	$ 125,000	$ 46,393	$ 59,976
Total assets	$6,209,741	$ 6,134,017	$ 5,733,022	$ 6,293,744	$ 6,488,637
Long-term obligations (1)	$2,130,245	$ 1,978,149	$ 1,966,269	$ 1,993,811	$ 2,098,752

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

	2001	2000	1999	1998	1997
Electric Operating Revenues:			(Dollars In Thousands)		
Residential	$787,960	$717,453	$607,875	$605,759	$624,862
Commercial	587,148	505,346	430,291	422,944	452,724
Industrial	945,733	870,594	718,779	704,393	740,418
Governmental	38,215	32,939	28,475	35,930	33,774
Total retail	2,359,056	2,126,332	1,785,420	1,769,026	1,851,778
Sales for resale:					
Associated companies	72,961	93,675	38,416	14,172	14,260
Non-associated companies	146,092	112,522	109,132	112,182	59,015
Other (1)	12,727	138,355	149,390	(117,796)	136,458
Total	$2,590,836	$2,470,884	$2,082,358	$1,777,584	$2,061,511
Billed Electric Energy Sales (GWH):					
Residential	9,059	9,405	8,929	8,903	8,178
Commercial	7,668	7,660	7,310	6,975	6,575
Industrial	16,658	17,960	17,684	18,158	18,038
Governmental	452	450	425	560	481
Total retail	33,837	35,475	34,348	34,596	33,272
Sales for resale:					
Associated companies	1,087	1,381	677	380	414
Non-associated companies	3,305	3,248	3,408	3,701	1,503
Total Electric Department	38,229	40,104	38,433	38,677	35,189

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

	2002	2003	2004	after 2004
		(In Millions)		
Planned construction and capital investment	$317	$265	$277	N/A
Long-term debt maturities	$148	$339	$592	$1,028
Capital and operating lease payments	$26	$26	$27	$40
Unconditional fuel and purchased power obligations	$53	$34	$32	N/A
Nuclear fuel lease obligations (1)	$30	$39	N/A	N/A

(1) It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. If such additional financing cannot be arranged, however, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Entergy Louisiana, Inc. as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows (pages 122 through 127 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy Louisiana, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

RESULTS OF OPERATIONS

Net Income

Net income decreased in 2001 primarily due to decreased unbilled revenue and less favorable sales volume and weather. The decrease was partially offset by decreases in rate refund provisions and other operation and maintenance expenses, an increase in regulatory credits, and a refund from System Energy as a result of receipt of a final FERC order in System Entergy's rate proceeding. The adjustments necessary to record the effects of the FERC order reduced purchased power expenses by $68.1 million ($41.9 million net-of-tax).

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.

Revenues and Sales

The changes in electric operating revenues for the twelve months ended December 31, 2001 and 2000 are as follows:

Description	Increase/(Decrease) 2001	2000
	(In Millions)	
Base rate changes	$31.8	($4.7)
Fuel cost recovery	(28.2)	270.8
Sales volume/weather	(33.0)	23.9
Unbilled revenue	(128.0)	(9.2)
Other revenue	9.0	(4.3)
Sales for resale	(12.1)	(20.7)
Total	($160.5)	$255.8

Base rate changes

In 2001, base rate changes increased primarily due to $48 million of lower accruals for potential rate refunds and $11 million of higher prices for special-use industrial customers as a result of decreased usage which is reflected in sales volume/weather. The increase in base rate changes was partially offset by additional formula rate plan reductions of $27 million effective August 2000 and October 2001 in the residential, commercial, and industrial sectors.

In 2000, base rate changes 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.

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 2001, fuel cost recovery revenues decreased as a result of lower fuel and purchased power expenses primarily due to the decreased market price of natural gas coupled with decreased generation requirements.

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.

Sales volume/weather

Electric sales vary seasonally in response to weather and usually peak in the summer. In 2001, lower electric sales volume decreased revenues due to decreased usage of 168 GWH in the residential sector after adjusting for the weather effect and 782 GWH in the industrial sector. The decreased usage in the industrial sector resulted in higher rates for that sector, which is reflected in base rate changes. The effect of less favorable weather decreased usage by 225 GWH in the residential sector.

In 2000, higher electric sales volume increased revenues primarily due to more favorable weather, which increased usage by 392 GWH in the residential and commercial sectors. The increase in revenues was also due to increased usage of 132 GWH in the industrial sector.

Unbilled revenue

In 2001, unbilled revenue decreased primarily due to the effect of higher fuel prices and more favorable weather in December 2000 on the unbilled calculation.

In 2000, unbilled revenue decreased primarily due to the effect of a change in estimate on the 1999 unbilled revenue calculation.

Sales for resale

In 2001, sales for resale decreased as a result of decreased demand in addition to a decrease in the average market price of energy.

In 2000, sales for resale decreased as a result of increased sales to retail customers resulting in less energy available for resale.

Expenses

Fuel and purchased power

In 2001, fuel and purchased power expenses decreased primarily due to:

- decreased market prices of natural gas;
- decreased demand; and
- the reduction of $68.1 million in purchased power expenses as a result of the FERC-ordered refund from System Energy.

In 2000, fuel and purchased power expenses increased primarily due to an increase in the market price of natural gas.

Other operation and maintenance

Other operation and maintenance expenses decreased in 2001 primarily due to:

- a decrease of $11.0 million in outside services employed as a result of legal services for potential rate actions in 2000; and
- a decrease of $10.7 million in expenses from maintenance and planned maintenance outages at certain fossil plants in 2000.

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

- an increase in expenses from maintenance and planned maintenance outages at Waterford 3 and certain fossil plants of $17.9 million;
- an increase of $11.0 million in outside services employed for legal services for potential rate actions; and
- an increase in property insurance provisions of $5.0 million primarily due to changes in storm damage provisions effective August 1999.

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

- a decrease in injury and damages claims of $3.5 million;
- a decrease of $3.0 million in benefits expense; and
- higher nuclear insurance refunds of $1.8 million.

Depreciation and amortization

In 2000, depreciation and amortization expenses increased primarily due to a review of plant-in-service dates for consistency with regulatory treatment reducing depreciation expense by $3.4 million in August 1999, as well as depreciation expense related to net capital additions in 2000.

Other regulatory charges (credits)

In 2001, other regulatory credits increased due to the deferral of capacity charges included in purchased power costs for the summers of 2000 and 2001 that Entergy Louisiana expects to recover in the future. The increase was partially offset by the amortization of the 2000 capacity charges. The amortization of these charges will occur through July 2002.

In 2000, other regulatory credits decreased due to the LPSC-required deferral in 1999 of Year 2000 costs and the amortization of these costs in 2000. The deferred costs are being recovered over a five-year period.

Other

Interest and dividend income

The decrease in 2001 and the increase in 2000 in interest income were due to interest recorded on deferred fuel costs in 2000.

Interest charges

In 2001, other interest increased primarily due to:

- interest accrued on reserves provided for fuel-related refunds that were refunded in July through September 2001; and
- interest accrued on over-recovered fuel and purchased power expenses that will be refunded to customers through the fuel adjustment clause.

In 2000, interest on long-term debt decreased primarily due to the refinancing and net redemption of $77 million of long-term debt in 1999, partially offset by interest expense incurred on the issuance of $150 million of long-term debt in May 2000.

Income taxes

The effective income tax rates for 2001, 2000, and 1999 were 39.4%, 40.9%, and 39.0%, respectively.

ENTERGY LOUISIANA, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$1,901,913	$2,062,437	$1,806,594
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	620,415	560,329	421,763
Purchased power	410,435	537,589	418,878
Nuclear refueling outage expenses	12,624	13,542	15,756
Other operation and maintenance	299,532	318,841	289,348
Decommissioning	10,422	10,422	8,786
Taxes other than income taxes	77,376	77,190	75,447
Depreciation and amortization	171,217	171,204	161,754
Other regulatory charges (credits) - net	(24,738)	960	(5,280)
TOTAL	1,577,283	1,690,077	1,386,452
OPERATING INCOME	324,630	372,360	420,142
OTHER INCOME			
Allowance for equity funds used during construction	4,531	4,328	4,925
Gain on sale of assets	152	-	-
Interest and dividend income	6,234	10,100	5,102
Miscellaneous - net	(4,056)	(3,496)	(2,896)
TOTAL	6,861	10,932	7,131
INTEREST AND OTHER CHARGES			
Interest on long-term debt	97,887	98,655	103,937
Other interest - net	11,889	6,788	7,010
Distributions on preferred securities of subsidiary	6,300	6,300	6,300
Allowance for borrowed funds used during construction	(3,422)	(3,775)	(4,112)
TOTAL	112,654	107,968	113,135
INCOME BEFORE INCOME TAXES	218,837	275,324	314,138
Income taxes	86,287	112,645	122,368
NET INCOME	132,550	162,679	191,770
Preferred dividend requirements and other	7,495	9,514	9,955
EARNINGS APPLICABLE TO COMMON STOCK	$125,055	$153,165	$181,815

See Notes to Financial Statements.

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ENTERGY LOUISIANA, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$132,550	$162,679	$191,770
Noncash items included in net income:			
Reserve for regulatory adjustments	(11,456)	11,456	-
Other regulatory charges (credits) - net	(24,738)	960	(5,280)
Depreciation, amortization, and decommissioning	181,639	181,626	170,540
Deferred income taxes and investment tax credits	(27,382)	16,350	(15,487)
Allowance for equity funds used during construction	(4,531)	(4,328)	(4,925)
Gain on sale of assets	(152)	-	-
Changes in working capital:			
Receivables	131,313	(97,154)	(41,565)
Accounts payable	(50,121)	(11,848)	95,120
Taxes accrued	(2,897)	(2,555)	7,659
Interest accrued	(1,012)	15,300	(33,066)
Deferred fuel costs	151,544	(81,890)	(9,959)
Other working capital accounts	(71,119)	38,064	56,714
Provision for estimated losses and reserves	4,321	6,114	5,442
Changes in other regulatory assets	2,569	25,400	38,577
Other	19,987	10,249	(45,146)
Net cash flow provided by operating activities	430,515	270,423	410,394
INVESTING ACTIVITIES			
Construction expenditures	(203,059)	(203,049)	(130,933)
Allowance for equity funds used during construction	4,531	4,328	4,925
Nuclear fuel purchases	-	(38,270)	(11,308)
Proceeds from sale/leaseback of nuclear fuel	-	38,270	11,308
Decommissioning trust contributions and realized change in trust assets	(13,651)	(12,299)	(13,678)
Changes in other temporary investments - net	(6,152)	-	-
Net cash flow used in investing activities	(218,331)	(211,020)	(139,686)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	-	148,736	298,092
Retirement of long-term debt	(35,088)	(100,000)	(386,707)
Redemption of preferred stock	(35,000)	-	(50,000)
Dividends paid:			
Common stock	(134,600)	(62,400)	(197,000)
Preferred stock	(9,047)	(9,514)	(10,389)
Net cash flow used in financing activities	(213,735)	(23,178)	(346,004)
Net increase (decrease) in cash and cash equivalents	(1,551)	36,225	(75,296)
Cash and cash equivalents at beginning of period	43,959	7,734	83,030
Cash and cash equivalents at end of period	$42,408	$43,959	$7,734
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$110,971	$89,627	$144,731
Income taxes	$111,507	$105,354	$132,924
Noncash investing and financing activities:			
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($4,251)	($2,979)	$4,585

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
ASSETS

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$28,768	$14,138
Temporary cash investments - at cost, which approximates market	13,640	29,821
Total cash and cash equivalents	42,408	43,959
Other temporary investments	6,152	-
Notes receivable	8	1,510
Accounts receivable:		
Customer	48,640	111,292
Allowance for doubtful accounts	(1,771)	(1,771)
Associated companies	9,090	30,518
Other	47,965	13,698
Accrued unbilled revenues	71,200	152,700
Total accounts receivable	175,124	306,437
Deferred fuel costs	-	84,051
Accumulated deferred income taxes	42,566	-
Materials and supplies - at average cost	77,523	77,389
Deferred nuclear refueling outage costs	4,096	16,425
Prepayments and other	9,000	9,996
TOTAL	356,877	539,767
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	14,230	14,230
Decommissioning trust funds	119,663	110,263
Non-utility property - at cost (less accumulated depreciation)	21,671	21,700
TOTAL	155,564	146,193
UTILITY PLANT		
Electric	5,456,093	5,357,920
Property under capital lease	239,395	238,427
Construction work in progress	110,792	85,299
Nuclear fuel under capital lease	70,316	63,923
TOTAL UTILITY PLANT	5,876,596	5,745,569
Less - accumulated depreciation and amortization	2,538,964	2,441,937
UTILITY PLANT - NET	3,337,632	3,303,632
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	179,368	204,810
Unamortized loss on reacquired debt	28,341	33,244
Other regulatory assets	73,754	50,881
Long-term receivables	1,515	-
Other	16,650	10,882
TOTAL	299,628	299,817
TOTAL ASSETS	$4,149,701	$4,289,409

See Notes to Financial Statements.

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

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$185,627	$35,088
Accounts payable:		
Associated companies	73,208	71,948
Other	93,460	144,841
Customer deposits	61,359	60,227
Taxes accrued	20,410	23,307
Accumulated deferred income taxes	-	20,545
Interest accrued	34,524	35,536
Deferred fuel cost	67,493	-
Obligations under capital leases	34,171	34,274
Other	14,119	102,614
TOTAL	584,371	528,380
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	776,610	757,362
Accumulated deferred investment tax credits	111,942	117,393
Obligations under capital leases	36,144	29,649
Regulatory reserves	-	11,456
Accumulated provisions	68,522	64,201
Other	82,780	61,724
TOTAL	1,075,998	1,041,785
Long-term debt	1,091,329	1,276,696
Preferred stock with sinking fund	-	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 2001 and 2000	1,088,900	1,088,900
Capital stock expense and other	(1,718)	(2,171)
Retained earnings	140,321	150,319
TOTAL	1,328,003	1,337,548
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,149,701	$4,289,409

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
	(In Thousands)		
Retained Earnings, January 1	$150,319	$59,554	$74,739
Add:			
Net income	132,550	162,679	191,770
Deduct:			
Dividends declared:			
Preferred stock	7,495	9,514	9,805
Common stock	134,600	62,400	197,000
Capital stock expenses	453	-	150
Total	142,548	71,914	206,955
Retained Earnings, December 31	$140,321	$150,319	$59,554

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998	1997
			(In Thousands)		
Operating revenues	$1,901,913	$2,062,437	$1,806,594	$1,710,908	$1,803,272
Net income	$ 132,550	$ 162,679	$ 191,770	$ 179,487	$ 141,757
Total assets	$4,149,701	$4,289,409	$4,084,650	$4,181,041	$4,175,400
Long-term obligations (1)	$1,197,473	$1,411,345	$1,274,006	$1,530,590	$1,522,043

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

	2001	2000	1999	1998	1997
Electric Operating Revenues:			(Dollars In Thousands)		
Residential	$658,137	$716,708	$620,146	$598,573	$606,173
Commercial	429,388	441,338	386,042	367,151	379,131
Industrial	759,580	767,052	646,517	597,536	708,356
Governmental	39,203	38,772	33,738	32,795	34,171
Total retail	1,886,308	1,963,870	1,686,443	1,596,055	1,727,831
Sales for resale:					
Associated companies	24,993	20,763	27,253	16,002	3,817
Non-associated companies	23,352	39,704	53,923	53,538	55,345
Other	(32,740)	38,100	38,975	45,313	16,279
Total	$1,901,913	$2,062,437	$1,806,594	$1,710,908	$1,803,272
Billed Electric Energy Sales (GWH):					
Residential	8,255	8,648	8,354	8,477	7,826
Commercial	5,369	5,367	5,221	5,265	4,906
Industrial	14,402	15,184	15,052	14,781	16,390
Governmental	498	481	468	481	460
Total retail	28,524	29,680	29,095	29,004	29,582
Sales for resale:					
Associated companies	381	228	415	386	104
Non-associated companies	334	554	831	855	805
Total	29,239	30,462	30,341	30,245	30,491

	2002	2003	2004	after 2004
		(In Millions)		
Planned construction and capital investment	$218	$197	$198	N/A
Long-term debt maturities	$186	$185	$15	$891
Short-term facility maturities (1)	$-	N/A	N/A	N/A
Capital and operating lease payments	$13	$12	$11	$13
Unconditional fuel and purchased power obligations	$100	$103	$110	$3,169
Nuclear fuel lease obligations (2)	$34	$36	N/A	N/A

(1) Entergy Louisiana's 364-day credit facility is discussed in **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – LIQUIDITY AND CAPITAL RESOURCES"**.

(2) It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. If such additional financing cannot be arranged, however, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Entergy Mississippi, Inc. as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows (pages 134 through 139 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy Mississippi, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

ENTERGY MISSISSIPPI, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased slightly in 2001 primarily due to a decrease in other operation and maintenance expenses, increased interest income, and a decrease in the effective tax rate. These changes were almost entirely offset by decreased unbilled revenues, less favorable sales volume and weather, and increased interest expense.

Net income decreased in 2000 primarily due to increases in other operation and maintenance expenses, interest expense, depreciation expense, and an increase in the effective income tax rate. These decreases were partially offset by increases in unbilled revenues and sales volume.

Revenues and Sales

The changes in electric operating revenues for the twelve months ended December 31, 2001 and 2000 are as follows:

Description	Increase/(Decrease) 2001	2000
	(In Millions)	
Base rate changes	$5.2	($3.8)
Grand Gulf rate rider	(19.9)	4.7
Fuel cost recovery	157.8	54.8
Sales volume/weather	(5.2)	9.6
Unbilled revenue	(8.3)	22.3
Other revenue	4.8	1.6
Sales for resale	22.0	15.4
Total	$156.4	$104.6

Base rate changes

Base rate changes increased in 2001 primarily due to an annual rate increase of $5.6 million under the formula rate plan, which became effective in May 2001. The formula rate plan filing is discussed in Note 2 to the financial statements.

Base rate changes decreased in 2000 primarily due to an annual rate reduction of $13.3 million under the formula rate plan, which was effective in May 1999.

Grand Gulf rate rider

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

Grand Gulf rate rider revenue decreased in 2001 as a result of a lower rider which became effective in October 2000.

Fuel cost recovery

Entergy Mississippi is allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric rates, 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 Mississippi's financial statements such that these costs generally have no net effect on earnings.

In 2001, fuel cost recovery revenues increased primarily due to an increase in the energy cost recovery rider to collect the under-recovered fuel and purchased power costs incurred as of September 30, 2000. The recovery of $136.7 million, plus carrying charges, will occur over a 24-month period, which began in January 2001. The increase was also due to an additional increase in the energy cost recovery rider effective in April 2001.

In 2000, fuel cost recovery revenues increased primarily due to the MPSC's review and subsequent increase of Entergy Mississippi's energy cost recovery rider effective in January 2000.

Sales volume/weather

Electric sales vary seasonally in response to weather and usually peak in the summer. In 2001, the effect of less favorable weather decreased usage by 204 GWH in the residential and commercial sectors. Lower electric sales volume in the industrial sector of 137 GWH also decreased revenues. These decreases were partially offset by increased usage of 143 GWH in the commercial sector after adjusting for the effect of weather.

In 2000, sales volume increased as a result of increased usage after adjusting for weather effects in the residential and commercial sectors, as well as the effect of more favorable weather in the residential sector.

Unbilled revenue

In 2001, unbilled revenue decreased primarily due to more favorable weather in December 2000 on the unbilled calculation.

In 2000, unbilled revenue increased primarily due to the effect of favorable weather in 2000 and the effect of a change in estimate on the 1999 unbilled revenue calculation.

Sales for resale

In 2001, sales for resale increased primarily due to increased net generation resulting in more energy available for sale. The increase came from sales to affiliates, which are generally made at a low margin. The increase was partially offset by a decrease in the average market price of energy.

In 2000, sales for resale increased primarily due to an increase in the average price of energy supplied for resale sales. The increase was partially offset by less energy available for resale sales due to plant outages early in 2000, which resulted in lower sales volume.

Expenses

Fuel and purchased power

In 2001, fuel and purchased power expenses increased primarily due to over-recovery of fuel costs, including the effect of increased recoveries approved by the MPSC to recover previous under-recoveries.

In 2000, fuel and purchased power expenses increased primarily due to the increased market prices of natural gas, oil, and purchased power.

Other operation and maintenance

In 2001, other operation and maintenance expenses decreased primarily due to a decrease in plant maintenance expenses of $14.6 million due to outage costs at certain fossil plants in 2000.

In 2000, other operation and maintenance expenses increased primarily due to:

- an increase in property insurance expense of $9.3 million primarily due to a change in storm damage provision amortization in accordance with regulatory treatment; and
- an increase in maintenance of electric plant of $7.0 million.

Depreciation and Amortization

In 2000, depreciation and amortization expenses increased due to a review of plant-in-service dates for consistency with regulatory treatment reducing depreciation expense by $2.6 million in August 1999. Capital additions in 1999 and 2000 also contributed to the increase.

Other regulatory credits

In 2001, other regulatory credits increased primarily due to an under-recovery of Grand Gulf 1-related costs as a result of a lower rider implemented in October 2000.

In 2000, other regulatory credits decreased due to a decrease in the deferral of Grand Gulf 1 expenses associated with the System Energy rate increase.

Other

Other income

Interest income increased in 2001 primarily due to interest recorded on the deferred fuel balance as a result of the MPSC order providing for a 24-month recovery of the September 2000 under-recovered deferred fuel balance of $136.7 million.

Interest and other charges

Interest on long-term debt increased in 2001 primarily due to the issuance of $70 million of long-term debt in January 2001.

Interest on long-term debt increased in 2000 primarily due to the issuance of $120 million of long-term debt in February 2000.

Income taxes

The effective income tax rates for 2001, 2000, and 1999 were 34.1%, 37.0%, and 29.7%, respectively.

The decrease in the effective income tax rate in 2001 is primarily due to an adjustment of prior year taxes, which were lower than previously estimated.

The increase in the effective income tax rate in 2000 is primarily due to the effect that the distribution of the Entergy Corporation income tax benefit had on the 1999 effective income tax rate. In 1999, a tax benefit was recorded related to the 1998 tax return.

ENTERGY MISSISSIPPI, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$1,093,741	$937,371	$832,819
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	415,347	221,075	185,063
Purchased power	365,540	366,491	332,015
Other operation and maintenance	155,646	168,432	152,817
Taxes other than income taxes	47,956	45,436	44,013
Depreciation and amortization	48,933	49,046	42,870
Other regulatory credits - net	(29,993)	(6,872)	(12,044)
TOTAL	1,003,429	843,608	744,734
OPERATING INCOME	90,312	93,763	88,085
OTHER INCOME			
Allowance for equity funds used during construction	2,559	2,385	1,569
Gain on sale of assets	3	19	-
Interest and dividend income	18,904	10,750	8,513
Miscellaneous - net	(2,918)	(2,070)	(1,732)
TOTAL	18,548	11,084	8,350
INTEREST AND OTHER CHARGES			
Interest on long-term debt	46,950	41,583	35,265
Other interest - net	4,041	3,294	3,574
Allowance for borrowed funds used during construction	(2,215)	(1,871)	(1,529)
TOTAL	48,776	43,006	37,310
INCOME BEFORE INCOME TAXES	60,084	61,841	59,125
Income taxes	20,464	22,868	17,537
NET INCOME	39,620	38,973	41,588
Preferred dividend requirements and other	3,082	3,370	3,370
EARNINGS APPLICABLE TO COMMON STOCK	$36,538	$35,603	$38,218

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$39,620	$38,973	$41,588
Noncash items included in net income:			
Other regulatory credits - net	(29,993)	(6,872)	(12,044)
Depreciation and amortization	48,933	49,046	42,870
Deferred income taxes and investment tax credits	(68,133)	51,081	18,066
Allowance for equity funds used during construction	(2,559)	(2,385)	(1,569)
Gain on sale of assets	(3)	(19)	-
Changes in working capital:			
Receivables	1,059	(30,628)	24,208
Fuel inventory	(1,388)	338	(771)
Accounts payable	(46,976)	3,064	54,317
Taxes accrued	(378)	(4,106)	29,955
Interest accrued	4,568	3,062	(4,595)
Deferred fuel costs	54,453	47,939	(45,830)
Other working capital accounts	13,672	6,160	10,072
Provision for estimated losses and reserves	821	(568)	4,173
Changes in other regulatory assets	130,333	(9,929)	(30,179)
Other	34,081	37,105	12,152
Net cash flow provided by operating activities	178,110	182,261	142,413
INVESTING ACTIVITIES			
Construction expenditures	(159,815)	(121,252)	(94,717)
Allowance for equity funds used during construction	2,559	2,385	1,569
Changes in other temporary investments - net	(18,566)	-	-
Other regulatory investments	-	(160,611)	-
Net cash flow used in investing activities	(175,822)	(279,478)	(93,148)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	69,616	118,913	153,629
Retirement of long-term debt	-	-	(163,278)
Changes in short-term borrowing, net	-	-	(6)
Dividends paid:			
Common stock	(19,600)	(18,000)	(34,100)
Preferred stock	(3,369)	(3,370)	(3,363)
Net cash flow provided by (used in) financing activities	46,647	97,543	(47,118)
Net increase in cash and cash equivalents	48,935	326	2,147
Cash and cash equivalents at beginning of period	5,113	4,787	2,640
Cash and cash equivalents at end of period	$54,048	$5,113	$4,787
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	$43,915	$39,569	$41,567
Income taxes	$88,657	($23,763)	($29,850)

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$12,883	$5,113
Temporary cash investments - at cost, which approximates market	41,165	-
Total cash and cash equivalents	54,048	5,113
Other temporary investments	18,566	-
Accounts receivable:		
Customer	50,370	44,517
Allowance for doubtful accounts	(1,044)	(1,044)
Associated companies	14,201	10,741
Other	2,892	9,964
Accrued unbilled revenues	30,300	33,600
Total accounts receivable	96,719	97,778
Deferred fuel costs	106,158	64,950
Fuel inventory - at average cost	4,824	3,436
Materials and supplies - at average cost	16,896	18,485
Prepayments and other	8,521	3,004
TOTAL	305,732	192,766
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	5,531	5,531
Non-utility property - at cost (less accumulated depreciation)	6,723	6,851
TOTAL	12,254	12,382
UTILITY PLANT		
Electric	1,939,182	1,885,501
Property under capital lease	211	290
Construction work in progress	110,450	44,085
TOTAL UTILITY PLANT	2,049,843	1,929,876
Less - accumulated depreciation and amortization	741,892	733,977
UTILITY PLANT - NET	1,307,951	1,195,899
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	22,387	25,544
Unamortized loss on reacquired debt	13,925	15,122
Deferred fuel costs	-	95,661
Other regulatory assets	13,503	140,679
Other	7,274	5,886
TOTAL	57,089	282,892
TOTAL ASSETS	$1,683,026	$1,683,939

See Notes to Financial Statements.

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

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$65,000	$-
Accounts payable:		
Associated companies	45,554	92,980
Other	27,383	26,933
Customer deposits	29,421	26,368
Taxes accrued	31,484	31,862
Accumulated deferred income taxes	19,277	47,734
Interest accrued	17,667	13,099
Obligations under capital leases	36	79
System Energy refund	14,836	-
Other	1,964	2,540
TOTAL	252,622	241,595
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	266,498	306,295
Accumulated deferred investment tax credits	17,908	19,408
Obligations under capital leases	175	211
Accumulated provisions	7,627	6,806
Other	37,678	31,339
TOTAL	329,886	364,059
Long-term debt	589,762	584,467
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	50,381	50,381
Common stock, no par value, authorized 15,000,000 shares; issued and outstanding 8,666,357 shares in 2001 and 2000	199,326	199,326
Capital stock expense and other	(59)	(59)
Retained earnings	261,108	244,170
TOTAL	510,756	493,818
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,683,026	$1,683,939

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
Retained Earnings, January 1	$244,170	$226,567	$222,449
Add:			
Net income	39,620	38,973	41,588
Deduct:			
Dividends declared:			
Preferred stock	3,082	3,370	3,370
Common stock	19,600	18,000	34,100
Total	22,682	21,370	37,470
Retained Earnings, December 31	$261,108	$244,170	$226,567

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998	1997
			(In Thousands)		
Operating revenues	$1,093,741	$ 937,371	$ 832,819	$ 976,300	$ 937,395
Net Income	$ 39,620	$ 38,973	$ 41,588	$ 62,638	$ 66,661
Total assets	$1,683,026	$1,683,939	$1,460,017	$1,350,929	$1,439,561
Long-term obligations (1)	$ 589,937	$ 584,678	$ 464,756	$ 464,000	$ 464,156

(1) Includes long-term debt (excluding currently maturing debt) and noncurrent capital lease obligations.

	2001	2000	1999	1998	1997
Electric Operating Revenues:			(Dollars In Thousands)		
Residential	$390,957	$340,691	$311,003	$367,895	$342,818
Commercial	327,770	275,010	250,929	284,787	274,195
Industrial	191,014	161,065	151,659	170,910	173,152
Governmental	30,569	25,612	23,528	26,670	26,882
Total retail	940,310	802,378	737,119	850,262	817,047
Sales for resale:					
Associated companies	110,553	82,844	63,004	80,357	78,233
Non-associated companies	21,333	27,058	31,546	32,442	21,276
Other	21,545	25,091	1,150	13,239	20,839
Total	$1,093,741	$937,371	$832,819	$976,300	$937,395
Billed Electric Energy Sales (GWH):					
Residential	4,867	4,976	4,753	4,800	4,323
Commercial	4,322	4,307	4,156	4,015	3,673
Industrial	3,051	3,188	3,246	3,163	3,089
Governmental	381	376	363	347	333
Total retail	12,621	12,847	12,518	12,325	11,418
Sales for resale:					
Associated companies	1,728	1,276	1,774	2,424	1,918
Non-associated companies	289	313	426	484	412
Total	14,638	14,436	14,718	15,233	13,748

	2002	2003	2004	after 2004
		(In Millions)		
Planned construction and capital investment	$153	$131	$131	N/A
Long-term debt maturities	$65	$255	$150	$185
Short-term facility maturities (1)	$-	N/A	N/A	N/A

(1) Entergy Mississippi's 364-day credit facility is discussed in **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – LIQUIDITY AND CAPITAL RESOURCES".**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Entergy New Orleans, Inc. as of December 31, 2001 and 2000, and the related statements of operations, retained earnings, and cash flows (pages 145 through 149 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy New Orleans, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

RESULTS OF OPERATIONS

Net Income

Entergy New Orleans experienced a net loss in 2001 because of significantly lower operating revenues. Compared to 2000, operating revenues decreased $7.9 million as a result of lower electric sales volume and less favorable weather and unbilled revenues decreased $7.5 million as a result of lower fuel prices. An increase of $3.0 million in other operation and maintenance expenses, $2.0 million in interest expense, and $2.7 million in rate refund provisions also contributed to the decrease in 2001.

Net income decreased slightly in 2000 primarily due to increased other operation and maintenance expenses.

Revenues and Sales

Electric operating revenues

The changes in electric operating revenues for the twelve months ended December 31, 2001 and 2000 are as follows:

Description	Increase/(Decrease) 2001	2000
	(In Millions)	
Base rate changes	($11.6)	$4.0
Fuel cost recovery	53.4	62.6
Sales volume/weather	(12.8)	2.1
Unbilled revenue	(12.1)	2.8
Other revenue	(2.2)	1.4
Sales for resale	(26.8)	15.4
Total	($12.1)	$88.3

Base rate changes

In 2001, base rate changes decreased primarily due to $12.2 million of rate reductions that became effective in October 2000. The rate reductions are discussed in Note 2 to the financial statements.

In 2000, base rate changes increased primarily due to a decrease in provision for rate refunds accrued for potential rate matters.

Fuel cost recovery

Entergy New Orleans is allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric rates, 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 New Orleans' financial statements such that these costs generally have no net effect on earnings.

In 2001, fuel cost recovery revenues increased primarily due to recovery, through the fuel adjustment clause, of higher fuel and purchased power expenses. The increase in fuel and purchased power expenses was a result of increased market prices of natural gas and purchased power early in 2001.

In 2000, fuel cost recovery revenues increased primarily due to the increased market price of natural gas.

Sales volume/weather

Electric sales vary seasonally in response to weather and usually peak in the summer. In 2001, lower electric sales volume reduced revenues due to decreased usage of 186 GWH in the residential, commercial, and governmental sectors after adjusting for the effects of weather. The effect of less favorable weather decreased usage by 107 GWH in the residential sector.

Unbilled revenue

In 2001, unbilled revenue decreased primarily due to the effect of higher fuel prices in December 2000 as compared to December 2001 on the unbilled revenue calculation.

In 2000, unbilled revenue increased primarily due to the effect of favorable weather and higher fuel and purchased power costs on the unbilled revenue calculation.

Sales for resale

In 2001, sales for resale decreased due to decreased demand from affiliated systems somewhat offset by increased prices for resale electricity.

In 2000, sales for resale increased due to an increase in the average price of electricity supplied for resale sales, coupled with an increase in affiliated sales volume.

Gas operating revenues

In 2001, gas operating revenues increased primarily due to the increased market prices of natural gas early in the year, partially offset by decreased sales volume.

In 2000, gas operating revenues increased primarily due to the increased market price of natural gas.

Expenses

Fuel and purchased power

In 2001, fuel and purchased power expenses increased primarily due to the increased market prices of natural gas and purchased power.

In 2000, fuel and purchased power expenses increased primarily due to the increased market price of natural gas.

Other operation and maintenance

In 2001, other operation and maintenance expenses increased primarily due to increases in:

- maintenance of fossil plants of $2.4 million;
- rate proceedings costs of $3.3 million; and
- uncollectible accounts expense for miscellaneous accounts receivable of $3.5 million.

The increases are partially offset by a decrease in administrative and general salaries expense of $2.2 million and a decrease in injuries and damage expense of $1.5 million.

In 2000, other operation and maintenance expenses increased primarily due to increases in:

- uncollectible accounts expense for miscellaneous accounts receivable of $1.3 million;
- maintenance of fossil plants of $1.1 million; and
- advertising expenses of $1.3 million.

Taxes other than income taxes

In 2001 and 2000, taxes other than income taxes increased primarily due to increased local franchise taxes as a result of higher retail revenue.

Other regulatory credits

In 2001, other regulatory credits increased primarily due to the deferral of capacity charges included in purchased power costs for summer capacity that Entergy New Orleans expects to recover in the future. The increase was also due to an under-recovery of Grand Gulf 1 related costs in 2001 compared to an over-recovery in 2000.

In 2000, other regulatory credits decreased due to an over-recovery of Grand Gulf 1 related costs in 2000 compared to an under-recovery in 1999 and the deferral of Year 2000 costs in 1999.

Amortization of rate deferrals

In 2001 and 2000, amortization of rate deferrals decreased due to scheduled rate changes in the amortization of Grand Gulf 1 phase-in expenses. The Grand Gulf 1 phase-in plan was completed in September 2001.

Other

Interest and other charges

In 2001, interest on long-term debt increased primarily due to the issuance of $30 million of long-term debt in February 2001 and the issuance of $30 million of long-term debt in July 2000.

In 2000, interest on long-term debt increased primarily due to the issuance of $30 million of long-term debt in July 2000.

Income taxes

The effective income tax rates for 2001, 2000, and 1999 were 66.7%, 41.2%, and 40.7%, respectively.

The increase in the effective income tax rate for 2001 was primarily due to the pre-tax loss, which increased the impact of flow-through items.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$502,672	$514,774	$426,431
Natural gas	128,178	125,516	81,357
TOTAL	630,850	640,290	507,788
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	240,781	253,869	135,242
Purchased power	220,268	173,371	166,579
Other operation and maintenance	92,023	87,254	83,197
Taxes other than income taxes	46,878	45,132	39,621
Depreciation and amortization	24,922	23,550	21,219
Other regulatory credits - net	(12,049)	(7,058)	(9,036)
Amortization of rate deferrals	10,977	24,786	28,430
TOTAL	623,800	600,904	465,252
OPERATING INCOME	7,050	39,386	42,536
OTHER INCOME			
Allowance for equity funds used during construction	1,987	1,190	1,084
Miscellaneous - net	2,330	2,530	2,263
TOTAL	4,317	3,720	3,347
INTEREST AND OTHER CHARGES			
Interest on long-term debt	17,699	14,429	13,277
Other interest - net	1,962	1,462	1,403
Allowance for borrowed funds used during construction	(1,703)	(900)	(788)
TOTAL	17,958	14,991	13,892
INCOME (LOSS) BEFORE INCOME TAXES	(6,591)	28,115	31,991
Income taxes	(4,396)	11,597	13,030
NET INCOME (LOSS)	(2,195)	16,518	18,961
Preferred dividend requirements and other	965	965	965
EARNINGS (LOSS) APPLICABLE TO COMMON STOCK	($3,160)	$15,553	$17,996

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING ACTIVITIES			
Net income (loss)	($2,195)	$16,518	$18,961
Noncash items included in net income:			
Amortization of rate deferrals	10,977	24,786	28,430
Other regulatory credits - net	(12,049)	(7,058)	(9,036)
Depreciation and amortization	24,922	23,550	21,219
Deferred income taxes and investment tax credits	(24,198)	(639)	(3,131)
Allowance for equity funds used during construction	(1,987)	(1,190)	(1,084)
Changes in working capital:			
Receivables	33,183	(45,580)	(7,258)
Fuel inventory	1,123	(911)	179
Accounts payable	(40,364)	29,592	23,319
Taxes accrued	(5,823)	5,394	429
Interest accrued	913	1,163	37
Deferred fuel costs	38,430	(13,751)	(13,293)
Other working capital accounts	9,115	(223)	6,607
Provision for estimated losses and reserves	(2,669)	(365)	(531)
Changes in other regulatory assets	33,833	(11,637)	(11,482)
Other	14,495	10,812	6,796
Net cash flow provided by operating activities	77,706	30,461	60,162
INVESTING ACTIVITIES			
Construction expenditures	(61,189)	(48,902)	(46,239)
Allowance for equity funds used during construction	1,987	1,190	1,084
Changes in other temporary investments - net	(14,859)	-	-
Net cash flow used in investing activities	(74,061)	(47,712)	(45,155)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	29,761	29,564	-
Dividends paid:			
Common stock	(800)	(9,500)	(26,500)
Preferred stock	(724)	(965)	(1,206)
Net cash flow provided by (used in) financing activities	28,237	19,099	(27,706)
Net increase (decrease) in cash and cash equivalents	31,882	1,848	(12,699)
Cash and cash equivalents at beginning of period	6,302	4,454	17,153
Cash and cash equivalents at end of period	$38,184	$6,302	$4,454
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$18,230	$14,331	$14,281
Income taxes	$47,380	$9,207	$12,476

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
ASSETS

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$5,237	$6,302
Temporary cash investments - at cost, which approximates market	32,947	-
Total cash and cash equivalents	38,184	6,302
Other temporary investments	14,859	-
Accounts receivable:		
Customer	33,827	67,264
Allowance for doubtful accounts	(2,234)	(770)
Associated companies	10,527	2,800
Other	4,511	3,709
Accrued unbilled revenues	20,027	26,838
Total accounts receivable	66,658	99,841
Deferred fuel costs	-	28,234
Accumulated deferred income taxes	4,882	-
Fuel inventory - at average cost	3,081	4,204
Materials and supplies - at average cost	8,273	9,630
Rate deferrals	-	10,974
Prepayments and other	26,239	1,416
TOTAL	162,176	160,601
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	3,259	3,259
UTILITY PLANT		
Electric	597,575	572,061
Natural gas	142,741	134,826
Construction work in progress	43,166	36,489
TOTAL UTILITY PLANT	783,482	743,376
Less - accumulated depreciation and amortization	396,535	394,271
UTILITY PLANT - NET	386,947	349,105
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Unamortized loss on reacquired debt	761	974
Other regulatory assets	10,843	44,676
Other	2,051	616
TOTAL	13,655	46,266
TOTAL ASSETS	$566,037	$559,231

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$18,199	$24,637
Other	23,640	57,566
Customer deposits	18,931	18,311
Taxes accrued	-	5,823
Accumulated deferred income taxes	-	6,543
Interest accrued	7,032	6,119
Deferred fuel cost	10,196	-
Obligations under capital leases	-	-
System Energy refund	33,614	-
Other	1,799	3,211
TOTAL	113,411	122,210
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	25,326	43,754
Accumulated deferred investment tax credits	5,361	5,868
SFAS 109 regulatory liability - net	19,868	12,607
Other regulatory liabilities	-	537
Accumulated provisions	5,802	8,471
Other	16,735	12,356
TOTAL	73,092	83,593
Long-term debt	229,097	199,031
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	19,780	19,780
Common stock, $4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 2001 and 2000	33,744	33,744
Paid-in capital	36,294	36,294
Retained earnings	60,619	64,579
TOTAL	150,437	154,397
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$566,037	$559,231

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
Retained Earnings, January 1	$64,579	$58,526	$67,030
Add:			
Net income (loss)	(2,195)	16,518	18,961
Deduct:			
Dividends declared:			
Preferred stock	965	965	965
Common stock	800	9,500	26,500
Total	1,765	10,465	27,465
Retained Earnings, December 31	$60,619	$64,579	$58,526

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998	1997
			(In Thousands)		
Operating revenues	$630,850	$ 640,290	$ 507,788	$ 513,750	$ 504,822
Net Income (Loss)	$ (2,195)	$ 16,518	$ 18,961	$ 16,137	$ 15,451
Total assets	$566,037	$ 559,231	$ 485,746	$ 471,904	$ 498,150
Long-term obligations (1)	$229,097	$ 199,031	$ 169,083	$ 169,018	$ 168,953

(1) Includes long-term debt (excluding currently maturing debt).

	2001	2000	1999	1998	1997
Electric Operating Revenues:			(Dollars In Thousands)		
Residential	$189,474	$188,314	$158,822	$164,765	$145,688
Commercial	186,299	170,684	146,328	149,353	143,113
Industrial	31,725	25,479	25,584	26,229	24,616
Governmental	80,918	73,028	63,056	62,332	58,746
Total retail	488,416	457,505	393,790	402,679	372,163
Sales for resale:					
Associated companies	9,864	31,629	14,207	10,451	10,342
Non-associated companies	3,466	8,504	10,545	10,590	8,996
Other	926	17,136	7,889	7,733	18,630
Total	$502,672	$514,774	$426,431	$431,453	$410,131
Billed Electric Energy Sales (GWH):					
Residential	1,981	2,178	2,102	2,141	1,971
Commercial	2,185	2,260	2,208	2,149	2,072
Industrial	414	384	514	514	484
Governmental	1,017	1,058	1,071	1,037	994
Total retail	5,597	5,880	5,895	5,841	5,521
Sales for resale:					
Associated companies	115	570	441	370	316
Non-associated companies	59	141	180	199	160
Total	5,771	6,591	6,516	6,410	5,997

	2002	2003	2004	after 2004
		(In Millions)		
Planned construction and capital investment	$51	$49	$49	N/A
Long-term debt maturities	$-	$25	$30	$174

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
System Energy Resources, Inc.:

We have audited the accompanying balance sheets of System Energy Resources, Inc. as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows (pages 154 through 159 and pages 161 through 227) for each of the three years in the period ended December 31, 2001. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of System Energy Resources, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
January 31, 2002

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased in 2001 due to the final resolution of System Energy's 1995 rate proceeding and the resulting reductions in decommissioning, depreciation, and income tax expenses, partially offset by a decrease in revenue and an increase in interest expense. See Note 2 to the financial statements for further discussion of System Energy's rate proceeding.

Net income increased in 2000 due to increased interest earnings from the money pool, an inter-company funding arrangement, and decreased interest expense associated with the potential refund of System Energy's proposed rate increase. This increase in net income was partially offset by a higher effective income tax rate in 2000.

Revenues

Operating revenues recover operating expenses, depreciation, and capital costs attributable to Grand Gulf 1. Capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf 1 and adding to such amount System Energy's effective interest cost for its debt.

Operating revenues decreased in 2001 primarily due to an increase in the provision for rate refund resulting from the final resolution of System Energy's 1995 rate proceeding.

Operating revenues increased in 2000 primarily due to an increase in recoverable expenses.

Expenses

Fuel expenses

In 2001, fuel expenses decreased primarily due to decreased nuclear fuel burn as a result of Grand Gulf 1 being operational 331 days as compared to 358 days in 2000.

In 2000, fuel expenses increased primarily due to increased nuclear fuel burn as a result of Grand Gulf 1 being operational 358 days as compared to 295 days in 1999.

Decommissioning

Decommissioning expenses decreased in 2001 primarily due to the effects of the final FERC order addressing System Energy's rate proceeding.

Depreciation and amortization

Depreciation and amortization expenses decreased in 2001 primarily due to the effects of the final FERC order addressing System Energy's rate proceeding.

In 2000, depreciation expense increased due to higher depreciation associated with the principal payment on the sale and leaseback of a portion of Grand Gulf 1. The depreciation schedule matches the collection of lease principal and revenues with the depreciation of the asset.

Other regulatory charges

In 2000, other regulatory charges increased due to higher accelerated recovery under the GGART at Entergy Arkansas and Entergy Mississippi. The GGART is discussed in Note 2 to the financial statements.

Other

Interest and dividend income

Interest and dividend income increased in 2001 as a result of increased interest on decommissioning trust funds due to the effects of the final FERC order addressing System Energy's rate proceeding.

Interest and dividend income increased in 2000 as a result of the interest earned on System Energy's advances to the money pool, an inter-company funding arrangement. The money pool is discussed in Note 4 to the financial statements.

Interest charges

Interest on long-term debt decreased in 2001 and 2000 primarily due to a decrease in interest expense associated with the sale-leaseback of Grand Gulf 1, decreased interest expense on the sale-leaseback line of credit, and a decrease in interest expense due to the retirement of long-term debt. In 2001, System Energy retired $135 million of first mortgage bonds. In 2000, System Energy retired $75 million of debenture bonds.

Other interest increased in 2001 primarily due to the effects of the final FERC order addressing System Energy's rate proceeding.

Other interest decreased in 2000 primarily due to decreased interest expense recorded on the potential refund of System Energy's proposed rate increase.

Income taxes

The effective income tax rates in 2001, 2000, and 1999 were 27.3%, 46.4% and 39.5%, respectively.

The decrease in the effective income tax rate in 2001 is primarily due to decreased depreciation as a result of the final resolution of System Energy's 1995 rate proceeding and the distribution of an income tax benefit from Entergy Corporation related to the 2000 tax return.

The effective income tax rate for 2000 increased primarily due to the amortization of investment tax credits related to Grand Gulf 2 in 1999.

SYSTEM ENERGY RESOURCES, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$535,027	$656,749	$620,032
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	37,010	42,369	37,336
Nuclear refueling outage expenses	13,275	14,423	14,136
Other operation and maintenance	85,491	88,257	87,450
Decommissioning	(13,493)	18,944	18,944
Taxes other than income taxes	26,134	30,517	27,212
Depreciation and amortization	53,414	127,904	113,862
Other regulatory charges - net	62,742	63,590	57,656
TOTAL	264,573	386,004	356,596
OPERATING INCOME	270,454	270,745	263,436
OTHER INCOME			
Allowance for equity funds used during construction	1,769	1,482	2,540
Interest and dividend income	26,271	20,528	16,366
Miscellaneous - net	(1,190)	(82)	(57)
TOTAL	26,850	21,928	18,849
INTEREST AND OTHER CHARGES			
Interest on long-term debt	68,833	87,689	102,764
Other interest - net	69,185	30,830	45,218
Allowance for borrowed funds used during construction	(830)	(854)	(1,920)
TOTAL	137,188	117,665	146,062
INCOME BEFORE INCOME TAXES	160,116	175,008	136,223
Income taxes	43,761	81,263	53,851
NET INCOME	$116,355	$93,745	$82,372

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS

	2001	2000	1999
	For the Years Ended December 31, (In Thousands)		
OPERATING ACTIVITIES			
Net income	$116,355	$93,745	$82,372
Noncash items included in net income:			
Reserve for regulatory adjustments	(322,368)	54,598	108,484
Other regulatory charges - net	62,742	63,590	57,656
Depreciation, amortization, and decommissioning	39,921	146,848	132,806
Deferred income taxes and investment tax credits	106,764	(71,212)	(86,860)
Allowance for equity funds used during construction	(1,769)	(1,482)	(2,540)
Changes in working capital:			
Receivables	142,797	87,212	(172,354)
Accounts payable	(9,587)	(7,401)	(11,688)
Taxes accrued	43,992	13,147	(21,424)
Interest accrued	3,088	4,008	(2,022)
Other working capital accounts	(664)	20,754	(4,425)
Provision for estimated losses and reserves	16	(1,328)	45
Changes in other regulatory assets	38,732	58,592	(18,492)
Other	(54,124)	(65,491)	41,250
Net cash flow provided by operating activities	165,895	395,580	102,808
INVESTING ACTIVITIES			
Construction expenditures	(40,144)	(36,555)	(28,848)
Allowance for equity funds used during construction	1,769	1,482	2,540
Nuclear fuel purchases	(37,639)	-	(39,975)
Proceeds from sale/leaseback of nuclear fuel	37,639	-	39,975
Decommissioning trust contributions and realized change in trust assets	(16,147)	(23,694)	(22,139)
Changes in other temporary investments - net	(22,354)	-	-
Other	29,242	-	-
Net cash flow used in investing activities	(47,634)	(58,767)	(48,447)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	-	-	101,835
Retirement of long-term debt	(151,800)	(77,947)	(282,885)
Dividends paid:			
Common stock	(119,100)	(91,800)	(75,000)
Net cash flow used in financing activities	(270,900)	(169,747)	(256,050)
Net increase (decrease) in cash and cash equivalents	(152,639)	167,066	(201,689)
Cash and cash equivalents at beginning of period	202,218	35,152	236,841
Cash and cash equivalents at end of period	$49,579	$202,218	$35,152
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	$130,596	$109,046	$141,731
Income taxes	($107,831)	$143,040	$154,336
Noncash investing and financing activities:			
Change in unrealized depreciation of decommissioning trust assets	($5,931)	($1,506)	($37)

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$15	$44
Temporary cash investments - at cost, which approximates market	49,564	202,174
Total cash and cash equivalents	49,579	202,218
Other temporary investments	22,354	-
Accounts receivable:		
Associated companies	70,755	212,551
Other	1,193	2,194
Total accounts receivable	71,948	214,745
Materials and supplies - at average cost	51,665	52,235
Deferred nuclear refueling outage costs	8,728	6,577
Prepayments and other	1,631	2,639
TOTAL	205,905	478,414
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	138,546	157,572
UTILITY PLANT		
Electric	3,098,446	3,093,033
Property under capital lease	450,014	449,851
Construction work in progress	36,868	24,029
Nuclear fuel under capital lease	61,905	49,256
TOTAL UTILITY PLANT	3,647,233	3,616,169
Less - accumulated depreciation and amortization	1,416,337	1,407,885
UTILITY PLANT - NET	2,230,896	2,208,284
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	173,470	195,634
Unamortized loss on reacquired debt	48,381	51,957
Other regulatory assets	157,949	174,517
Other	8,894	8,172
TOTAL	388,694	430,280
TOTAL ASSETS	$2,964,041	$3,274,550

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 2001	December 31, 2000
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$100,891	$151,800
Accounts payable:		
Associated companies	2,404	2,722
Other	14,316	23,585
Taxes accrued	112,522	68,530
Accumulated deferred income taxes	2,360	1,648
Interest accrued	47,095	44,007
Obligations under capital leases	26,503	32,119
Other	1,583	1,674
TOTAL	307,674	326,085
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	498,404	391,505
Accumulated deferred investment tax credits	86,040	89,516
Obligations under capital leases	35,401	17,137
Other regulatory liabilities	135,878	103,634
Decommissioning	140,103	153,197
Regulatory reserves	-	322,368
Accumulated provisions	705	689
Other	39,117	46,139
TOTAL	935,648	1,124,185
Long-term debt	830,038	930,854
SHAREHOLDER'S EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2001 and 2000	789,350	789,350
Retained earnings	101,331	104,076
TOTAL	890,681	893,426
Commitments and Contingencies		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$2,964,041	$3,274,550

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
		(In Thousands)	
Retained Earnings, January 1	$104,076	$102,131	$94,759
Add:			
Net income	116,355	93,745	82,372
Deduct:			
Dividends declared	119,100	91,800	75,000
Retained Earnings, December 31	$101,331	$104,076	$102,131

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2001	2000	1999	1998	1997
			(Dollars In Thousands)		
Operating revenues	$ 535,027	$ 656,749	$ 620,032	$ 602,373	$ 633,698
Net income	$ 116,355	$ 93,745	$ 82,372	$ 106,476	$ 102,295
Total assets	$2,964,041	$3,274,550	$3,369,048	$3,431,205	$3,432,031
Long-term obligations (1)	$ 865,439	$ 947,991	$1,122,178	$1,182,616	$1,364,161
Electric energy sales (GWH)	8,921	9,621	7,567	8,259	9,735

(1) Includes long-term debt (excluding current maturities) and noncurrent capital lease obligations.

	2002	2003	2004	after 2004
		(In Millions)		
Planned construction and capital investment	$25	$20	$20	N/A
Long-term debt maturities	$101	$11	$6	$813
Nuclear fuel lease obligations (1)	$27	$35	N/A	N/A

(1) It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. If such additional financing cannot be arranged, however, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries, including the domestic utility companies and System Energy, whose separate financial statements are included in this document. The financial statements presented herein result from these companies having registered securities with the SEC.

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

Use of Estimates in the Preparation of Financial Statements

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

Revenues and Fuel Costs

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electric power primarily to retail customers in Texas and Louisiana. Entergy Gulf States also distributes gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electric power and gas to retail customers in the City of New Orleans, except for Algiers, where Entergy Louisiana is the electric power supplier. Entergy's domestic non-utility nuclear and energy commodity services segments derive almost all of their revenue from sales of electric power generated by plants owned by them, except for gains or losses on power plant development projects for energy commodity services, which are discussed below.

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

Entergy recognizes revenue from electric power and gas sales when it delivers power or gas to its customers. To the extent that deliveries have occurred but a bill has not been issued, the domestic utility companies accrue an estimate of the revenues for energy delivered since the latest billings. The monthly estimated unbilled revenue amounts are recorded as revenue and a receivable, and are reversed the following month.

The domestic utility companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, both of which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Because the fuel adjustment clause mechanism allows monthly adjustments to recover fuel costs, Entergy Louisiana, Entergy New Orleans, and the Louisiana portion of Entergy Gulf States include a component of fuel cost recovery in their unbilled revenue calculations. Where the fuel component of revenues is billed based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. Effective January 2001, Entergy Mississippi's fuel factor includes an energy cost rider that is adjusted quarterly. In the case of Entergy Arkansas and the Texas portion of Entergy Gulf States, their fuel under-recoveries are treated as regulatory investments in the cash flow statements because those companies are allowed by their regulatory jurisdictions to recover the fuel cost regulatory asset over longer than a twelve-month period, and the companies earn a return on the under-recovered balances.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. The original cost of plant retired or removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the domestic utility companies' and System Energy's plant is subject to mortgage liens.

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

Net property, plant, and equipment by company and functional category, as of December 31, 2001 and 2000, is shown below (in millions):

2001	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Production							
Nuclear	$7,657	$1,053	$1,764	$1,722	$-	$-	$2,103
Other	2,016	317	573	192	206	12	-
Transmission	1,788	533	568	336	319	23	9
Distribution	3,848	1,123	1,064	838	551	272	-
Other	778	157	156	189	122	37	20
Plant acquisition adjustment - Entergy Gulf States	374	-	-	-	-	-	-
Construction work in progress	883	158	222	111	110	43	37
Nuclear fuel (leased and owned)	498	74	68	70	-	-	62
Accumulated provision for decommissioning (1)	(578)	(363)	(95)	(120)	-	-	-
Property, plant, and equipment - net	$17,264	$3,052	$4,320	$3,338	$1,308	$387	$2,231

2000	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Production							
Nuclear	$7,126	$1,092	$1,817	$1,779	$-	$-	$2,103
Other	2,021	329	595	195	204	12	-
Transmission	1,693	504	517	323	316	24	9
Distribution	3,532	1,074	963	796	517	182	-
Other	879	149	187	172	115	95	23
Plant acquisition adjustment - Entergy Gulf States	391	-	-	-	-	-	-
Construction work in progress	937	87	145	85	44	36	24
Nuclear fuel (leased and owned)	435	114	57	64	-	-	49
Accumulated provision for decommissioning (1)	(568)	(368)	(90)	(110)	-	-	-
Property, plant, and equipment - net	$16,446	$2,981	$4,191	$3,304	$1,196	$349	$2,208

(1) This is reflected in accumulated depreciation and amortization on the balance sheet. The decommissioning liabilities related to Grand Gulf 1, Pilgrim, Indian Point 2, and the 30% of River Bend previously owned by Cajun are reflected in the applicable balance sheets in "Deferred Credits and Other Liabilities – Decommissioning."

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation rates on average depreciable property are shown below:

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy(1)
2001	2.8%	3.1%	2.5%	2.9%	2.4%	3.0%	2.8%
2000	2.9%	3.2%	2.4%	3.0%	2.5%	3.1%	3.3%
1999	2.9%	3.2%	2.4%	2.9%	2.4%	3.0%	3.3%

(1) Per a FERC order in 2001, the depreciation rate for System Energy was changed from 3.3% to 2.8%, retroactive to December 1995. The retroactive effect of the change is reflected in the 2001 financial statements. Refer to Note 2 to the financial statements for further details of the FERC order in the System Energy rate proceeding.

Jointly-Owned Generating Stations

Certain Entergy subsidiaries jointly own electric generating facilities with third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2001, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel-Type	Total Megawatt Capability (1)	Ownership	Investment	Accumulated Depreciation
					(In Millions)	
Entergy Arkansas -						
Independence	Unit 1	Coal	836	31.50%	$117	$62
	Common Facilities	Coal		15.75%	31	15
White Bluff	Units 1 and 2	Coal	1,610	57.00%	414	231
Entergy Gulf States -						
Roy S. Nelson	Unit 6	Coal	550	70.00%	404	218
Big Cajun 2	Unit 3	Coal	562	42.00%	228	117
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,651	25.00%	227	102
System Energy -						
Grand Gulf	Unit 1	Nuclear	1,247	90.00%(2)	3,549	1,416
Entergy Power -						
Independence	Unit 2	Coal	815	14.37%	76	33
	Common Facilities	Coal		7.18%	5	3

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

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

Gains or Losses on Sales of Power Development Projects

EWO actively manages its assets as an investment portfolio, and attempts to maximize flexibility to respond to different market environments. Active management of the portfolio by EWO is expected to result in: the commercial operation of projects by EWO; the sale of projects at various stages in their planning, development, or operation; or the abandonment of projects. As a result, project sales are a part of the revenue generating activities of EWO, and gains or losses on those sales are reported in operating revenue for that business segment.

Nuclear Refueling Outage Costs

Entergy records nuclear refueling outage costs in accordance with regulatory treatment and the matching principle. These refueling outage expenses are incurred to prepare the units to operate for the next 18 months without having to be taken off line. Except for the River Bend plant, the costs are deferred during the outage and amortized over the period to the next outage. In accordance with the regulatory treatment of the River Bend plant, the costs are accrued in advance and included in the cost of service used to establish retail rates. Entergy Gulf States relieves the accrual when it incurs costs during the next River Bend outage.

Allowance for Funds Used During Construction

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

Income Taxes

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

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

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

Earnings per Share

The average number of common shares outstanding for the presentation of diluted earnings per share was greater by 3,789,392 shares in 2001, 1,960,858 shares in 2000, and 199,423 shares in 1999, than the number of such shares for the presentation of basic earnings per share due to Entergy's stock option and other stock compensation plans discussed more thoroughly in Note 5 to the financial statements. The dilutive effect of the stock options on earnings per share was \$.06 in 2001, \$.03 in 2000, and \$.00 in 1999.

Options to purchase approximately 148,500 and 5,205,000 shares of common stock at various prices were outstanding at the end of 2001 and 1999, respectively, that were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares at the end of each of the years presented. At the end of 2000, all outstanding options, totaling 11,468,316, were included in the computation of diluted earnings per share as a result of the average market price of the common shares being greater than the exercise prices.

Application of SFAS 71

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

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

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

See Note 2 to the financial statements for discussion of transition to competition activity in the retail regulatory jurisdictions served by the domestic utility companies. Arkansas and Texas have enacted retail open access laws, but Entergy believes that significant issues remain to be addressed by Arkansas and Texas regulators, and the enacted laws do not provide sufficient detail to reasonably determine the impact on Entergy Arkansas' and Entergy Gulf States' regulated operations.

Cash and Cash Equivalents

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

Investments

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy has recorded on the consolidated balance sheet $93 million of additional value in its decommissioning trust funds as of December 31, 2001, and $128 million as of December 31, 2000. This additional value represents the amount by which the fair value of the securities held in such funds exceeds the amounts deposited plus the earnings on the deposits. In accordance with the regulatory treatment for decommissioning trust funds, the domestic utility companies have recorded an offsetting amount of unrealized gains on investment securities in accumulated depreciation. System Energy's offsetting amount of unrealized gains on investment securities is in other regulatory liabilities.

Decommissioning trust funds for Pilgrim and Indian Point 2 do not receive regulatory treatment. Accordingly, unrealized gains and losses recorded on the assets in these trust funds are recognized as a separate component of shareholders' equity because these assets are classified as available for sale.

Equity Method Investees

Entergy owns a number of investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of earnings or losses of the investee based on the change during the period in the estimated liquidation value of the investment, assuming that the investee's assets were to be liquidated at book value. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount of investee plus any advances made or commitments to provide additional financial support. See Note 13 to the financial statements for additional information regarding Entergy's equity method investments.

Derivative Financial Instruments and Commodity Derivatives

Entergy implemented SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001. The statement requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, at fair value. The changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

For cash-flow hedge transactions in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transaction, changes in the fair value of the derivative instrument are reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income are reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portions of all hedges are recognized in current-period earnings.

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

Effective January 1, 2001, Entergy recorded a net-of-tax cumulative-effect-type adjustment of approximately $18.0 million reducing accumulated other comprehensive income to recognize, at fair value, all derivative instruments that are designated as cash-flow hedging instruments, primarily interest rate swaps and foreign currency forward contracts related to Entergy's competitive businesses. Additional information concerning Entergy's interest rate swaps outstanding as of December 31, 2001 is included in Note 7 to the financial statements. Effective October 1, 2001, Entergy recorded an additional net-of-tax cumulative-effect-type adjustment that increased net income by approximately $23.5 million. This adjustment resulted from the implementation of an interpretation of SFAS 133 that requires fuel supply agreements with volumetric optionality to be classified as derivative instruments. The agreement that resulted in the adjustment is in the energy commodity services segment.

Impairment of Long-Lived Assets

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

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

Regulatory Assets

The domestic utility companies and System Energy are subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. In addition to the regulatory assets that are specifically disclosed on the face of the balance sheets, the tables below provide detail of "Other regulatory assets" included on the balance sheets of Entergy, the domestic utility companies, and System Energy as of December 31, 2001 and 2000 (in millions).

2001	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
DOE Fees (Note 9)	$47.5	$24.6	$4.3	$9.4	$-	$-	$9.2
Provisions for storm damages (Note 2)	214.0	178.7	8.7	26.6	-	-	-
Imputed capacity charges (Note 2)	41.7	-	14.8	26.9	-	-	-
Postretirement benefits	26.3	26.3	-	-	-	-	-
Depreciation re-direct (Note 1)	79.1	-	79.1	-	-	-	-
River Bend AFUDC (Note 1)	43.2	-	43.2	-	-	-	-
Spindletop gas storage lease	32.2	-	32.2	-	-	-	-
1994 FERC Settlement (Note 2)	20.2	-	-	-	-	-	20.2
Sale-leaseback deferral (Note 10)	128.3	-	-	-	-	-	128.3
Other	74.9	30.9	19.0	10.9	13.5	10.8	0.2
Total	$707.4	$260.5	$201.3	$73.8	$13.5	$10.8	$157.9

2000	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
DOE Fees (Note 9)	$53.9	$27.9	$4.9	$10.6	$-	$-	$10.5
Provisions for storm damages (Note 2)	117.8	80.3	5.7	27.0	4.8	-	-
Deferred System Energy rate increase (Note 2)	221.1	54.9	-	-	129.0	37.2	-
Postretirement benefits	28.7	28.7	-	-	-	-	-
Depreciation re-direct (Note 1)	72.4	-	72.4	-	-	-	-
River Bend AFUDC (Note 1)	45.1	-	45.1	-	-	-	-
Spindletop gas storage lease	30.2	-	30.2	-	-	-	-
1994 FERC Settlement (Note 2)	28.3	-	-	-	-	-	28.3
Sale-leaseback deferral (Note 10)	135.7	-	-	-	-	-	135.7
Other	59.3	30.0	11.1	13.3	6.9	7.5	-
Total	$792.5	$221.8	$169.4	$50.9	$140.7	$44.7	$174.5

River Bend AFUDC

The River Bend AFUDC gross-up represents the incremental difference imputed by the LPSC between the AFUDC actually recorded by Gulf States Utilities on a net-of-tax basis during the construction of River Bend and what the AFUDC would have been on a pre-tax basis. The imputed amount was only calculated on that portion of River Bend that the LPSC allowed in rate base and is being amortized over the estimated remaining economic life of River Bend.

Transition to Competition Liabilities

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

Reacquired Debt

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

Entergy Gulf States' Deregulated Operations

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

The results of these deregulated operations before interest charges for the years ended December 31, 2001, 2000, and 1999 are as follows (in thousands):

	2001	2000	1999
Operating revenues	$238,590	$200,023	$166,509
Operating expenses			
Fuel, operation, and maintenance	136,043	141,822	126,917
Depreciation	35,508	36,158	35,141
Total operating expense	171,551	177,980	162,058
Operating income	67,039	22,043	4,451
Income tax expense	25,549	8,278	628
Net income from deregulated utility operations	$41,490	$13,765	$3,823

The net investment associated with these deregulated operations as of December 31, 2001 and 2000 was approximately $822 million and $821 million, respectively.

Foreign Currency Translation

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

New Accounting Pronouncements

In mid-2001, the FASB issued the following pronouncements:

- SFAS 141, "Business Combinations";
- SFAS 142, "Goodwill and Other Intangible Assets";
- SFAS 143, "Accounting for Asset Retirement Obligations"; and
- SFAS 144, "Accounting for the Impairment or Disposal of Long-lived Assets".

SFAS 141, which is effective for all business combinations initiated after June 30, 2001, eliminates the pooling-of-interests method of accounting for business combinations and requires that all business combinations be accounted for using the purchase accounting method. SFAS 141 also requires the recording of all acquired intangible assets that either arise from contractual or legal rights, or that are separable from the acquired entity. The implementation of SFAS 141 on July 1, 2001 had no impact on Entergy's financial statements.

SFAS 142, which Entergy implemented effective January 1, 2002, eliminates the amortization of goodwill arising from business combinations. Instead, goodwill will be subject to a periodic impairment test at the "reporting unit" level. SFAS 142 also eliminates the arbitrary 40-year cap on useful lives of intangible assets, and acknowledges that some intangible assets may have indefinite useful lives. The implementation of SFAS 142 will require Entergy to cease the amortization of the remaining plant acquisition adjustment recorded in conjunction with its acquisition of Entergy Gulf States; this will increase Entergy's annual net income by approximately $16.3 million. Entergy will also perform an impairment test on the remaining acquisition adjustment. As SFAS 142 allows, Entergy will complete this impairment test in the second quarter of 2002. Entergy does not believe an impairment will result from this test when it is completed.

SFAS 143, which must be implemented by January 1, 2003, requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities will be recorded at their fair values (which are likely to be the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The amounts added to the carrying amounts of the long-lived assets will be depreciated over the useful lives of the assets. Entergy expects that the net effect of implementing this standard for Entergy's regulated utilities will be recorded as a regulatory asset or liability, with no resulting impact on Entergy's net income. Upon adoption, the net effects of implementing this standard, to the extent that they are not recorded as regulatory assets or liabilities, will be recognized as cumulative effects of an accounting change in Entergy's income statement. Entergy has not yet completed its assessment of the likely overall impact of this standard on its financial statements, but anticipates that its assets and liabilities will increase upon implementation.

SFAS 144, which Entergy implemented effective January 1, 2002, promulgates standards for measuring and recording impairments of long-lived assets. Additionally, this standard establishes requirements for classifying an asset as held for sale, and changes existing accounting and reporting standards for discontinued operations and exchanges of long-lived assets. Entergy does not expect the implementation of this standard to have a significant effect on Entergy's financial position or results of operations.

NOTE 2. RATE AND REGULATORY MATTERS

Electric Industry Restructuring and the Continued Application of SFAS 71

Although Arkansas and Texas have enacted retail open access laws, retail open access proceedings in Arkansas are currently suspended. Retail open access in Entergy Gulf States' service territory in Texas has been delayed. Entergy also believes that significant issues remain to be addressed by Texas regulators, and the enacted law does not provide sufficient detail to reasonably determine the impact on Entergy Gulf States' regulated operations. Entergy therefore continues to apply regulatory accounting principles to the retail operations of all of the domestic utility companies. Following is a summary of the status of retail open access in the domestic utility companies' retail service territories.

Arkansas

(Entergy Corporation and Entergy Arkansas)

Under current Arkansas legislation, the target date for retail open access has been delayed until no sooner than October 1, 2003 and no later than October 1, 2005. In December 2001, the APSC recommended to the Arkansas General Assembly that legislation be enacted during the 2003 legislative session to either repeal the legislation authorizing retail open access or further delay retail open access until at least 2010. Entergy Arkansas supports the proposal for further delay of retail open access but opposes repeal of deregulation legislation as premature at this time. Based on the anticipated delay in retail open access, Entergy Arkansas withdrew its notice of intent to recover stranded costs in December 2001.

Texas

(Entergy Corporation and Entergy Gulf States)

Retail open access legislation is in place in Texas, but the implementation of retail open access in Entergy Gulf States' territory is delayed until at least September 15, 2002. Several proceedings necessary to implement retail open access are still pending, including proceedings to set the price-to-beat rates that will be charged by Entergy's retail electric service provider, to implement Entergy Gulf States' business separation plan, and to form an RTO that includes Entergy's service area. In addition, the LPSC has not approved for the Louisiana jurisdictional operations the transfer of generation assets to, or a power purchase agreement with, Entergy's Texas generation company. Therefore, neither the necessary regulatory actions nor the reasonable determinability of the effect of deregulation has occurred for Entergy Gulf States to discontinue the application of regulatory accounting principles to its Texas generation operations.

Louisiana

(Entergy Corporation, Entergy Gulf States, and Entergy Louisiana)

In March 1999, the LPSC deferred making a decision on whether competition in the electric utility industry is in the public interest. However, the LPSC directed the LPSC staff, outside consultants, and counsel to work together to analyze and resolve issues related to competition and to recommend a plan for consideration by the LPSC. In July 2001, the LPSC staff submitted a final response to the LPSC. In its report the LPSC staff concluded that retail competition is not in the public interest at this time for any customer class. Nevertheless, the LPSC staff recommended that retail open access be made available for certain large industrial customers as early as January 2003. An eligible customer choosing to go to competition would be required to provide its utility with a minimum of six months notice prior to the date of retail open access. The LPSC staff report also recommended that all customers who do not currently co- or self-generate, or have co- or self-generation under construction as of a date to be specified by the LPSC, remain liable for their share of stranded costs. During its October 2001 meeting, the LPSC adopted dates by which a total of 800 MW of co- or self-generation could be developed in Louisiana without being affected by stranded costs. During its November 2001 meeting, the LPSC decided not to adopt a plan for retail open access for any customers at this time, but to have collaborative group meetings concerning open access from time to time, and to have the LPSC staff monitor developments in neighboring states and to report to the LPSC regarding the progress of retail access developments in those states.

Mississippi

(Entergy Corporation and Entergy 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 2002 session from January through March. Management cannot predict when, or if, Mississippi will deregulate its retail electricity market.

New Orleans

(Entergy Corporation and Entergy New Orleans)

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

<u>Retail Rate Proceedings</u>

Filings with the APSC (Entergy Corporation and Entergy Arkansas)

<u>March 2002 Settlement Agreement</u>

In March 2002, Entergy Arkansas, the APSC staff, and the Arkansas Attorney General submitted a settlement agreement to the APSC for approval. The agreement resolves issues discussed below under "<u>Retail Rates</u>," "<u>Transition Cost Account</u>," and "<u>December 2000 Ice Storm Cost Recovery</u>." A hearing before the APSC to consider the settlement is scheduled for April 11, 2002. No assurance can be given as to the timing or outcome of the proceedings before the APSC.

<u>Retail Rates</u>

Entergy Arkansas is operating under the terms of a 1997 settlement agreement approved by the APSC that currently provides for a rate freeze. As discussed in "<u>December 2000 Ice Storm Cost Recovery</u>" below, Entergy Arkansas was scheduled to file a general rate proceeding in February 2002, in which Entergy Arkansas would have sought an increase in rates. The March 2002 settlement agreement states, however, that Entergy Arkansas will not file an application seeking to increase base rates prior to January 2003.

<u>Transition Cost Account</u>

The 1997 settlement also provides for the collection of earnings in excess of an 11% return on equity in a transition cost account (TCA) to offset stranded costs if retail open access were implemented. Upon recommendation from the APSC, Entergy Arkansas' 2001 operating expense reflects an adjustment for 2000 TCA accruals of $18.9 million ($11.6 million after tax). Entergy Arkansas filed for a rehearing of the APSC's review of 2000 earnings. The March 2002 settlement agreement would resolve this matter, and issues related to the 1998 and 1999 earnings reviews, resulting in immaterial adjustments to the TCA. In 2001, Entergy Arkansas also recorded $7.9 million ($4.9 million after tax) for 2001 TCA accruals and interest expense of $6.0 million ($3.7 million after tax). As of December 31, 2001, the transition cost account balance was $152.4 million. In light of the delay in retail open access, Entergy Arkansas filed a proposal in December 2001 with the APSC that the balance in the transition cost account be used to offset a large portion of the December 2000 ice storm expenses discussed below. Entergy Arkansas' withdrawal of its notice of intent to recover stranded costs will end the transition cost account earnings review process after the 2001 earnings review is complete.

December 2000 Ice Storm Cost Recovery

In mid- and late December 2000, two separate ice storms left 226,000 and 212,500 Entergy Arkansas customers, respectively, without electric power in its service area. The storms were the most severe natural disasters ever to affect Entergy Arkansas, causing damage to transmission and distribution lines, equipment, poles, and facilities. Entergy Arkansas filed a proposal to recover costs plus carrying charges associated with power restoration caused by the ice storms. In an order issued in June 2001, the APSC decided not to give final approval to Entergy's proposed storm cost recovery rider outside of a fully developed cost-of-service study in a general rate proceeding. The APSC action resulted in the deferral in 2001 of storm damage costs expensed in 2000 as reflected in Entergy Arkansas' financial statements

Entergy Arkansas filed its final storm damage cost determination, which reflects costs of approximately $195 million. The filing asked for recovery of approximately $170 million through a rider over approximately a six and one-half year period. The remainder of the costs is primarily capital expenditures that would be included in rate base in the general rate proceeding. In December 2001, Entergy Arkansas filed a proposal with the APSC to reduce the ice storm costs with the balance in the transition cost account.

In the March 2002 settlement, the parties agree that $159 million of the ice storm costs would be classified as incremental ice storm expenses that can be offset against the TCA, and any excess of ice storm costs over the amount available in the TCA will be deferred for recovery over 30 years. The actual amount available in the TCA will not be known until the 2001 earnings review is complete. Of the remaining ice storm costs, $32.2 million will be addressed through established ratemaking procedures, including $22.2 million classified as capital additions. $3.8 million of the ice storm costs will not be recovered through rates.

Grand Gulf Accelerated Recovery Tariff

In April 1998, FERC approved the Grand Gulf Accelerated Recovery Tariff (GGART). The GGART was designed to allow Entergy Arkansas to pay down a portion of its Grand Gulf purchased power obligation in advance of the implementation of retail open access in Arkansas. The GGART provided for the acceleration of $165 million of this obligation over the period January 1, 1999 through June 30, 2004. In April 2001, FERC approved Entergy Arkansas' filing that requested cessation of the GGART effective July 1, 2001. Entergy Arkansas made the filing pursuant to the terms of a December 2000 settlement agreement with the APSC.

Fuel Cost Recovery

In March 2001, Entergy Arkansas filed its annually redetermined energy cost rate with the APSC in accordance with the energy cost recovery rider formula and special circumstances agreement, including a new energy allocation factor. The filing reflected that an increase was warranted due to an increase in fuel and purchased power costs in 2000 and the accumulated under-recovery of 2000 energy costs. The increased energy cost rate is effective April 2001 through March 2002.

Decommissioning Cost Recovery

The APSC ordered Entergy Arkansas to cease collection of funds to decommission ANO 1 and 2 for the calendar year 2001, and approved the continued cessation of collection of funds during 2002. The APSC based its decision on the anticipated approval of Entergy's application with the NRC to extend the license of ANO 1 by 20 years, and the conclusion that the funds previously collected will be sufficient to decommission the units. This decision will be reviewed annually and reflected in Entergy Arkansas' filing of its annual determination of the nuclear decommissioning rate rider.

Filings with the PUCT and Texas Cities

Rate Proceedings (Entergy Corporation and Entergy Gulf States)

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

The settlement agreement provides for the following:

- an annual $4.2 million base rate reduction, effective March 1, 1999, which is in addition to the annual $69 million base rate reduction (net of River Bend accounting order deferrals) in the PUCT's second order on rehearing in October 1998;
- a methodology for semi-annual revisions of the fixed fuel factor through December 2001 based on the market price of natural gas, which has been extended until the start of retail open access;
- a base rate freeze through June 1, 2000. The Texas restructuring law extends the base rate freeze through December 2001. The freeze is still in effect in 2002 pursuant to the settlement that delayed the start of retail open access in Entergy Gulf States' service territory;
- amortization of the remaining River Bend accounting order deferrals as of January 1, 1999, over three years on a straight-line basis, and the accounting order deferrals will not be recognized in any subsequent base rate case or stranded cost calculation;
- the dismissal of all pending appeals of the settling parties relating to Entergy Gulf States' proceedings with the PUCT, except the River Bend abeyed plant costs appeal discussed below; and
- the potential recovery in the River Bend abeyed plant costs appeal is limited to $115 million net plant in service as of January 1, 2002, less depreciation over the remaining life of the plant beginning January 1, 2002 through the date the plant costs are included in rate base (see "Recovery of River Bend Costs" in this note for further discussion).

As a result of the settlement agreement, in June 1999, Entergy Gulf States removed the $93.9 million provision recorded in 1998 for the amortization of River Bend accounting order deferrals to reflect the three-year amortization schedule detailed in the agreement. The income impact of this removal was largely offset by an increase in the rate of amortization of the accounting order deferrals.

Recovery of River Bend Costs (Entergy Corporation and Entergy Gulf States)

In March 1998, the PUCT disallowed recovery of $1.4 billion of company-wide abeyed River Bend plant costs which have been held in abeyance since 1988. Entergy Gulf States appealed the PUCT's decision on this matter to the Travis County District Court in Texas. In June 1999, subsequent to the settlement agreement discussed above, Entergy Gulf States removed the reserve for River Bend plant costs held in abeyance and reduced the value of the plant asset. The settlement agreement limits potential recovery of the remaining plant asset, less depreciation, to $115 million as of January 1, 2002. In a settlement in its transition to competition proceedings, and consistent with the June 1999 settlement, Entergy Gulf States agreed not to prosecute its appeal until January 1, 2002. Entergy Gulf States is now prosecuting its appeal, and the argument on the appeal is scheduled for March 22, 2002. Entergy Gulf States also agreed that it will not seek recovery of the abeyed plant costs through any additional charge to Texas ratepayers. The financial statement impact of the retail rate settlement agreement on the abeyed plant costs will ultimately depend on several factors, including the possible discontinuance of SFAS 71 accounting treatment to the Texas generation business, the determination of the market value of generation assets, and any future legislation in Texas addressing the pass-through or sharing of any stranded benefits with Texas ratepayers. No assurance can be given that additional reserves or write-offs will not be required in the future.

PUCT Fuel Cost Review (Entergy Corporation and Entergy Gulf States)

As determined in the June 1999 retail rate settlement agreement discussed above, Entergy Gulf States adopted a methodology for calculating its fixed fuel factor based on the market price of natural gas. This calculation and any necessary adjustments occur semi-annually. The settlement that delayed implementation of retail open access in Texas for Entergy Gulf States provides that Entergy Gulf States will continue the use of this methodology until retail open access begins. The amounts collected under Entergy Gulf States' fixed fuel factor until the date retail open access commences are subject to fuel reconciliation proceedings before the PUCT.

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

Entergy Gulf States filed a fuel reconciliation case in July 1999 reconciling approximately $731 million (after excluding approximately $14 million related to Cajun issues to be handled in a subsequent proceeding) of fuel and purchased power costs incurred from July 1996 through February 1999. In February 2000, Entergy Gulf States reached a settlement with all but one of the parties to the proceeding. The settlement reduced Entergy Gulf States' requested surcharge in the reconciliation filing from $14.7 million to $2.2 million. In April 2000, the PUCT approved this settlement allowing Entergy Gulf States to recover the $2.2 million surcharge beginning with the April 2000 billing cycle and continuing until January 2001.

In January 2001, Entergy Gulf States filed a fuel reconciliation case covering the period from March 1999 through August 2000. Entergy Gulf States is reconciling approximately $583 million of fuel and purchased power costs. As part of this filing, Entergy Gulf States requested a surcharge to collect $28 million, plus interest, of under-recovered fuel and purchased power costs. A hearing on the merits concluded in August 2001 and the ALJ has recommended that the surcharge be reduced to $7 million. The PUCT considered the ALJ's recommendation in February 2002, but did not reach a final decision. The PUCT recommended certain issues for further consideration by the State Office of Administrative Hearings. No assurance can be given as to the outcome of this proceeding.

In November 2001, Entergy Gulf States filed an application with the PUCT requesting an interim surcharge to collect $71 million, plus interest, of under-recovered fuel and purchased power expenses incurred from September 2000 through September 2001. Entergy Gulf States made the application pursuant to one of the terms of the settlement agreement that delayed implementation of retail open access in Texas for Entergy Gulf States. In February 2002, Entergy Gulf States revised its request to collect $40.9 million, plus interest, of under-recovered fuel and purchased power expenses incurred from September 2000 through January 2002. Entergy Gulf States requests that the surcharge begin in March 2002 and extend through August 2002. The ALJ has recommended that the PUCT approve Entergy Gulf States' request. No assurance can be given as to the outcome of this request before the PUCT.

Filings with the LPSC

Annual Earnings Reviews (Entergy Corporation and Entergy Gulf States)

In June 2000, the LPSC approved a settlement between Entergy Gulf States and the LPSC staff to refund $83 million, including interest, resolving refund issues in Entergy Gulf States' second, third, fourth, and fifth post-merger earnings reviews filed with the LPSC in May 1995, 1996, 1997, and 1998, respectively. The refund was made over a three-month period beginning July 2000. Although refund issues in the third, fourth, and fifth post-merger earnings reviews were resolved by the June 2000 settlement, certain prospective issues remained in dispute following the settlement. The fourth earnings review is currently on appeal at the Nineteenth Judicial District Court. A decision from the LPSC in the fifth earnings review is expected in the second quarter of 2002.

In June 2001, the LPSC approved a settlement between Entergy Gulf States and the LPSC staff to refund $25.9 million, including interest, resolving issues in Entergy Gulf States' third, sixth, and seventh post-merger earnings reviews filed with the LPSC in May 1996, 1999, and 2000, respectively. The refund was made over a three-month period beginning July 2001. The settlement resolved the prospective return on common equity issue on remand from the Louisiana Supreme Court in the third earnings review. Refund issues from the sixth and seventh earnings reviews were also resolved; however, certain prospective issues remain in dispute. The LPSC approved an 11.1% return on common equity through June 2003, which Entergy Gulf States was allowed to include in its eighth post-merger earnings analysis discussed below.

In May 2001, Entergy Gulf States filed its eighth required post-merger earnings analysis with the LPSC. This filing is subject to review by the LPSC and may result in a change in rates. In February 2002, the LPSC staff filed testimony recommending a $16.4 million rate refund and a $39.8 million prospective rate reduction. The prospective reduction includes a recommended reduction in return on equity that would not take effect until June 2003. A procedural schedule has been established by the LPSC and a hearing is scheduled for April 2002.

Formula Rate Plan Filings (Entergy Corporation and Entergy Louisiana)

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

In April 1999, Entergy Louisiana submitted its fourth annual performance-based formula rate plan filing for the 1998 test year. A rate reduction of $15.0 million was implemented effective August 1, 1999. In May 2000, the LPSC ordered a $6.4 million refund. This refund was made in July 2000.

In May 2000, Entergy Louisiana submitted its fifth annual performance-based formula rate plan filing for the 1999 test year. As a result of this filing, Entergy Louisiana implemented a $24.8 million base rate reduction in August 2000. In September 2001, the LPSC approved a settlement in which Entergy Louisiana agreed to increase to $28.2 million the total base rate reduction, effective August 2000. The settlement resolves all issues in the proceeding except for Entergy Louisiana's claim for an increase in its allowed return on common equity from 10.5% to 11.6%. A procedural schedule to address the return on common equity issue has been established and a hearing will be held in March 2002.

In April 2001, Entergy Louisiana submitted its sixth annual performance-based formula rate plan filing, which used a 2000 test year. The filing indicated that an immaterial base rate reduction might be appropriate. This filing is subject to review by the LPSC. A procedural schedule has been established and a hearing is scheduled in the second quarter of 2002.

Fuel Adjustment Clause Litigation (Entergy Corporation and Entergy Louisiana)

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 sought 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. 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.

Entergy Louisiana agreed to settle both of these proceedings. The LPSC approved the settlement agreement following a fairness hearing before an ALJ in November 2000. The state court certified the plaintiff class and approved the settlement after a fairness hearing in April 2001. Under the terms of the settlement agreement, Entergy Louisiana agreed 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 recorded provisions for the refund, which Entergy Louisiana made through the fuel adjustment clause over a three-month period beginning in July 2001.

Also under the terms of the settlement, Entergy Louisiana consented to future fuel cost recovery under a long-term gas contract based on a formula that will likely result in an under-recovery of actual costs for the remainder of the contract's term, which runs through 2013. The future under-recovery cannot be precisely estimated 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 settlement terms been applicable to such purchases, the under-recoveries would have ranged from $4 million to $9 million per year.

Filings with the MPSC

Formula Rate Plan Filings (Entergy Corporation and Entergy Mississippi)

In March 2001, Entergy Mississippi submitted its annual performance-based formula rate plan filing for the 2000 test year. The submittal indicated that a $6.7 million rate increase was appropriate under the formula rate plan. In April 2001, the MPSC staff and Entergy Mississippi entered into a stipulation that provides for an increase of $5.6 million, which was approved by the MPSC and was effective May 2001.

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

MPSC Fuel Cost Review (Entergy Corporation and Entergy Mississippi)

In December 2000, the MPSC approved an increase in Entergy Mississippi's energy cost recovery rider to collect the under-recovered fuel and purchased power costs incurred as of September 30, 2000. The recovery of $136.7 million, plus carrying charges, is occurring over a 24-month period which began with the first billing cycle of January 2001. As approved by the MPSC, Entergy Mississippi also began making quarterly energy cost recovery filings beginning in January 2001 to reflect under-recovered fuel and purchased power costs from the second prior calendar quarter.

Grand Gulf Accelerated Recovery Tariff (GGART) (Entergy Corporation and Entergy Mississippi)

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

Filings with the Council

Rate Proceedings (Entergy Corporation and Entergy New Orleans)

Entergy New Orleans operates currently under the terms of a settlement agreement approved by the Council in November 1998. The settlement agreement required base rate reductions for electric customers of $7.1 million effective January 1, 1999, $3.2 million effective October 1, 1999, $16.1 million effective October 1, 2000, and no base rate increases prior to October 1, 2001. In June 2001, Entergy New Orleans filed with the Council for changes in gas and electric rates based on a test year ending December 31, 2000. The filing indicated that an increase of $12.7 million in gas rates and an increase of $12.5 million in electric rates might be appropriate. Proceedings on Entergy New Orleans' filing have been deferred until June 2002. Entergy New Orleans' rate decrease that would have occurred in October 2001 upon completion of its Grand Gulf 1 phase-in plan has also been deferred. As a result of the deferral of the proceedings, Entergy New Orleans' rates will remain at their current level at this time.

Natural Gas (Entergy Corporation and Entergy New Orleans)

In a resolution adopted in August 2001, the Council ordered Entergy New Orleans to account for $36 million of certain natural gas costs charged to its gas distribution customers from July 1997 through May 2001. The resolution suggests that refunds may be due to the gas distribution customers if Entergy New Orleans cannot account satisfactorily for these costs. Entergy New Orleans filed a response to the Council in September 2001. Entergy New Orleans has documented a full reconciliation for the natural gas costs during that period. The ultimate outcome of the proceeding cannot be predicted at this time.

Fuel Adjustment Clause Litigation (Entergy Corporation and Entergy New Orleans)

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 attorneys' 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 plaintiffs' allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Testimony was filed on behalf of the plaintiffs in this proceeding in April

2000 and has been supplemented. The testimony, as supplemented, asserts, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices and included costs in Entergy New Orleans' fuel adjustment that could have resulted in New Orleans customers being overcharged by more than $100 million over a period of years. In June 2001, the Council's advisors filed testimony on these issues in which they allege that Entergy New Orleans ratepayers may have been overcharged by more than $32 million, the vast majority of which is reflected in the plaintiffs' claim. However, it is not clear precisely what periods and damages are being alleged in the proceeding. Entergy intends to defend this matter vigorously, both in court and before the Council. Hearings began in February 2002. The ultimate outcome of the lawsuit and the Council proceeding cannot be predicted at this time.

<u>Purchased Power for Summer 2000, 2001, and 2002</u> (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

The domestic utility companies filed applications with the APSC, the LPSC, the MPSC, and the Council to approve the sale of power by Entergy Gulf States from its unregulated, undivided 30% interest in River Bend formerly owned by Cajun to the other domestic utility companies during the summer of 2000. These applications were approved subject to subsequent prudence reviews. In addition, Entergy Gulf States and Entergy Louisiana filed an application with the LPSC for authorization to purchase capacity and electric power from third parties for the summer of 2000, and filed a similar application for the summer of 2001. The LPSC approved these applications, with reservations of its rights to review the prudence of the purchases and the appropriate categorization of the costs as either capacity or energy charges for purposes of recovery. A similar application was filed with the LPSC on March 1, 2002 for the summer of 2002, but no action yet has been taken by the LPSC on that filing.

The LPSC reviewed the 2000 purchases and found that Entergy Louisiana's and Entergy Gulf States' costs were prudently incurred, but decided that approximately 34% of the costs should be categorized as capacity charges, and therefore should be recovered through base rates and not through the fuel adjustment clause. In November 2000, the LPSC ordered refunds of $11.1 million for Entergy Louisiana and $3.6 million for Entergy Gulf States, for which adequate provisions have been made. In May 2001, the LPSC determined that 24% of Entergy Louisiana's and Entergy Gulf States' costs relating to summer 2001 purchases should be categorized as capacity charges, and is still reviewing certain prudence issues related to the 2001 purchases. Those costs that are categorized as capacity charges will be included in the costs of service used to determine the base rates of Entergy Louisiana and Entergy Gulf States. In 2001, these companies recorded a regulatory asset for the capacity charges incurred in both 2000 and 2001. The capacity charges for 2000 are being amortized through May 2002 for Entergy Gulf States and through July 2002 for Entergy Louisiana. The capacity charges for 2001 will be amortized over a twelve-month period beginning in June 2002 for Entergy Gulf States and August 2002 for Entergy Louisiana.

<u>River Bend Cost Deferrals</u> (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States was amortizing $182 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges over a 20-year period. In accordance with the June 1999 Texas settlement agreement discussed above, Entergy Gulf States reduced these deferred costs by $93.9 million, for which adequate reserves had been recorded. Entergy Gulf States also was allowed to amortize the remainder of the accelerated balance as of January 1, 1999, over three years on a straight-line basis, which ended December 31, 2001.

<u>Grand Gulf 1 Deferrals and Retained Shares</u>

(Entergy Corporation and Entergy Arkansas)

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

(Entergy Corporation and Entergy Louisiana)

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

(Entergy Corporation and Entergy New Orleans)

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

System Energy's 1995 Rate Proceeding (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

System Energy applied to FERC in May 1995 for a rate increase, and implemented the increase in December 1995. The request sought changes to System Energy's rate schedule, including increases in the revenue requirement associated with decommissioning costs, the depreciation rate, and the rate of return on common equity. The request also included a proposed change in the accounting recognition of nuclear refueling outage costs from that of expensing those costs as incurred to the deferral and amortization method described in Note 1 to the financial statements. After holding hearings in 1996, a FERC ALJ found that portions of System Energy's request should be rejected, including a proposed increase in return on common equity from 11% to 13% and a requested change in decommissioning cost methodology. The ALJ recommended a decrease in the return on common equity from 11% to 10.8%. Other portions of System Energy's request for a rate increase were approved by the ALJ.

After a hearing, FERC issued an order in the proceeding in July 2000. FERC affirmed the ALJ's adoption of a 10.8% return on equity, but modified the return to reflect changes in capital market conditions since the ALJ's decision. FERC adjusted the rate of return to 10.58% for the period December 1995 to the date of FERC's decision, and prospectively adjusted the rate of return to 10.94% from the date of FERC's decision. FERC's decision also changed other aspects of System Energy's proposed rate schedule, including the depreciation rate and decommissioning costs and their methodology.

In July 2001, FERC denied requests for rehearing and the July 2000 order became final. System Energy made a compliance tariff filing in August 2001 and it was accepted by FERC in November 2001. System Energy made refunds to the domestic utility companies in December 2001.

In accordance with regulatory accounting principles, during the pendency of the case, System Energy recorded reserves for potential refunds against its revenues. Upon the order becoming final, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy recorded entries to spread the impacts of FERC's order to the various revenue, expense, asset, and liability accounts affected, as if the order had been in place since commencement of the case in 1995. System Energy also recorded an additional reserve amount against its revenue, to adjust its estimate of the impact of the order, and recorded additional interest expense on that reserve. System Energy also recorded reductions in its depreciation and its decommissioning expenses to reflect the lower levels in FERC's order, and reduced tax expense affected by the order.

In December 2001, Entergy Arkansas filed with the APSC the amount of the refund to retail customers in Arkansas. The total refund of $53.7 million, including interest, is expected to be refunded through the issuance of refund checks in March 2002 after approval by the APSC of the refund rates.

Entergy Mississippi's allocation of the proposed System Energy wholesale rate increase was $21.6 million annually. In July 1995, Entergy Mississippi filed a schedule with the MPSC that deferred the retail recovery of the System Energy rate increase. The deferral plan, which was approved by the MPSC, began in December 1995, the effective date of the System Energy rate increase, and was effective until the issuance of the final order by FERC. Entergy Mississippi revised the deferral plan two times during the pendency of the System Energy proceeding. As a result of the final resolution of the FERC order and in accordance with Entergy Mississippi's second revised deferral plan, refunds to Entergy Mississippi from System Energy, including interest, have been credited against deferral balances and refund amounts in excess of the deferral balances are being included as a credit to the amounts billed to Entergy Mississippi's customers in October 2001 through September 2002 under its Grand Gulf Riders.

Entergy New Orleans' allocation of the proposed System Energy wholesale rate increase was $11.1 million annually. In February 1996, Entergy New Orleans filed a plan with the Council to defer 50% of the amount of the System Energy rate increase. In December 2001, the Council approved a refund to customers. The total amount of the refund to Entergy New Orleans' customers is $43 million. In anticipation of the FERC order, Entergy New Orleans advanced the refunding of $10 million in February 2001 to customers to assist with unexpected high energy bills. The total refund will also be reduced by an additional $6 million which will be used for the establishment of a public benefits and payments assistance program. The remaining $27 million was refunded through the issuance of refund checks during the first quarter of 2002.

FERC Settlement (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

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

NOTE 3. INCOME TAXES

Income tax expenses for 2001, 2000, and 1999 consist of the following (in thousands):

2001	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Current:							
Federal	$321,085	$83,314	$60,333	$97,265	$77,074	$16,844	($56,166)
Foreign	3,355	-	-	-	-	-	-
State	53,565	16,230	17,385	16,404	11,523	2,958	(6,837)
Total	378,005	99,544	77,718	113,669	88,597	19,802	(63,003)
Deferred -- net	110,944	11,414	11,554	(21,931)	(66,633)	(23,691)	110,240
Investment tax credit							
adjustments -- net	(23,192)	(5,025)	(7,234)	(5,451)	(1,500)	(507)	(3,476)
Recorded income tax expense	$465,757	$105,933	$82,038	$86,287	$20,464	($4,396)	$43,761

2000	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Current:							
Federal	$291,616	$51,042	$42,587	$83,369	($24,598)	$10,530	$132,725
Foreign	11,555	-	-	-	-	-	-
State	51,293	9,694	6,737	12,926	(3,615)	1,706	19,750
Total	354,464	60,736	49,324	96,295	(28,213)	12,236	152,475
Deferred -- net	150,018	46,365	61,779	22,111	52,581	(129)	(67,509)
Investment tax credit							
adjustments -- net	(25,561)	(6,589)	(7,500)	(5,761)	(1,500)	(510)	(3,703)
Recorded income tax expense	$478,921	100,512	$103,603	$112,645	$22,868	$11,597	$81,263

1999	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Current:							
Federal	$452,568	$25,811	$64,991	$115,180	($660)	$13,238	$121,733
Foreign	27,730	-	-	-	-	-	-
State	65,834	5,780	11,669	22,675	131	2,923	18,979
Total	546,132	31,591	76,660	137,855	(529)	16,161	140,712
Deferred -- net	(153,304)	26,335	13,513	(9,953)	19,566	(2,615)	(77,173)
Investment tax credit							
adjustments -- net	(36,161)	(3,914)	(15,008)	(5,534)	(1,500)	(516)	(9,688)
Recorded income tax expense	$356,667	$54,012	$75,165	$122,368	$17,537	$13,030	$53,851

Total income taxes differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2001, 2000, and 1999 are (in thousands):

2001	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	$425,692	$99,441	$91,520	$76,594	$21,029	($2,307)	$56,041
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	45,124	12,098	7,897	10,160	1,935	(292)	5,803
Depreciation	11,890	4,136	1,504	10,542	(1,091)	17	(3,218)
Amortization of investment tax credits	(22,488)	(5,028)	(6,528)	(5,448)	(1,500)	(504)	(3,480)
Flow-through/permanent differences	(20,698)	(5,582)	(11,318)	(1,620)	(856)	(702)	(620)
US tax on foreign income	21,422	-	-	-	-	-	-
Benefit of Entergy Corp. expenses	-	-	(1,510)	(4,647)	-	(746)	(10,697)
Other -- net	4,815	868	473	706	947	138	(68)
Total income taxes	$465,757	$105,933	$82,038	$86,287	$20,464	($4,396)	$43,761
Effective Income Tax Rate	38.3%	37.3%	31.4%	39.4%	34.1%	66.7%	27.3%

2000	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	$416,443	$83,147	$99,380	$96,363	$21,644	$9,840	$61,253
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	47,504	11,571	14,421	11,389	2,239	824	7,060
Depreciation	49,741	16,098	4,791	10,810	1,346	1,441	15,255
Amortization of investment tax credits	(23,783)	(5,112)	(7,664)	(5,520)	(1,500)	(507)	(3,480)
Flow-through/permanent differences	(18,495)	(5,596)	(10,032)	(1,623)	(825)	(401)	(18)
US tax on foreign income	1,472	-	-	-	-	-	-
Other -- net	6,039	404	2,707	1,226	(36)	400	1,193
Total income taxes	$478,921	$100,512	$103,603	$112,645	$22,868	$11,597	$81,263
Effective Income Tax Rate	40.3%	42.3%	36.5%	40.9%	37.0%	41.2%	46.4%

1999	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	$333,093	$43,164	$70,058	$109,948	$20,693	$11,196	$47,678
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	49,487	6,949	18,805	13,741	1,982	1,930	6,080
Depreciation	49,460	18,429	4,718	9,577	(1,093)	2,232	15,597
Amortization of investment tax credits	(29,015)	(5,132)	(6,642)	(5,532)	(1,500)	(518)	(9,691)
Flow-through/permanent differences	(8,042)	(5,250)	(2,795)	(1,191)	(284)	(272)	27
US tax benefit on foreign income	(9,584)	-	-	-	-	-	-
Benefit of Entergy Corporation expenses	-	(3,341)	(4,046)	(4,053)	(1,936)	(754)	(4,552)
Change in valuation allowance	(46,315)	-	-	-	-	-	-
Other -- net	17,583	(807)	(4,933)	(122)	(325)	(784)	(1,288)
Total income taxes	$356,667	$54,012	$75,165	$122,368	$17,537	$13,030	$53,851
Effective Income Tax Rate	37.5%	43.8%	37.6%	39.0%	29.7%	40.7%	39.5%

Significant components of net deferred tax liabilities as of December 31, 2001 and 2000 are as follows (in thousands):

2001	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Deferred Tax Liabilities:							
Net regulatory assets/(liabilities)	($1,195,100)	($196,800)	($469,073)	($222,443)	($29,237)	$17,806	($274,899)
Plant-related basis differences	(3,189,015)	(608,488)	(1,025,047)	(741,553)	(276,098)	(68,765)	(391,391)
Storm Damage	(65,744)	(65,744)	-	-	-	-	-
Nuclear Decommissioning	(163,869)	-	(638)	-	-	-	(5,047)
Other	(97,373)	(62,630)	(13,478)	(25,733)	(1,531)	(3,938)	(9,952)
Total	(4,711,101)	(933,662)	(1,508,236)	(989,729)	(306,866)	(54,897)	(681,289)
Deferred Tax Assets:							
Accumulated deferred investment tax credit	160,003	32,655	42,450	43,075	6,850	2,063	32,910
Capital loss carryforwards	55,845	-	-	-	-	-	-
Foreign tax credits	73,741	-	-	-	-	-	-
Sale and leaseback	230,157	-	-	99,353	-	-	130,804
Removal cost	103,338	802	26,877	64,809	(912)	11,762	-
Unbilled/Deferred revenues	64,178	-	11,689	-	6,767	-	-
Pension-related items	113,133	-	5,558	5,529	(4,542)	6,857	3,429
Rate refund	12,477	-	14,545	(4,060)	-	1,992	-
Reserve for regulatory adjustments	109,370	-	109,370	-	-	-	-
Transition cost accrual	55,919	55,919	-	-	-	-	-
Customer Deposits	77,321	26,664	11,842	25,731	12,928	156	-
Nuclear Decommissioning	15,599	12,766	-	2,833	-	-	-
Other	169,855	17,812	37,409	18,415	-	11,623	13,382
Valuation allowance	(98,011)	-	-	-	-	-	-
Total	1,142,925	146,618	259,740	255,685	21,091	34,453	180,525
Net deferred tax liability	($3,568,176)	($787,044)	($1,248,496)	($734,044)	($285,775)	($20,444)	($500,764)

2000	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Deferred Tax Liabilities:							
Net regulatory assets/(liabilities)	($1,193,795)	($197,577)	($448,460)	($249,983)	($32,968)	$9,755	($274,562)
Plant-related basis differences	(3,067,528)	(536,985)	(1,034,502)	(746,274)	(223,369)	(65,066)	(413,200)
Rate deferrals	(159,148)	(17,554)	(1,594)	-	(111,045)	(28,955)	-
Storm Damage	(31,424)	(31,424)	-	-	-	-	-
Nuclear Decommissioning	(19,157)	-	(509)	-	-	-	(5,204)
Other	(185,640)	(101,186)	(9,462)	(60,390)	(4,051)	(2,682)	(11,815)
Total	(4,656,692)	(884,726)	(1,494,527)	(1,056,647)	(371,433)	(86,948)	(704,781)
Deferred Tax Assets:							
Accumulated deferred investment tax credit	168,841	34,626	44,526	45,173	7,424	2,852	34,240
Capital loss carryforwards	39,091	-	-	-	-	-	-
Foreign tax credits	98,468	-	-	-	-	-	-
Sale and leaseback	229,169	-	-	103,200	-	-	125,969
Removal cost	105,842	872	27,101	65,690	203	11,976	-
Unbilled/Deferred revenues	25,790	-	13,143	-	4,845	7,802	-
Pension-related items	56,860	-	7,874	7,889	(2,335)	6,217	2,926
Rate refund	152,407	-	25,607	35,803	-	-	123,306
Reserve for regulatory adjustments	117,437	-	117,437	-	-	-	-
Transition cost accrual	43,568	43,568	-	-	-	-	-
Customer Deposits	30,747	7,266	-	16,092	7,267	122	-
Nuclear Decommissioning	15,354	12,521	-	2,833	-	-	-
Other	191,799	14,855	49,688	2,060	-	7,682	25,187
Valuation allowance	(93,413)	-	-	-	-	-	-
Total	1,181,960	113,708	285,376	278,740	17,404	36,651	311,628
Net deferred tax liability	($3,474,732)	($771,018)	($1,209,151)	($777,907)	($354,029)	($50,297)	($393,153)

The valuation allowance is provided primarily against foreign tax credit carryforwards, which can be utilized against future United States taxes on foreign source income. If these carryforwards are not utilized, they will expire between 2002 and 2006.

At December 31, 2001, unremitted earnings of foreign subsidiaries were approximately $60.3 million. Since it is Entergy's intention to indefinitely reinvest these earnings, no U.S. taxes have been provided. Upon distribution of these earnings in the form of dividends or otherwise, Entergy could be subject to U.S. income taxes (subject to foreign tax credits) and withholding taxes payable to various foreign countries.

NOTE 4. LINES OF CREDIT AND RELATED SHORT-TERM BORROWINGS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The short-term borrowings of the domestic utility companies and System Energy are limited to amounts authorized by the SEC. The current limits authorized are effective through November 30, 2004. In addition to borrowing from commercial banks, Entergy companies are authorized to borrow from the Entergy System Money Pool (money pool). The money pool is an inter-company borrowing arrangement designed to reduce the domestic utility companies' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the SEC authorized limits. The following are the SEC-authorized limits and borrowings from the money pool for the domestic utility companies, System Energy, and other Entergy subsidiaries as of December 31, 2001 (there were no borrowings outstanding from external sources):

	Authorized	Outstanding Borrowings
	(In Millions)	
Entergy Arkansas	$ 235	$ -
Entergy Gulf States	340	-
Entergy Louisiana	225	-
Entergy Mississippi	160	-
Entergy New Orleans	100	-
System Energy	140	-
Other Entergy subsidiaries	420	93
Total	$1,620	$ 93

In May 2001, Entergy Corporation amended its 364-day bank credit facility, increasing the capacity from $500 million to $1.275 billion. In July 2001, the borrowing capacity on the facility was increased to $1.325 billion, of which $300 million was outstanding as of December 31, 2001. In December 2001, Entergy Corporation obtained a new line of credit expiring May 16, 2002 with a capacity of $50 million, of which the entire $50 million was drawn as of December 31, 2001. The weighted-average interest rate on Entergy's outstanding borrowings under these facilities as of December 31, 2001 and 2000 was 3.2% and 7.43%, respectively. The commitment fee for this facility is currently 0.20% of the line amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior debt ratings of the domestic utility companies. There is further discussion of commitments for long-term financing arrangements in Note 7 to the financial statements.

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi each have 364-day credit facilities available as follows:

Company	Expiration Date	Amount of Facility	Amount Drawn as of Dec. 31, 2001
Entergy Arkansas	May 2002	$63 million	-
Entergy Louisiana	January 2003	$15 million	-
Entergy Mississippi	May 2002	$25 million	-

The facilities have variable interest rates and the average commitment fee is 0.13%.

NOTE 5. PREFERRED, PREFERENCE, AND COMMON STOCK (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Preferred Stock

The number of shares authorized and outstanding, and dollar value of preferred stock for Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans as of December 31, 2001, and 2000 were:

	Shares Authorized and Outstanding				Call Price Per Share as of December 31,
	2001	2000	2001	2000	2001
			(Dollars in Thousands)		
Entergy Arkansas Preferred Stock					
Without sinking fund:					
Cumulative, $100 par value:					
4.32% Series	70,000	70,000	$7,000	$7,000	$103.65
4.72% Series	93,500	93,500	9,350	9,350	107.00
4.56% Series	75,000	75,000	7,500	7,500	102.83
4.56% 1965 Series	75,000	75,000	7,500	7,500	102.50
6.08% Series	100,000	100,000	10,000	10,000	102.83
7.32% Series	100,000	100,000	10,000	10,000	103.17
7.80% Series	150,000	150,000	15,000	15,000	103.25
7.40% Series	200,000	200,000	20,000	20,000	102.80
7.88% Series	150,000	150,000	15,000	15,000	103.00
Cumulative, $0.01 par value:					
$1.96 Series (a)	600,000	600,000	15,000	15,000	25.00
Total without sinking fund	1,613,500	1,613,500	$116,350	$116,350	

	Shares Authorized and Outstanding				Call Price Per Share as of December 31,
	2001	2000	2001	2000	2001
			(Dollars in Thousands)		
Entergy Gulf States Preferred Stock					
Preferred Stock					
Authorized 6,000,000 shares,					
$100 par value, cumulative					
Without sinking fund:					
4.40% Series	51,173	51,173	$5,117	$5,117	$108.00
4.50% Series	5,830	5,830	583	583	105.00
4.40% - 1949 Series	1,655	1,655	166	166	103.00
4.20% Series	9,745	9,745	975	975	102.82
4.44% Series	14,804	14,804	1,480	1,480	103.75
5.00% Series	10,993	10,993	1,099	1,099	104.25
5.08% Series	26,845	26,845	2,685	2,685	104.63
4.52% Series	10,564	10,564	1,056	1,056	103.57
6.08% Series	32,829	32,829	3,283	3,283	103.34
7.56% Series	308,830	312,329	30,883	31,233	101.80
Total without sinking fund	473,268	476,767	$47,327	$47,677	
With sinking fund:					
Adjustable Rate - A, 7.0% (b)	112,666	132,024	$11,267	$13,202	$100.00
Adjustable Rate - B, 7.0% (b)	149,182	175,562	14,918	17,556	100.00
Total with sinking fund	261,848	307,586	$26,185	$30,758	
Fair Value of Preferred Stock with sinking fund (d)			$26,160	$29,475	

Entergy Louisiana Preferred Stock	Shares Authorized and Outstanding 2001	2000	2001 (Dollars in Thousands)	2000	Call Price Per Share as of December 31, 2001
Without sinking fund:					
Cumulative, $100 par value:					
4.96% Series	60,000	60,000	$6,000	$6,000	$104.25
4.16% Series	70,000	70,000	7,000	7,000	104.21
4.44% Series	70,000	70,000	7,000	7,000	104.06
5.16% Series	75,000	75,000	7,500	7,500	104.18
5.40% Series	80,000	80,000	8,000	8,000	103.00
6.44% Series	80,000	80,000	8,000	8,000	102.92
7.84% Series	100,000	100,000	10,000	10,000	103.78
7.36% Series	100,000	100,000	10,000	10,000	103.36
Cumulative, $25 par value:					
8.00% Series	1,480,000	1,480,000	37,000	37,000	25.00
Total without sinking fund	2,115,000	2,115,000	$100,500	$100,500	
With sinking fund:					
8.00% Series (c)	-	350,000	$-	$35,000	-
Total with sinking fund	-	350,000	$-	$35,000	
Fair Value of Preferred Stock with sinking fund (d)			$-	$34,300	

Entergy Mississippi Preferred Stock	Shares Authorized and Outstanding 2001	2000	2001 (Dollars in Thousands)	2000	Call Price Per Share as of December 31, 2001
Without sinking fund:					
Cumulative, $100 par value:					
4.36% Series	59,920	59,920	$5,992	$5,992	$103.86
4.56% Series	43,887	43,887	4,389	4,389	107.00
4.92% Series	100,000	100,000	10,000	10,000	102.88
7.44% Series	100,000	100,000	10,000	10,000	102.81
8.36% Series	200,000	200,000	20,000	20,000	100.00
Total without sinking fund	503,807	503,807	$50,381	$50,381	

	Shares Authorized and Outstanding				Call Price Per Share as of December 31,
	2001	2000	2001	2000	2001
Entergy New Orleans Preferred Stock			(Dollars in Thousands)		
Without sinking fund:					
Cumulative, $100 par value:					
4.75% Series	77,798	77,798	$7,780	$7,780	$105.00
4.36% Series	60,000	60,000	6,000	6,000	104.57
5.56% Series	60,000	60,000	6,000	6,000	102.59
Total without sinking fund	197,798	197,798	$19,780	$19,780	
Entergy Corporation					
Subsidiaries' Preferred Stock:					
Without sinking fund:	4,903,373	4,906,872	$334,337	$334,688	
With sinking fund:	261,848	657,586	$26,185	$65,758	
Fair Value of Preferred Stock with sinking fund (d)			$26,160	$63,775	

(a) The total dollar value represents the liquidation value of $25 per share.
(b) Represents weighted-average annualized rates for 2001.
(c) This series was redeemed in August 2001.
(d) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is additional disclosure of fair value of financial instruments in Note 15 to the financial statements.

Changes in the preferred stock and preference stock of Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana during the last three years were:

	Number of Shares		
	2001	2000	1999
Preference stock retirements			
Entergy Gulf States	-	(6,000,000)	-
Preferred stock retirements			
Entergy Arkansas			
$100 par value	-	-	(200,000)
$25 par value	-	-	(81,085)
Entergy Gulf States			
$100 par value	(49,237)	(76,585)	(258,471)
Entergy Louisiana			
$100 par value	(350,000)	-	(500,000)

Entergy Gulf States has annual sinking fund requirements of $3.45 million through 2006 for its preferred stock outstanding. Entergy Gulf States has the annual non-cumulative option to redeem, at par, additional amounts of certain series of its outstanding preferred stock.

Common Stock

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

	Treasury Shares	Cost
		(In Thousands)
Beginning Balance, January 1, 2001	28,490,031	$774,905
Repurchases	989,100	(36,895)
Transfers	361,720	-
Issuances:		
Equity Ownership/Equity Awards Plans	2,393,177	20,638
Directors' Plan	6,290	172
Ending Balance, December 31, 2001	27,441,384	$758,820

Entergy Corporation may also issue newly registered shares to meet the requirements of these plans. Entergy Corporation received proceeds of $2.1 million from the issuance of 79,473 shares of common stock to satisfy stock option exercises during 2001.

Entergy has two plans that grant stock options, equity awards, and incentive awards to key employees of the Entergy subsidiaries. The Equity Ownership Plan is a shareholder-approved stock-based compensation plan. The Equity Awards Plan is a non-shareholder, Board-approved stock-based compensation plan. The following table summarizes information about Entergy's stock options awarded under these plans.

Plan	Current Authorization	Stock Options granted	Other stock-based plans	Securities remaining under current authorizations
Equity Ownership Plan	15.0 million	3,563,793	123,714	11.3 million
Equity Awards Plan	30.0 million	17,086,300	126,284	12.8 million

Stock options are granted at exercise prices not less than market value on the date of grant. The majority of options granted in 2001, 2000, and 1999 will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Options are forfeited if they are not exercised within ten years from the date of the grant.

Entergy does not recognize compensation expense for stock options granted with exercise prices at market value on the date of grant. The impact on Entergy's net income for each of the years 2001, 2000, and 1999 would have been reductions of $42.9 million, $19.0 million, and $15.5 million, respectively, had compensation cost for the stock options been recognized based on the fair value of options at the grant date for awards under the option plans. The impact on earnings per share for each of the years 2001, 2000, and 1999 would have been a reduction of $.19, $.08, and $.06, respectively.

During 2001, Entergy began granting most of the equity awards and incentive awards earned under its stock benefit plans in the form of performance units, which are equal to the cash value of shares of Entergy Corporation common stock at the time of payment. In addition to the potential for equivalent share appreciation or depreciation, performance units will earn the cash equivalent of the dividends paid during the performance period applicable to each plan. The amount of performance units awarded will not reduce the amount of securities remaining under the current authorizations. The costs of equity and incentive awards, given either as company stock or performance units, are charged to income over the period of the grant or restricted period, as appropriate. In 2001 and 2000, $15 million and $14 million, respectively, were charged to compensation expense.

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

	2001	2000	1999
Stock price volatility	26.3%	24.4%	20.3%
Expected term in years	5	5	5
Risk-free interest rate	4.9%	6.6%	4.7%
Dividend yield	3.4%	5.2%	4.0%
Dividend payment	$1.26	$1.20	$1.20

Stock option transactions are summarized as follows:

	2001		2000		1999	
	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning-of-year balance	11,468,316	$ 25.52	5,493,882	$ 29.48	901,639	$ 26.21
Options granted	8,602,300	36.96	7,219,134	22.98	5,228,189	29.88
Options exercised	(2,407,783)	25.85	(920,077)	28.26	(213,084)	23.69
Options forfeited	(346,017)	30.35	(324,623)	28.29	(422,862)	30.38
End-of-year balance	17,316,816	$ 31.06	11,468,316	$ 25.52	5,493,882	$ 29.48
Options exercisable at year-end	2,923,452		1,641,062		601,307	
Weighted-average fair value of options at time of grant	$ 8.14		$ 4.30		$ 4.72	

The following table summarizes information about stock options outstanding as of December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	As of 12/31/01	Weighted- Avg Remaining Contractual Life-Yrs.	Weighted-Avg. Exercise Price	Number Exercisable at 12/31/01	Weighted-Avg. Exercise Price
$18 - $30	8,532,058	8.2	$ 25.16	2,621,734	$ 26.62
$30 - $41	8,784,758	9.0	$ 36.80	301,718	$ 33.69
$18 - $41	17,316,816	8.6	$ 31.06	2,923,452	$ 27.35

Near the end of January 2002, an additional 4,823,981 options became exercisable with a weighted-average exercise price of $30.84.

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (Savings Plan). The Savings Plan is a defined contribution plan covering eligible employees of Entergy and its subsidiaries. The Savings Plan provides that the employing Entergy subsidiary may:

- make matching contributions to the plan in an amount equal to 75% of the participant's basic contribution, up to 6% of their salary, in shares of Entergy Corporation common stock if the employee directs their company-matching contribution to the purchase of Entergy Corporation's common stock; or
- make matching contributions in the amount of 50% of the participant's basic contribution, up to 6% of their salary, if the employee directs their company-matching contribution to other investment funds.

Entergy's subsidiaries contributed $25.4 million in 2001, $16.1 million in 2000, and $14.5 million in 1999 to the Savings Plan.

NOTE 6. COMPANY-OBLIGATED REDEEMABLE PREFERRED SECURITIES

(Entergy Arkansas, Entergy Gulf States, Entergy Louisiana)

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

Trusts	Date Of Issue	Preferred Securities Issued	Common Securities Issued	Interest Rate Securities/ Debentures	Trust's Investment in Debentures	Fair Market Value of Preferred Securities at 12-31-01
		(In Millions)			(In Millions)	
Louisiana Capital I	7-16-96	$70.0	$2.2	9.00%	$72.2	$70.5
Arkansas Capital I	8-14-96	$60.0	$1.9	8.50%	$61.9	$59.8
Gulf States Capital I	1-28-97	$85.0	$2.6	8.75%	$87.6	$85.3

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

NOTE 7. LONG - TERM DEBT (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Long-term debt as of December 31, 2001 was:

Maturities		Interest Rates									
From	To	From	To	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
					(In Thousands)					
Mortgage Bonds										
2002	2006	5.800%	8.500%	$2,716,579	$555,000	$1,176,920	$319,659	$470,000	$125,000	$70,000
2007	2011	6.450%	7.500%	325,000	100,000		115,000	80,000	30,000	
2012	2026	7.000%	8.940%	954,950	260,000	444,950	115,000	60,000	75,000	
Governmental Obligations (a)										
2010	2020	5.450%	8.000%	298,300	214,200	84,100				
2021	2030	4.850%	9.000%	1,392,080	119,000	395,330	415,120	46,030		416,600
Damhead Creek Project Credit Facilities, avg rate 6.53%				458,385						
Note Payable to NYPA non-interest bearing, 4.8% implicit rate				756,914						
Long-Term DOE Obligation (Note 9)				150,217	150,217					
Waterford 3 Lease Obligation 7.45% (Note 10)				313,918			313,918			
Grand Gulf Lease Obligation 7.02% (Note 10)				445,734						445,734
Other Long-Term Debt				206,855	621	9,371				
Unamortized Premium and Discount - Net				(15,133)	(5,963)	(3,853)	(1,741)	(1,268)	(903)	(1,405)
Total Long-Term Debt				8,003,799	1,393,075	2,106,818	1,276,956	654,762	229,097	930,929
Less Amount Due Within One Year				682,771	85,000	147,921	185,627	65,000	-	100,891
Long-Term Debt Excluding Amount Due Within One Year				$7,321,028	$1,308,075	$1,958,897	$1,091,329	$589,762	$229,097	$830,038
Fair Value of Long-Term Debt (b)				$6,764,419	$1,255,690	$2,173,994	$986,476	$668,526	$235,875	$463,352

Long-term debt as of December 31, 2000 was:

Maturities From	Maturities To	Interest Rates From	Interest Rates To	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
							(In Thousands)			
Mortgage Bonds										
2001	2005	5.800%	8.500%	$2,455,109	$455,000	$1,001,750	$338,359	$400,000	$55,000	$205,000
2006	2010	6.450%	8.000%	365,000	100,000		115,000	80,000	70,000	
2011	2026	7.000%	8.940%	954,950	260,000	444,950	115,000	60,000	75,000	
Governmental Obligations (a)										
2010	2020	5.450%	9.000%	591,635	214,200	377,435				
2021	2030	4.850%	8.000%	1,051,750	72,000	102,000	415,120	46,030		416,600
Saltend Project Credit Facilities, avg rate 6.70%				581,938						
Damhead Creek Project Credit Facilities, avg rate 6.55%				507,194						
Note Payable to NYPA non-interest bearing, 4.8% implicit rate				744,405						
Long-Term DOE Obligation (Note 9)				144,316	144,316					
Waterford 3 Lease Obligation 7.45% (Note 10)				330,306			330,306			
Grand Gulf Lease Obligation 7.02% (Note 10)				462,534						462,534
Other Long-Term Debt				23,596	621	9,581				
Unamortized Premium and Discount - Net				(16,425)	(6,325)	(4,087)	(2,001)	(1,563)	(969)	(1,480)
Total Long-Term Debt				8,196,308	1,239,812	1,931,629	1,311,784	584,467	199,031	1,082,654
Less Amount Due Within One Year				464,215	100	122,750	35,088	-	-	151,800
Long-Term Debt Excluding Amount Due Within One Year				$7,732,093	$1,239,712	$1,808,879	$1,276,696	$584,467	$199,031	$930,854
Fair Value of Long-Term Debt (b)				$7,342,810	$1,104,206	$2,013,249	$1,003,426	$592,697	$202,525	$593,170

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

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

The annual long-term debt maturities (excluding lease obligations) and annual cash sinking fund requirements for debt outstanding as of December 31, 2001, for the next five years are as follows:

	Entergy(a)	Entergy Arkansas	Entergy Gulf States(b)	Entergy Louisiana(c)	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
2002	$637,993	$85,000	$148,000	$169,660	$65,000	-	$70,000
2003	1,123,426	255,000	339,000	150,000	255,000	$25,000	-
2004	877,854	-	592,000	-	150,000	30,000	-
2005	457,174	215,000	98,000	-	-	30,000	-
2006	159,276	-	-	-	-	40,000	-

(a) Not included are other sinking fund requirements of approximately $34.9 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(b) Not included are other sinking fund requirements of approximately $34.2 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(c) Not included are other sinking fund requirements of approximately $0.7 million annually, which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

In December 2001, Entergy Arkansas issued $47 million of 5.05% Pollution Control Revenue Bonds due September 1, 2028. The proceeds of the issuance were used to refund $20 million and $27 million of 8.0% Series Pollution Control Revenue Bonds prior to maturity.

In August 2001 when the Saltend plant was sold, EPDC repaid the outstanding Saltend credit facilities of approximately $555 million and terminated the Saltend interest rate swaps paying mark-to-market breakage costs of approximately $22 million. EPDC used proceeds from the sale of the plant for these payments.

EPDC maintains a credit facility of BPS45 million ($67.2 million) to finance the Damhead Creek project and for general corporate purposes in connection with the acquisition and development of power generation, distribution, or transmission facilities. No cash advances were outstanding under this facility at December 31, 2001 and 2000. In February 2001, after the Damhead Creek project reached commercial operation, EPDC paid its equity commitment of BPS36.1 million ($53.9 million) on the project and a letter of credit facility under this credit facility was cancelled in July 2001.

Damhead Finance LDC (DFLDC), an indirect wholly-owned subsidiary of EPDC, maintains a BPS483.4 million ($695.5 million) non-recourse senior credit facility. The facility finances the construction and operation of the Damhead Creek power plant. Borrowings under the senior credit facility are repayable over a fifteen-year period beginning December 31, 2001. In July 2001, the commitment of BPS20 million ($28.8 million) for a cost overrun facility was cancelled. DFLDC also maintains a BPS36.1 million ($53.9 million) subordinated credit facility, which was drawn in February 2001. DFLDC used the proceeds from the subordinated credit facility to repay a portion of the senior credit facility. The subordinated credit facility is payable over a ten-year period beginning December 31, 2001. After EPDC paid its equity commitment in February 2001, an equity bridge facility of BPS35.8 million ($53.5 million) under the senior credit facility was repaid. All of the assets of DFLDC are pledged as collateral under the senior credit facility and the subordinated credit facility. DFLDC's ability to make distributions of dividends, loans, or advances to EPDC is restricted by, among other things, the requirement to pay permitted project costs, make debt repayments, and maintain cash reserves.

The Damhead Creek credit facility requires that the annual debt service coverage ratio be at least 1.05 to 1 for the previous 12 months at semi-annual dates commencing with June 30, 2002. Given the low electricity prices currently affecting the UK market, Damhead Creek may not meet the annual debt service coverage ratio test in respect of the 12 months to June 30, 2002, which could trigger an event of default. In the event the annual debt service coverage ratio is deficient at June 30, 2002, the power development business will seek a waiver of the default from the lenders. There is no requirement for EPDC to make capital contributions or provide credit support to Damhead Creek following the occurrence of an event of default.

In 2000, a subsidiary of DFLDC entered into 10-year interest rate swap agreements with an average fixed rate of 6.52% for approximately 99% of the debt outstanding under the bridge and senior term loan portion of the senior credit facility. At December 31, 2001, the interest rate swap agreements outstanding totalled a notional amount of BPS275.8 million ($396.8 million). The mark-to-market valuation of the interest rate swap agreements at December 31, 2001, was a net liability of BPS15.9 million ($22.9 million).

In November 2000, Entergy's domestic non-utility nuclear business purchased the FitzPatrick and Indian Point 3 power plants in a seller-financed transaction. Entergy issued notes to NYPA with seven annual installments of approximately $108 million commencing one year from the date of the closing, and eight annual installments of $20 million commencing eight years from the date of the closing. These notes do not have a stated interest rate. In accordance with the purchase agreement with NYPA, the purchase of Indian Point 2 resulted in Entergy's domestic non-utility nuclear business becoming liable to NYPA for an additional $10 million per year for 10 years, beginning in September 2003. This liability was recorded upon the purchase of Indian Point 2 in September 2001.

NOTE 8. DIVIDEND RESTRICTIONS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy)

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. Additionally, PUHCA prohibits Entergy Corporation's subsidiaries from making loans or advances to Entergy Corporation. As of December 31, 2001, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $253.3 million and $15.8 million, respectively. In 2001, Entergy Corporation received dividend payments totaling $440.3 million from subsidiaries.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing **(Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

Entergy plans to spend approximately $4.3 billion on construction and other capital investments during 2002-2004. This estimate includes $2.8 billion in spending by the domestic utility companies and System Energy, $0.8 billion in spending by energy commodity services, and $0.7 billion in spending by the domestic non-utility nuclear business. This plan reflects capital required to support existing business and Board-approved acquisitions. The estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints, business opportunities, market volatility, economic trends, and the ability to access capital. Entergy's firm estimated construction and other capital expenditures by year for 2002-2004 are as follows:

	2002	2003	2004	Total
		(In Millions)		
Entergy Arkansas	$239	$200	$194	$633
Entergy Gulf States	317	265	277	859
Entergy Louisiana	218	197	198	613
Entergy Mississippi	153	131	131	415
Entergy New Orleans	51	49	49	149
System Energy	25	20	20	65
Other entities	728	490	356	1,574
Entergy	$1,731	$1,352	$1,225	$4,308

Additional capital investments are possible during these years, but they will be discretionary in nature and no commitments exist currently for additional spending.

The domestic utility companies and System Energy will focus their planned spending on projects that will support continued reliability improvements and customer growth.

Energy commodity services will focus its planned spending on merchant power plant projects currently under construction, including the purchase of gas turbines scheduled for delivery in 2002 through 2004, under an option to purchase obtained from General Electric Company that is now held by an independent special purpose entity established to finance the turbine acquisition program. The estimate does not include potential acquisitions of assets that may be offered for sale by third parties or additional capital investment in Entergy-Koch, which is an unconsolidated equity investment. Entergy is scheduled to make a $73 million cash contribution to Entergy-Koch in January 2004.

The domestic non-utility nuclear business will focus its planned spending on routine construction projects and nuclear fuel acquisitions for the plants it owns, power uprates, and on the anticipated purchase in 2002 of the 510 MW Vermont Yankee nuclear power plant.

Entergy will also require $2.8 billion during the period 2002-2004 to meet long-term debt and preferred stock maturities and cash sinking fund requirements. Entergy plans to meet these requirements primarily with internally generated funds and cash on hand, supplemented by proceeds from the issuance of debt, outstanding credit facilities, and project financing. Certain domestic utility companies and System Energy may also continue the reacquisition or refinancing of all or a portion of certain outstanding series of preferred stock and long-term debt. See

"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – LIQUIDITY AND CAPITAL RESOURCES" for additional discussion of Entergy's capital spending plans.

Sales Warranties and Indemnities

(Entergy Corporation)

In the Entergy London and CitiPower sales transactions, Entergy or its subsidiaries made certain warranties to the purchasers. These warranties include representations regarding litigation, accuracy of financial accounts, and the adequacy of existing tax provisions. Notice of a claim on the CitiPower warranties had to be given by December 2000, and Entergy's potential liability is limited to A$100 million ($51 million). Notice of a claim on the Entergy London warranties had to be given for certain items by December 1999, and for the tax warranties, had to be given by June 30, 2001. Entergy's liability is limited to BPS1.4 billion ($2.0 billion) on certain tax warranties and BPS140 million ($203 million) on the remaining warranties relating to the Entergy London sale.

For both of the sales, the notice period is extended if a taxing authority has begun a review before expiration of the notice period. Entergy received notice in June 2001 from both purchasers regarding issues that have not been resolved by the respective taxing authorities concerning reviews that commenced before the notice deadlines. Entergy responded to both purchasers and denies that valid claims by the purchasers have been made under the terms of the warranties. Management periodically reviews reserve levels for these warranties and as of December 31, 2001 believes it has adequately provided for the ultimate resolution of these matters.

Fuel Purchase Agreements

(Entergy Corporation)

Entergy's energy commodity services segment has entered into a gas supply contract at the project level to supply up to 100% of the gas requirements for the Damhead Creek power plant located in the UK. This contract, which expires in 2016, includes a take-or-pay obligation for approximately 75% of the gas requirement for this plant.

(Entergy Arkansas and Entergy Mississippi)

Entergy Arkansas has long-term contracts for the supply of low-sulfur coal for White Bluff and Independence (which is also 25% owned by Entergy Mississippi). These contracts, which expire in 2002 and 2011, respectively, provide for approximately 70% of Entergy Arkansas' expected annual coal requirements. Additional requirements are satisfied by spot market purchases.

(Entergy Gulf States)

Entergy Gulf States has a contract for a supply of low-sulfur coal for Nelson Unit 6, which should be sufficient to satisfy the fuel requirements at Nelson Unit 6 through 2010. Effective April 1, 2000, Louisiana Generating LLC assumed ownership of Cajun's interest in the Big Cajun generating facilities, in which Entergy Gulf States owns a 42% interest. 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 Louisiana)

In June 1992, Entergy Louisiana agreed to a 20-year natural gas supply contract, in which Entergy Louisiana agreed to purchase natural gas in annual amounts equal to approximately one-third of its projected annual fuel requirements for certain generating units. Annual demand charges associated with this contract are estimated to be $7.6 million. Such charges aggregate $84 million for the years 2002 through 2012.