

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF ENTERGY ARKANSAS, INC. FOR)	
APPROVAL OF CHANGES IN RATES FOR)	DOCKET NO. 06-101-U
RETAIL ELECTRIC SERVICE)	

MINIMUM FILING REQUIREMENT SCHEDULES

SCHEDULES E-1, E-2, E-3, E-4, E-5, E-6, E-7, E-8, E-9, E-10,
E-13, E-15, E-16, E-17, F-1

REQUIRED BY APSC RULES OF PRACTICE AND PROCEDURE

Schedule E-1
Balance Sheet -- Total Company

ENTERGY ARKANSAS, INC.
BALANCE SHEET AT 12/31/05
ASSETS

(1)		(2)	(3)
Line	Account Number	Account Title	Actual Balances for 12/31/05 (A) (In Thousands)
1			
2		CURRENT ASSETS	
3		Cash and cash equivalents:	
4	131, 135	Cash	\$9,393
5		Temporary cash investments - at cost, which approximates market:	0
7		Total cash and cash equivalents	9,393
8		Accounts receivable:	
9	142	Customer	115,321
10	144, 144 150	Allowance for doubtful accounts	(15,777)
11	146	Associated companies	30,902
12	143 (except 143.X10)	Other	63,702
13	173	Accrued unbilled revenues	68,428
14		Total accounts receivable	262,576
15	182.335 current	Deferred fuel costs	153,136
16	151, 152	Fuel inventory - at average cost	12,342
17	154, 163	Materials and supplies - at average cost	87,875
18	174.104, 174.109	Deferred nuclear refueling outage costs	30,967
19	134, 165, 171, 174.101, 174.2, 236.X01	Prepayments and other	9,628
20		TOTAL	565,917
21		OTHER PROPERTY AND INVESTMENTS	
22	123	Investment in subsidiary companies - at equity	11,206
23	128	Decommissioning trust funds	402,124
24	121, 122	Non-utility property - at cost (less accumulated depreciation)	1,449
25	124	Other	2,976
26		TOTAL	417,755
27		UTILITY PLANT	
28	101 (except 101.1), 105, 106	Electric	6,344,435
29	101.1	Property under capital leases	9,900
30	107	Construction work in progress	139,208
31	120.6	Nuclear fuel under capital lease	92,181
32	120.5	Nuclear fuel	22,616
33		TOTAL UTILITY PLANT	6,608,340
34	108.0AM, 108.1, 108.220, 108.221,	Less - accumulated depreciation and amortization	2,843,904
35	108.230, 108.X02, 111		
36		UTILITY PLANT - NET	3,764,436
37		DEFERRED DEBITS AND OTHER ASSETS	
38		Regulatory assets:	
39	182.301, 254 301	SFAS 109 regulatory asset - net	61,236
40	189, 108.260, 108.261, 108.262, 108.2AM,	Other regulatory assets	461,015
41	108.X01, 182, 228.X01		
42	182.335 non-current	Deferred fuel costs	51,046
43	143.X10, 144.150, 181, 184, 186	Other	46,605
44		TOTAL	619,902
45		TOTAL ASSETS	\$5,368,010
46	NOTE 1 Any utility which is a wholly owned subsidiary of another company should also provide the information		
47	required on this schedule for the parent corporation on a stand alone basis.		

Supporting Schedule
None

Recap Schedule
(A) B-1

(Note: Will not recap to Schedule B-1 since E-1 is on a SEC audited basis and B-1 is an APSC regulatory basis)

Schedule E-1
Balance Sheet -- Total Company

**ENTERGY ARKANSAS, INC.
BALANCE SHEET AT 12/31/05
CAPITALIZATION AND LIABILITIES**

(1)		(2)	(3)
Line	Account Number	Account Title	Actual Balances for 12/31/05 (A) (In Thousands)
1			
2		CURRENT LIABILITIES	
3	221.999, 221.9CP, 224.999, 224.9CP	Currently maturing long-term debt	\$0
4		Accounts payable:	
5	234	Associated companies	135,357
6	232, 254.303	Other	120,090
7	235	Customer deposits	45,432
8	236 (excluding 236.X04)	Taxes accrued	0
9	190 current *, 283.181, 283.182	Accumulated deferred income taxes	56,186
10	237	Interest accrued	19,207
11	243	Obligations under capital leases	46,857
12	238, 241, 242	Other	21,836
13		TOTAL	444,965
14			
		NON-CURRENT LIABILITIES	
15	190 non-current *, 236.X04, 282, 283	Accumulated deferred income taxes and taxes accrued	1,105,712
16	(except 283.181 and 283.182)		
17	253.004, 255	Accumulated deferred investment tax credits	64,001
18	227	Obligations under capital leases	55,224
19	254.001, 254.003, 254.004	Other regulatory liabilities	76,507
20	230	Decommissioning	442,115
21	228	Accumulated provisions	29,073
22	221, 221.CPD, 221.CRD, 224,	Long-term debt	1,298,238
23	224.CPD, 226		
24	254.002, 229, 253 (except 253.004),	Other	306,034
25		TOTAL	3,376,904
26		Commitments and contingencies	
27		SHAREHOLDERS' EQUITY	
28	204, 207.002	Preferred stock without sinking fund	116,350
29		Common stock, \$0.01 par value, authorized 325,000,000	
30	201	shares; issued and outstanding 46,980,196 shares	470
31	207, 207.001, 209, 210, 214	Paid-in capital	591,102
32	216	Retained earnings	838,219
33		TOTAL	1,546,141
34		TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$5,368,010
35	* Not separately identified in the general ledger.		

NOTE 1: Any utility which is a wholly owned subsidiary of another company should also provide the information required on this schedule for the parent corporation on a stand alone basis.

Supporting Schedule
None

Recap Schedule
(A) B-1

(Note: Will not recap to Schedule B-1 since E-1 is on a SEC audited basis and B-1 is an APSC regulatory basis)

Schedule E-1
Balance Sheet -- Total Company

ENTERGY CORPORATION
BALANCE SHEET AT 12/31/05

(1)		ASSETS	(2)	(3)
Line	Account Number	Account Title		Actual Balances for 12/31/05 (In Thousands)
1				
2		CURRENT ASSETS:		
3		Cash and cash equivalents:		
4	131, 136	Temporary cash investments - at cost,		7,797
5		which approximates market:		
6		Total cash and cash equivalents		7,797
7	145	Note receivable - associated companies		198,881
8	146	Accounts receivable - associated companies		39,863
9	134, 165, 171, 174, 236	Other		84,303
10		TOTAL		330,844
11	123, Reclass Adjustment	Investment in Wholly-owned Subsidiaries		9,332,457
12	101, 106, 107, 108, 111, 181,	Deferred Debits and Other Assets		545,642
13	186, 190, 253, Reclass Adjustment			
14		TOTAL ASSETS		\$10,208,943
15		LIABILITIES AND SHAREHOLDERS' EQUITY		
16		Current Liabilities:		
17		Accounts payable:		
18	234	Associated companies		5,062
19	232, 143	Other		2,047
20	237, 238, 242	Other current liabilities		14,902
21		Total		22,011
22	228, 253, Reclass Adjustment	Deferred Credits and Noncurrent Liabilities		259,185
23	224	Long-term debt		2,185,000
24		Shareholders' Equity:		
25		Common stock, \$0.01 par value, authorized 500,000,000		
26	201	shares; issued 248,174,087 shares		2,482
27	207, 210, 214, Consolidated Adj.	Paid-in capital		4,817,637
28	216 (excluding Accumulated other	Retained earnings		5,428,407
29	comprehensive loss), 438, 439			
29	216	Accumulated other comprehensive loss		(343,819)
30	217	Less cost of treasury stock (40,644,602 shares)		2,161,960
31		Total common shareholders' equity		7,742,747
32		TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$10,208,943

ARKANSAS PUBLIC SERVICE COMMISSION
MINIMUM FILING REQUIREMENTS
ENTERGY ARKANSAS, INC.

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Schedule E-2

Income Statement -- Total Company

Line	(1) Acct. No.	(2) Account Title	(3) Actual Balances for (a) (b) (c) 12 Months Ending December 31, 2005 (In Thousands)
1			
2			
3			
4			
5		OPERATING REVENUES	
6	440 - 459	Domestic electric	\$1,789,055
7		OPERATING EXPENSES	
8		Operation and Maintenance:	
9	501, 518, 547, 557.002	Fuel, fuel-related expenses, and	
10		gas purchased for resale	22,151
11	555	Purchased Power	755,277
12	532	Nuclear refueling outage expenses	27,892
13	411.8, 500 - 935 (excluding 501,	Other operation and maintenance	392,777
14	(518, 532, 547, 555, 557.002)		
15	411.105	Decommissioning	31,205
16	408	Taxes other than income taxes	39,011
17	403, 404, 407.312	Depreciation and amortization	203,836
18	407 (excluding 407.312)	Other regulatory charges (credits) - net	959
19		TOTAL	1,473,108
20		OPERATING INCOME	315,947
21		OTHER INCOME	
22	419.1	Allowance for equity funds used during construction	11,614
23	419, 419.011, 419.012	Interest and dividend income	22,941
24	415, 416, 417, 418, 421, 426	Miscellaneous - net	(2,408)
25		TOTAL	32,147
26		INTEREST AND OTHER CHARGES	
27	427, 428	Interest on long-term debt	78,527
28	430, 431	Other interest - net	6,465
29	432	Allowance for borrowed funds used during construction	(8,482)
30		TOTAL	76,510
31		INCOME BEFORE INCOME TAXES	271,584
32	409, 410, 411 (excluding 411.105)	Income Taxes	96,949
33		NET INCOME	174,635
34	437	Preferred dividend requirements and other	7,776
35		EARNINGS APPLICABLE TO	166,859
36		COMMON STOCK	

Supporting Schedule

(a) C-1 (b) C-3 (c) E-3

(Note: Will not support Schedule C-1, C-3 or E-3 since E-2 is on a SEC audited basis at 12/31/05 and C-1, C-3 and E-3 are Projected June 30, 2006)

Recap Schedule

Schedule E-3
Test Year and Pro Forma Other Income and Deductions

TOTAL COMPANY							ARKANSAS JURISDICTION (e)	
LN	DESCRIPTION	Actual Amount Per Financial Statements for 6* Months Ending 12/31/05 (1)	Projected Activity for 6 Months Ending 6/30/06* (2)	Total Test year (3)	Pro Forma Adjustments and Reclassi- fication (a) (4)	Adjusted Test year (5)	Balance at end of Test Year (6)	Adjusted Test year (7)
1	Operating Income (b)	120,329,837	87,287,121	207,616,958	(b)	(b)		
2	<u>NON-OPERATING INCOME:</u>							
3	409210 Income Taxes-O I & D - Federal	3,879,333	4,361,621	8,240,954				
4	409220 Income Taxes - O I & D - State	770,413	866,259	1,636,672				
5	415 Miscellaneous General Expense	(1,621,085)	(556,299)	(2,177,384)				
6	416 Cost/Exp-Mdse.Job,Contr Work	1,625,505	581,728	2,207,233				
7	4171AM Expenses - Non Utility Oper	1,719	1,748	3,467				
8	418104 Rents	2,813	0	2,813				
9	419 Interest & Dividend Income	(12,421,531)	(12,561,239)	(24,982,770)				
10	419011 Affiliated Interest Income	(844,536)	(61,692)	(906,228)				
11	419012 Interest Income - Sfi	(304,218)	(477,862)	(782,080)	(c)			
12	4191 AFUDC - Other Funds	(4,163,888)	(4,094,714)	(8,258,602)				
13	421 Misc Nonoperating Income	69,889	(2,012,322)	(1,942,433)				
14	4211 Gain On Disposition Of Prop	(37,238)	0	(37,238)				
15	42134 Royalty Income	(95)	(7)	(102)				
16	425 Miscellaneous Amortization	0	(8,384)	(8,384)				
17	4261 Donations	634,090	891,241	1,525,331				
18	4263 Penalties	22,238	7,665	29,903				
19	4264 Exp-Civic, Political & Rel Act	686,637	711,789	1,398,426				
20	4265 Other Deductions	343,618	156,566	500,184				
21	880 Other Expenses	0	(79)	(79)				
22	Total Non-Operating (Income) Exp.	(11,356,336)	(12,193,981)	(23,550,317)				
23	<u>INTEREST CHARGES:</u>							
24	427 Interest On Long Term Debt	7,478,633	8,483,050	15,961,683	(d)			
25	4271 First Mortgage Bonds	25,341,500	23,904,000	49,245,500	(d)			
26	427198 DOE Spent Nf Disposal Cost	2,711,105	3,305,098	6,016,203	(d)			
27	428 Amort-Debt Discount & Expense	550,614	524,053	1,074,667	(d)			
28	4281 Amort On Loss On Reacq Debt	1,694,990	1,541,244	3,236,234	(d)			
29	430 Interco Int Exp-Unrelated	128,431	1,280,801	1,409,232				
30	431 Other Interest Expense	3,434,467	1,020,145	4,454,612	(c)			
31	431006 Bank Loans - Interest Exp.	678,390	172,123	850,513				
32	432 AFUDC -Borrowed Funds - Cr.	(4,745,706)	(1,943,047)	(6,688,753)				
33	Total Interest Charges	37,272,424	38,287,467	75,559,891				
34	<u>EXTRAORDINARY ITEMS</u>	0	0	0				
35	<u>NET INCOME BEFORE DIVIDENDS</u>	94,413,749	61,193,635	155,607,384				
36	437 Dividends Dec-Preferred Stock	3,887,860	3,981,923	7,869,783	(d)			
37	<u>NET INCOME AVAILABLE FOR COMMON</u>	<u>\$ 90,525,889</u>	<u>\$ 57,211,712</u>	<u>\$147,737,601</u>				

38 * Amount reflected in the financial statements for the historical portion of the test year. If the test year is entirely historical, this column shall
39 show the amount reflected in the financial statements for the test year.

40 (a) Adjustments (except for interest related) are not made to other income and deductions since they are not included in the
41 cost of service utility operating income

42 (b) Not relevant to Other Income and Deductions. Unadjusted Test year shown in order for schedule to add to Net Income
43 line item requirement

44 (c) SFI and ESI interest expense reclassified to operating expense in cost of service

45 (d) Embedded in cost of capital annualized cost for preferred stock or long term debt

46 (e) Adjustments are not on an Arkansas jurisdictional basis. This schedule is filed in accordance with General Requirement 2.

Schedule E-4
Adjustments to Test Year and Other Income and Deductions

LN	Adjustment Number	Description	Total Company Adjustment	Arkansas Jurisdiction Adjustment (a)
	(1)	(2)	(3)	(4)
1	Other Income and Deductions	Adjustments (except for interest related) are not made to other income and deductions since such items are not included in the cost of service utility operating income. SFI and ESI interest expense is reclassified to operating expense in the cost of service. Long-term debt expenses and preferred stock expenses are reflected in the cost of capital.		
2	Total Other Inc. & Ded.			
3	Interest Charges			
4	Total Interest Charges			
5	Extraordinary Items			
6	Total Extraordinary Items			
7	(a) Adjustments are not on an Arkansas jurisdictional basis.			
8	This schedule is filed in accordance with General Requirement 2.			

ARKANSAS PUBLIC SERVICE COMMISSION
MINIMUM FILING REQUIREMENTS
ENTERGY ARKANSAS, INC.

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Schedule E-5
Audited Financial Statements

See Attached EAI Audited Financial Statements excerpt from the 2005 Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Entergy Arkansas, Inc. as of December 31, 2005 and 2004, and the related statements of income, retained earnings, and cash flows (pages 177 through 182 and applicable items in pages 302 through 376) for each of the three years in the period ended December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the notes to respective financial statements, in 2003 Entergy Arkansas, Inc. adopted the provisions of Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
March 9, 2006

ENTERGY ARKANSAS, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2005	2004	2003
	(In Thousands)		
OPERATING REVENUES			
Domestic electric	\$1,789,055	\$1,653,145	\$1,589,670
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	22,151	210,394	153,866
Purchased power	755,277	484,849	476,447
Nuclear refueling outage expenses	27,892	24,568	23,638
Other operation and maintenance	392,777	384,424	402,108
Decommissioning	31,205	32,902	35,887
Taxes other than income taxes	39,011	35,848	37,385
Depreciation and amortization	203,836	206,926	202,497
Other regulatory charges (credits) - net	959	(20,501)	(39,347)
TOTAL	1,473,108	1,359,410	1,292,481
OPERATING INCOME	315,947	293,735	297,189
OTHER INCOME			
Allowance for equity funds used during construction	11,614	11,737	12,153
Interest and dividend income	22,941	10,298	9,790
Miscellaneous - net	(2,408)	(6,354)	(4,332)
TOTAL	32,147	15,681	17,611
INTEREST AND OTHER CHARGES			
Interest on long-term debt	78,527	79,521	87,666
Other interest - net	6,465	4,909	3,555
Allowance for borrowed funds used during construction	(8,482)	(6,288)	(7,726)
TOTAL	76,510	78,142	83,495
INCOME BEFORE INCOME TAXES	271,584	231,274	231,305
Income taxes	96,949	89,064	105,296
NET INCOME	174,635	142,210	126,009
Preferred dividend requirements and other	7,776	7,776	7,776
EARNINGS APPLICABLE TO COMMON STOCK	\$166,859	\$134,434	\$118,233

See Notes to Respective Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2005	2004	2003
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	\$174,635	\$142,210	\$126,009
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Reserve for regulatory adjustments	(3,231)	3,099	1,739
Other regulatory charges (credits) - net	959	(20,501)	(39,347)
Depreciation, amortization, and decommissioning	235,041	239,828	238,384
Deferred income taxes and investment tax credits	102,446	65,847	48,357
Changes in working capital:			
Receivables	6,495	(63,003)	(33,895)
Fuel inventory	(8,044)	2,424	4,159
Accounts payable	64,558	28,282	(28,538)
Taxes accrued	(33,250)	137,767	48,791
Interest accrued	(2,169)	(48)	(6,348)
Deferred fuel costs	773	6,880	(46,333)
Other working capital accounts	(13,155)	4,753	(79,331)
Provision for estimated losses and reserves	(5,904)	(5,172)	8,686
Changes in other regulatory assets	71,932	37,668	(54,745)
Other	(83,375)	(41,022)	176,500
Net cash flow provided by operating activities	507,711	539,012	364,088
INVESTING ACTIVITIES			
Construction expenditures	(317,112)	(270,427)	(334,556)
Allowance for equity funds used during construction	11,614	11,737	12,153
Nuclear fuel purchases	(72,290)	(8,101)	(60,685)
Proceeds from sale/leaseback of nuclear fuel	72,290	8,101	60,685
Proceeds from nuclear decommissioning trust fund sales	203,772	142,508	147,021
Investment in nuclear decommissioning trust funds	(212,966)	(151,368)	(155,300)
Change in money pool receivable - net	23,561	(23,561)	4,279
Changes in other investments - net	-	1,856	-
Other regulatory investments	(197,587)	(3,691)	(6,827)
Net cash flow used in investing activities	(488,718)	(292,946)	(333,230)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	272,702	59,429	361,726
Retirement of long-term debt	(327,516)	(61,856)	(471,040)
Change in money pool payable - net	27,346	(69,153)	69,153
Dividends paid:			
Common stock	(64,100)	(85,800)	(69,600)
Preferred stock	(7,776)	(7,776)	(7,776)
Net cash flow used in financing activities	(99,344)	(165,156)	(117,537)
Net increase (decrease) in cash and cash equivalents	(80,351)	80,910	(86,679)
Cash and cash equivalents at beginning of period	89,744	8,834	95,513
Cash and cash equivalents at end of period	\$9,393	\$89,744	\$8,834
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	\$77,821	\$78,144	\$91,142
Income taxes	\$33,792	(\$103,476)	\$2,177

See Notes to Respective Financial Statements.

ENTERGY ARKANSAS, INC.

BALANCE SHEETS

ASSETS

	December 31,	
	2005	2004
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$9,393	\$7,133
Temporary cash investments - at cost, which approximates market	-	82,611
Total cash and cash equivalents	9,393	89,744
Accounts receivable:		
Customer	115,321	87,131
Allowance for doubtful accounts	(15,777)	(11,039)
Associated companies	30,902	72,472
Other	63,702	72,425
Accrued unbilled revenues	68,428	71,643
Total accounts receivable	262,576	292,632
Deferred fuel costs	153,136	5,526
Accumulated deferred income taxes	-	27,306
Fuel inventory - at average cost	12,342	4,298
Materials and supplies - at average cost	87,875	85,076
Deferred nuclear refueling outage costs	30,967	16,485
Prepayments and other	9,628	6,154
TOTAL	565,917	527,221
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	11,206	11,208
Decommissioning trust funds	402,124	383,784
Non-utility property - at cost (less accumulated depreciation)	1,449	1,453
Other	2,976	2,976
TOTAL	417,755	399,421
UTILITY PLANT		
Electric	6,344,435	6,124,359
Property under capital lease	9,900	17,500
Construction work in progress	139,208	226,172
Nuclear fuel under capital lease	92,181	93,855
Nuclear fuel	22,616	12,201
TOTAL UTILITY PLANT	6,608,340	6,474,087
Less - accumulated depreciation and amortization	2,843,904	2,753,525
UTILITY PLANT - NET	3,764,436	3,720,562
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	61,236	101,658
Other regulatory assets	461,015	400,174
Deferred fuel costs	51,046	1,842
Other	46,605	42,514
TOTAL	619,902	546,188
TOTAL ASSETS	\$5,368,010	\$5,193,392

See Notes to Respective Financial Statements.

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

	December 31,	
	2005	2004
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$ -	\$147,000
Accounts payable:		
Associated companies	135,357	68,829
Other	120,090	89,896
Customer deposits	45,432	41,639
Taxes accrued	-	35,874
Accumulated deferred income taxes	56,186	-
Interest accrued	19,207	21,376
Obligations under capital leases	46,857	49,816
Other	21,836	19,648
TOTAL	444,965	474,078
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,105,712	1,121,623
Accumulated deferred investment tax credits	64,001	68,452
Obligations under capital leases	55,224	61,538
Other regulatory liabilities	76,507	67,362
Decommissioning	442,115	492,745
Accumulated provisions	29,073	34,977
Long-term debt	1,298,238	1,191,763
Other	306,034	237,447
TOTAL	3,376,904	3,275,907
Commitments and Contingencies		
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 2005 and 2004	470	470
Paid-in capital	591,102	591,127
Retained earnings	838,219	735,460
TOTAL	1,546,141	1,443,407
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$5,368,010	\$5,193,392

See Notes to Respective Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2005	2004	2003
	(In Thousands)		
Retained Earnings, January 1	\$735,460	\$686,826	\$638,193
Add:			
Net income	174,635	142,210	126,009
Deduct:			
Dividends declared:			
Preferred stock	7,776	7,776	7,776
Common stock	64,100	85,800	69,600
Total	<u>71,876</u>	<u>93,576</u>	<u>77,376</u>
Retained Earnings, December 31	<u>\$838,219</u>	<u>\$735,460</u>	<u>\$686,826</u>

See Notes to Respective Financial Statements.

**ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY
MISSISSIPPI, ENTERGY NEW ORLEANS, AND SYSTEM ENERGY RESOURCES**

NOTES TO RESPECTIVE FINANCIAL STATEMENTS

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

The accompanying separate financial statements of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (the "domestic utility companies") and System Energy are included in this document and result from these companies having registered securities with the SEC. These companies 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. References to Entergy Louisiana are intended to apply both to Entergy Louisiana Holdings on a consolidated basis and to Entergy Louisiana, LLC.

Entergy Louisiana, LLC Basis of Presentation

Effective December 31, 2005, Entergy Louisiana, LLC, organized under the laws of the State of Texas as part of a restructuring involving a Texas statutory merger-by-division, succeeded to all of the regulated utility operations of Entergy Louisiana, Inc. Entergy Louisiana, LLC was allocated substantially all of the property and other assets of Entergy Louisiana, Inc., including all assets used to provide retail and wholesale electric service to Entergy Louisiana, Inc.'s customers. Entergy Louisiana, LLC also assumed substantially all of the liabilities of Entergy Louisiana, Inc., including all of its debt securities and leases but excluding the outstanding preferred stock of Entergy Louisiana, Inc.

On December 31, 2005, and immediately prior to the formation of Entergy Louisiana, LLC, Entergy Louisiana, Inc. changed its state of incorporation from Louisiana to Texas and its name to Entergy Louisiana Holdings, Inc. Upon the effectiveness of the statutory merger-by-division on December 31, 2005, Entergy Louisiana, LLC was organized and Entergy Louisiana Holdings held all of Entergy Louisiana, LLC's common membership interests. All of the common membership interests of Entergy Louisiana, LLC continue to be held by Entergy Louisiana Holdings and all of the common stock of Entergy Louisiana Holdings continues to be held by Entergy Corporation.

Because the merger-by-division was a transaction involving entities under common control, Entergy Louisiana, LLC initially recognized the assets and liabilities transferred at their carrying amounts in the accounts of Entergy Louisiana Holdings at the time of the transfer. Entergy Louisiana, LLC's financial statements report results of operations for 2005 as though the merger-by-division had occurred at the beginning of 2005, and presents its 2005 balance sheet and other financial information as of the beginning of 2005 as though the assets and liabilities had been transferred at that date. Financial statements and financial information presented for prior periods has also been presented on that basis to furnish comparative information.

Use of Estimates in the Preparation of Financial Statements

The preparation of the domestic utility companies' and System Energy's 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 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. Entergy calculates the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and prices in effect in the domestic utility companies' various jurisdictions. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. Therefore, changes in price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the next, and may result in variability in reported revenues from one period to the next as prior estimates are so recorded and reversed.

The domestic utility companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, 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. Entergy Mississippi's fuel factor includes an energy cost rider that is adjusted quarterly. As discussed in Note 2 to the domestic utility companies and System Energy financial statements, the MPSC approved Entergy Mississippi's deferral of the refund of fuel over-recoveries for the third quarter of 2004 that would have been refunded in the first quarter of 2005. The deferred amount plus carrying charges was refunded in the second and third quarters of 2005. In the case of Entergy Arkansas and the Texas portion of Entergy Gulf States, their fuel under-recoveries are treated in the cash flow statements as regulatory investments 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 carrying charge on the under-recovered balances.

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. The capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. The original cost of plant retired or removed, 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 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 (including property under capital lease and associated accumulated amortization) by company and functional category, as of December 31, 2005 and 2004, is shown below:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
(In Millions)						
Production						
Nuclear	\$1,065	\$1,597	\$1,526	\$-	\$-	\$1,767
Other	253	510	359	199	7	-
Transmission	681	831	454	420	29	8
Distribution	1,322	1,461	1,039	777	349	-
Other	189	181	301	191	68	14
Construction work in progress	139	526	415	119	202	47
Nuclear fuel (leased and owned)	115	66	58	-	-	88
Property, plant, and equipment - net	<u>\$3,764</u>	<u>\$5,172</u>	<u>\$4,152</u>	<u>\$1,706</u>	<u>\$655</u>	<u>\$1,924</u>

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
(In Millions)						
Production						
Nuclear	\$951	\$1,627	\$1,543	\$-	\$-	\$1,866
Other	269	529	197	221	12	-
Transmission	646	708	385	406	29	8
Distribution	1,283	1,339	1,000	713	337	-
Other	216	247	269	175	70	16
Construction work in progress	226	332	189	90	33	29
Nuclear fuel (leased and owned)	106	71	32	-	-	66
Asset retirement obligation	24	-	42	-	-	31
Property, plant, and equipment - net	<u>\$3,721</u>	<u>\$4,853</u>	<u>\$3,657</u>	<u>\$1,605</u>	<u>\$481</u>	<u>\$2,016</u>

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 Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
2005	3.1%	2.1%	2.6%	2.6%	3.1%	2.8%
2004	3.2%	2.1%	2.9%	2.5%	2.8%	2.9%
2003	3.2%	2.2%	3.0%	2.5%	3.1%	2.8%

Non-utility property - at cost (less accumulated depreciation) for Entergy Gulf States is reported net of accumulated depreciation of \$128.0 million and \$125.1 million as of December 31, 2005 and 2004, respectively.

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, 2005, 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	815	31.50%	\$119	\$77
	Common Facilities	Coal		15.75%	\$31	\$18
White Bluff	Units 1 and 2	Coal	1,635	57.00%	\$430	\$277
Entergy Gulf States -						
Roy S. Nelson	Unit 6	Coal	550	70.00%	\$405	\$249
Big Cajun 2	Unit 3	Coal	575	42.00%	\$233	\$134
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,630	25.00%	\$234	\$120
System Energy -						
Grand Gulf	Unit 1	Nuclear	1,270	90.00%(2)	\$3,680	\$1,890

- (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 lease obligations are discussed in Note 9 to the domestic utility companies and System Energy financial statements.

Nuclear Refueling Outage Costs

The domestic utility companies and System Energy record 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 operating cycle 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 accrued liability when it incurs costs during the next River Bend outage.

Allowance for Funds Used During Construction (AFUDC)

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 the majority of 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 law 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.

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, or Entergy expects that they will earn a return. SFAS 71 requires that rate-regulated enterprises assess the probability of recovering their regulatory assets. 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 domestic utility companies and System Energy financial statements for discussion of transition to competition activity in the retail regulatory jurisdictions served by the domestic utility companies. Only Texas currently has an enacted retail open access law, but Entergy believes that significant issues remain to be addressed by regulators, and the enacted law does not provide sufficient detail to reasonably determine the impact on Entergy Gulf States' regulated operations.

Cash and Cash Equivalents

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

Investments

The domestic utility companies and System Energy apply 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, the domestic utility companies and System Energy record the decommissioning trust funds at their fair value on the balance sheet. Because of the ability of the domestic utility companies and System Energy to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, Entergy Arkansas, Entergy Gulf States (for the regulated portion of River Bend), Entergy Louisiana, and System Energy have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated portion of River Bend, Entergy Gulf States has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. See Note 12 to the domestic utility companies and System Energy financial statements for details on the decommissioning trust funds. The domestic utility companies and System Energy record an impairment on investments when the fair market value is less than the carrying value of the investment and that condition is considered other than temporary. If a loss were recorded, it would be offset by the recording of other deferred credits.

Derivatives and Hedging

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, at fair value, unless they meet the normal purchase, normal sales criteria. The changes in the fair value of recognized 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 the type of hedge transaction.

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. These contracts are exempted under the normal purchase, normal sales criteria of SFAS 133. 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.

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of all hedges are recognized in current-period earnings.

Fair Values

The estimated fair values of the domestic utility companies' and System Energy's financial instruments and derivatives are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that the domestic utility companies and System Energy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of stockholders.

The domestic utility companies and System Energy consider the carrying amounts of most of their financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. Additional information regarding financial instruments and their fair values is

included in Notes 5 and 6 to the domestic utility companies and System Energy financial statements.

Impairment of Long-Lived Assets

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

River Bend AFUDC

The River Bend AFUDC gross-up is a regulatory asset that 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 Texas, regulatory mechanisms were established to mitigate potential stranded costs. Texas restructuring legislation allowed depreciation on transmission and distribution assets to be directed toward generation assets. The liability recorded as a result of this mechanism is classified as "transition to competition" deferred credits on the balance sheet for Entergy Gulf States.

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 16%) 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, 2005, 2004, and 2003 are as follows:

	2005	2004	2003
	(In Thousands)		
Operating revenues	\$321,662	\$280,279	\$273,150
Operating expenses			
Fuel, operation, and maintenance	205,673	197,275	177,385
Depreciation and accretion	29,602	30,653	47,566
Total operating expense	<u>235,275</u>	<u>227,928</u>	<u>224,951</u>
Operating income	86,387	52,351	48,199
Income tax expense	<u>32,642</u>	<u>20,414</u>	<u>17,722</u>
Net income from deregulated utility operations	<u>\$53,745</u>	<u>\$31,937</u>	<u>\$30,477</u>

The net investment associated with these deregulated operations as of December 31, 2005 and 2004 was approximately \$747 and \$830 million, respectively.

New Accounting Pronouncements

As discussed in Note 8 to the domestic utility companies and System Energy financial statements, Entergy adopted FIN 47, "Accounting for Conditional Asset Retirement Obligations" during the fourth quarter of 2005. FIN 47 requires that a liability be recorded currently for costs associated with a legal obligation to perform an asset retirement obligation activity for which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity but for which the obligation to perform the asset retirement activity is unconditional. FIN 47 requires that a liability be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

SFAS 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4" and SFAS 153, "Exchanges of Nonmonetary Assets", were issued during the fourth quarter of 2004 and are effective for Entergy in 2006 and 2005, respectively. SFAS 154, "Accounting for Changes and Error Corrections" was issued in 2005 and is effective for Entergy in 2006. Entergy does not expect the impact of the issuance of these standards to be material to its financial position or results of operations.

NOTE 2. RATE AND REGULATORY MATTERS

Regulatory Assets

Other 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 table below provides detail of "Other regulatory assets" that are included on the balance sheets of the domestic utility companies and System Energy as of December 31, 2005 and 2004:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans (a)</u>	<u>System Energy</u>
	(In Millions)					
Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 8)	\$104.7	\$7.3	\$56.5	\$3.8	\$2.3	\$99.4
Removal costs - recovered through depreciation rates (Note 8)	86.2	17.9	-	40.9	5.4	17.9
Deferred distribution expenses - recovered through May 2008	-	-	-	-	3.5	-
Deferred fossil plant maintenance expenses - recovered through December 2007 (Note 2)	-	-	-	-	3.6	-
Deferred fuel - non-current - recovered through rate riders when rates are redetermined periodically (Note 2)	-	-	-	6.1	-	-
Depreciation re-direct - recovery begins at start of retail open access (Note 1)	-	79.1	-	-	-	-
DOE Decom. and Decontamination Fees - recovered through fuel rates until December 2006 (Note 8)	9.1	1.6	3.5	-	-	3.4
Incremental ice storm costs - recovered until 2032	13.7	-	-	-	-	-
Pension costs (Note 10)	139.3	14.4	72.1	41.1	23.8	12.0
Postretirement benefits - recovered through 2012 (Note 10)	16.8	-	-	-	-	-
Provision for storm damages - recovered through cost of service (b)	46.5	342.2	232.6	78.7	116.9	-
Deferred capacity - recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2)	-	10.1	83.7	-	-	-
River Bend AFUDC - recovered through August 2025 (Note 1)	-	35.6	-	-	-	-
Sale-leaseback deferral - recovered through June 2014 (Note 9)	-	-	-	-	-	121.4
Spindletop gas storage facility - recovered through December 2032	-	40.6	-	-	-	-
Voluntary severance deferrals - recovered through December 2007	-	-	7.7	-	-	-
Unamortized loss on reaquired debt - recovered over term of debt	41.7	42.1	28.5	14.4	4.3	38.4
Other - various	3.0	13.5	13.9	1.2	6.3	0.5
Total	<u>\$461.0</u>	<u>\$604.4</u>	<u>\$498.5</u>	<u>\$186.2</u>	<u>\$166.1</u>	<u>\$293.0</u>

- (a) As a result of the Entergy New Orleans bankruptcy proceeding, the timing of recovery of its deferred costs may be affected. Refer to Note 16 to the domestic utility companies and System Energy financial statements for details of the bankruptcy proceeding.
- (b) As a result of Hurricane Katrina and Hurricane Rita that hit the domestic utilities' service territory in August and September 2005, the domestic utility companies have recorded accruals for the estimated storm restoration costs. The domestic utility companies recorded some of these costs as regulatory assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. The domestic utility companies are pursuing a broad range of initiatives to recover storm restoration costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for Hurricanes Katrina and Rita including Community Block Grants, and pursuing recovery

through existing or new rate mechanisms regulated by the FERC and local regulatory bodies. The domestic utility companies are unable to predict the degree of success it may have in these initiatives, the amount of restoration costs it may recovery, or the timing of such recovery.

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi i	Entergy New Orleans (a)	System Energy
	(In Millions)					
Asset Retirement Obligation	\$141.2	\$-	\$141.6	\$-	\$-	\$97.3
Removal costs	34.9	0.9	-	32.7	1.3	17.1
Deferred distribution expenses	-	-	-	-	4.9	-
Deferred fossil plant maintenance expenses	-	-	-	-	3.6	-
Deferred fuel - non-current	13.7	-	-	8.1	-	-
Depreciation re-direct	-	79.1	-	-	-	-
DOE Decom. and Decontamination Fees	13.1	2.3	5.0	-	-	4.9
Incremental ice storm costs	14.2	-	-	-	-	-
Low-level radwaste	16.2	3.1	-	-	-	-
Pension costs	70.8	-	34.1	20.2	15.2	7.4
Postretirement benefits	19.1	-	-	-	-	-
Provision for storm damages	29.0	57.1	41.7	-	-	-
Deferred capacity	-	-	25.4	-	-	-
River Bend AFUDC	-	37.5	-	-	-	-
Sale-leaseback deferral	-	-	-	-	-	127.3
Spindletop gas storage facility	-	42.3	-	-	-	-
Unamortized loss on reaquired debt	37.0	43.4	27.4	15.6	4.6	41.8
Other	11.0	19.3	27.3	6.1	10.8	0.5
Total	<u>\$400.2</u>	<u>\$285.0</u>	<u>\$302.5</u>	<u>\$82.7</u>	<u>\$40.4</u>	<u>\$296.3</u>

In December 2005, Entergy Mississippi filed with the MPSC a Notice of Intent to change rates by implementing a Storm Damage Rider to recover storm damage restoration costs associated with Hurricanes Katrina and Rita totaling approximately \$84 million as of November 30, 2005. The notice proposes recovery of approximately \$14.7 million, including carrying charges, annually over a five-year period. A hearing on this matter is expected in April 2006. Entergy Mississippi plans to make a second filing in late spring of 2006 to recover additional restoration costs associated with the hurricanes incurred after November 30, 2005 and to reflect receipt of insurance and federal aid.

In December 2005, Entergy Gulf States filed with the LPSC for interim recovery of \$141 million of storm costs. The filing proposes implementing an \$18.7 million annual interim surcharge, including carrying charges, effective March 2006 based on a ten-year recovery period. The filing includes provisions for updating the surcharge to reflect actual costs incurred as well as the receipt of insurance or federal aid. Hearings occurred in February 2006. The LPSC ordered that Entergy Gulf States recover \$850,000 per month as interim storm cost recovery. For the period March 2006 to September 2006, Entergy Gulf States' interim storm cost recovery shall be through its fuel adjustment clause, with the total recovery for that time period capped at \$6 million. The mechanism for the fuel adjustment clause recovery is a retention by Entergy Gulf States of 15% of the difference between the February 2006 fuel adjustment clause and the fuel adjustment clause in those successive months in which the fuel adjustment clause is lower than it was in the February 2006 fuel adjustment clause, until the \$6 million cap is reached. Beginning in September 2006, Entergy Gulf States' interim storm cost recovery of \$850,000 per month shall be through base rates. In addition, all excess earnings that Entergy Gulf States may earn under its 2005 formula rate plan, and any ensuing period in which interim relief is being collected, will be used as an offset to any prospective storm restoration recovery.

In December 2005, Entergy Louisiana filed with the LPSC for interim recovery of \$355 million of storm costs. The filing proposes implementing a \$41.8 million annual interim surcharge, including carrying charges, effective March 2006 based on a ten-year recovery period. The filing includes provisions for updating the surcharge to reflect actual costs incurred as well as the receipt of insurance or federal aid. Hearings occurred in February 2006. The LPSC ordered that Entergy Louisiana recover \$2 million per month as interim storm cost recovery. For the period March 2006 to September 2006, Entergy Louisiana's interim storm cost recovery shall be through its fuel adjustment clause, with the total recovery for that time period capped at \$14 million. The mechanism for the fuel adjustment clause recovery is a retention by Entergy Louisiana of 15% of the difference between the February 2006 fuel adjustment clause and the fuel adjustment clause in those successive months in which the fuel adjustment clause is lower than it was in the February 2006 fuel adjustment clause, until the \$14 million cap is reached. Beginning in September 2006, Entergy Louisiana's interim storm cost recovery of \$2 million per month shall be through base rates. In addition, all excess earnings that Entergy Louisiana may earn under its 2005 formula rate plan, and any ensuing period in which interim relief is being collected, will be used as an offset to any prospective storm restoration recovery.

Deferred fuel costs

The domestic utility companies are allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is recorded as "Deferred fuel costs" on the domestic utility companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2005 and 2004 that Entergy expects to recover or (refund) through the fuel mechanisms of the domestic utility companies, subject to subsequent regulatory review.

	2005	2004
	(In Millions)	
Entergy Arkansas	\$204.2	\$7.4
Entergy Gulf States	\$324.4	\$90.1
Entergy Louisiana	\$21.9	\$8.7
Entergy Mississippi	\$114.0	(\$22.8)
Entergy New Orleans	\$30.6	\$2.6

Entergy Arkansas

In March 2005, Entergy Arkansas filed with the APSC its energy cost recovery rider for the period April 2005 through March 2006. The filed energy cost rate, which accounts for 15 percent of a typical residential customer's bill using 1,000 kWh per month, increased 31 percent primarily attributable to a true-up adjustment for an under-recovery balance of \$11.2 million and a nuclear refueling adjustment resulting from outages scheduled in 2005 at ANO 1 and 2 and Grand Gulf.

In September 2005, Entergy Arkansas filed with the APSC an interim energy cost rate per the energy cost recovery rider that provides for an interim adjustment should the cumulative over- or under-recovery for the energy period exceed 10 percent of the energy costs for that period. As of the end of July 2005, the cumulative under-recovery of fuel and purchased power expenses had exceeded the 10 percent threshold due to increases in purchased power expenditures resulting from higher natural gas prices. The interim rate became effective the first billing cycle in October 2005. In early October 2005, the APSC initiated an investigation into Entergy Arkansas' interim rate. The investigation is focused on Entergy Arkansas' 1) gas contracting, portfolio, and hedging practices; 2) wholesale purchases during the period; 3) management of the coal inventory at its coal generation plants; and 4) response to the contractual failure of the railroads to provide coal deliveries. The APSC established a procedural schedule with testimony from Entergy Arkansas, the APSC Staff, and intervenors culminating in a public hearing in May 2006.

Entergy Gulf States (Texas)

In the Texas jurisdiction, Entergy Gulf States' rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including carrying charges, not recovered in base rates. Under the current methodology, semi-annual revisions of the fixed fuel factor may be made in March and September based on the market price of natural gas. Entergy Gulf States will likely continue to use this methodology until the start of retail open access, which has been delayed. The amounts collected under Entergy Gulf States' fixed fuel factor and any interim surcharge implemented until the date retail open access commences are subject to fuel reconciliation proceedings before the PUCT. In the Texas jurisdiction, Entergy Gulf States' deferred electric fuel costs are \$203.2 million as of December 31, 2005, which includes the following:

	<u>Amount</u> (In Millions)
Under-recovered fuel costs for the period 8/04 - 7/05 to be recovered through an interim fuel surcharge over a twelve-month period beginning in January 2006	\$46.1
Under-recovered fuel costs for the period 8/05 - 12/05	\$101.0
Items to be addressed as part of unbundling	\$29.0
Other (includes imputed capacity charges)	\$27.1

The PUCT has ordered that the imputed capacity charges be excluded from fuel rates and therefore recovered through base rates. Entergy Gulf States filed with the PUCT in July 2005 a request for implementation of an incremental purchased capacity recovery rider, consistent with the recently passed Texas legislation discussed below under "**Electric Industry Restructuring and the Continued Application of SFAS 71.**" The rider requested \$23.1 million annually in incremental revenues on a Texas retail basis which represents the incremental purchased capacity costs, including Entergy Gulf States' obligation to purchase power from Entergy Louisiana's recently acquired Perryville plant, over what is already in Entergy Gulf States' base rates. Entergy Gulf States reached an initial agreement with parties that the date upon which cost recovery and cost reconciliation would begin is September 1, 2005. A further non-unanimous settlement was reached with most of the parties that allows for the rider to be implemented effective December 1, 2005 and collect \$18 million annually. The settlement also provides for a fuel reconciliation to be filed by Entergy Gulf States by May 15, 2006 that will resolve the remaining issues in the case with the exception of the amount of purchased power in current base rates and the costs to which load growth is attributed, both of which were settled. The hearing with respect to the non-unanimous settlement, which was opposed by the Office of Public Utility Counsel, was conducted on October 19, 2005 before the ALJ, who issued a Proposal for Decision supporting the settlement. In December 2005, the PUCT approved the settlement. The amounts collected by the purchased capacity recovery rider are subject to reconciliation.

In September 2005, Entergy Gulf States filed an application with the PUCT to implement a net \$46.1 million interim fuel surcharge, including interest, to collect under-recovered fuel and purchased power expenses incurred from August 2004 through July 2005. The application was approved, and the surcharge will be collected over a twelve-month period beginning in January 2006. On March 1, 2006, Entergy Gulf States filed with the PUCT an application to implement an interim fuel surcharge in connection with the under-recovery of \$97 million including interest of eligible fuel costs for the period August 2005 through January 2006. This surcharge is in addition to the interim surcharge that went into effect in January 2006. Entergy Gulf States has requested that the interim surcharge requested in its March 2006 filing be implemented by June 1, 2006 and remain in effect for twelve months. Amounts collected through the interim fuel surcharges are subject to final reconciliation in a future fuel reconciliation proceeding.

In March 2004, Entergy Gulf States filed with the PUCT a fuel reconciliation case covering the period September 2000 through August 2003 reconciling \$1.43 billion of fuel and purchased power costs on a Texas retail basis. This amount includes \$8.6 million of under-recovered costs that Entergy Gulf States asked to reconcile and roll into its fuel over/under-recovery balance to be addressed in the next appropriate fuel proceeding. This case

involves imputed capacity and River Bend payment issues similar to those decided adversely in the January 2001 proceeding, discussed below, which is now on appeal. On January 31, 2005, the ALJ issued a Proposal for Decision that recommends disallowing \$10.7 million (excluding interest) related to these two issues. In April 2005, the PUCT issued an order reversing in part the ALJ's Proposal for Decision and allowing Entergy Gulf States to recover a part of its request related to the imputed capacity and River Bend payment issues. The PUCT's order reduced the disallowance in the case to \$8.3 million. Both Entergy Gulf States and certain cities served by Entergy Gulf States filed motions for rehearing on these issues which were denied by the PUCT. Entergy Gulf States and certain Cities filed appeals to the Travis County District Court. The appeals are pending. Any disallowance will be netted against Entergy Gulf States' under-recovered costs and will be included in its deferred fuel costs balance.

In January 2001, Entergy Gulf States filed with the PUCT a fuel reconciliation case covering the period from March 1999 through August 2000. Entergy Gulf States was reconciling approximately \$583 million of fuel and purchased power costs. As part of this filing, Entergy Gulf States requested authority to collect \$28 million, plus interest, of under-recovered fuel and purchased power costs. In August 2002, the PUCT reduced Entergy Gulf States' request to approximately \$6.3 million, including interest through July 31, 2002. Approximately \$4.7 million of the total reduction to the requested surcharge relates to nuclear fuel costs that the PUCT deferred ruling on at that time. In October 2002, Entergy Gulf States appealed the PUCT's final order in Texas District Court. In its appeal, Entergy Gulf States is challenging the PUCT's disallowance of approximately \$4.2 million related to imputed capacity costs and its disallowance related to costs for energy delivered from the 30% non-regulated share of River Bend. The case was argued before the Travis County District Court in August 2003 and the Travis County District Court judge affirmed the PUCT's order. In October 2003, Entergy Gulf States appealed this decision to the Court of Appeals. Oral argument before the appellate court occurred in September 2004, and the Court denied Entergy Gulf States' appeal. In October 2005, Entergy Gulf States filed a petition for review by the Texas Supreme Court, and in December 2005, the Texas Supreme Court requested that responses be filed to Entergy Gulf States' petition as part of its ongoing consideration of whether to exercise its discretion to grant review of this matter. Those responses and Entergy Gulf States' reply to those responses were filed in January 2006.

Entergy Gulf States (Louisiana) and Entergy Louisiana

In Louisiana, Entergy Gulf States and Entergy Louisiana recover electric fuel and purchased power costs for the upcoming month based upon the level of such costs from the prior month. In Louisiana, Entergy Gulf States' purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit for deferred fuel expense arising from monthly reconciliations of actual fuel costs incurred with fuel cost revenues billed to customers.

In August 2000, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Louisiana pursuant to a November 1997 LPSC general order. The time period that is the subject of the audit is January 1, 2000 through December 31, 2001. In September 2003, the LPSC staff issued its audit report and recommended a disallowance with regard to one item. The issue relates to the alleged failure to uprate Waterford 3 in a timely manner, a claim that also has been raised in the summer 2001, 2002, and 2003 purchased power proceedings. The global settlement approved by the LPSC in March 2005, discussed below in "**Retail Rate Proceedings**," resolves the uprate imprudence disallowance and is no longer at issue in this proceeding. Subsequent to the issuance of the audit report, the scope of this docket was expanded to include a review of annual reports on fuel and purchased power transactions with affiliates and a prudence review of transmission planning issues. Also, in July 2005, the LPSC expanded the audit to include the years 2002 through 2004. A procedural schedule has been established and LPSC staff and intervenor testimony is due in April 2006.

In January 2003, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States and its affiliates pursuant to a November 1997 LPSC general order. The audit will include a review of the reasonableness of charges flowed by Entergy Gulf States through its fuel adjustment clause in Louisiana for the period January 1, 1995 through December 31, 2002. Discovery is underway, but a detailed procedural schedule extending beyond the discovery stage has not yet been established, and the LPSC staff has not yet issued its audit report. In June 2005, the LPSC expanded the audit to include the years through 2004.

In November 2005, the LPSC authorized its staff to initiate an expedited proceeding to audit the fuel and power procurement activities of Entergy Louisiana and Entergy Gulf States for the period January 1, 2005 through October 31, 2005.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider which is adjusted quarterly to reflect accumulated over- or under-recoveries from the second prior quarter. In January 2005, the MPSC approved a change in Entergy Mississippi's energy cost recovery rider. Entergy Mississippi's fuel over-recoveries for the third quarter of 2004 of \$21.3 million were deferred from the first quarter 2005 energy cost recovery rider adjustment calculation. The deferred amount of \$21.3 million plus carrying charges was refunded through the energy cost recovery rider in the second and third quarters of 2005.

In May 2003, Entergy Mississippi filed and the MPSC approved a change in Entergy Mississippi's energy cost recovery rider. Under the MPSC's order, Entergy Mississippi deferred until 2004 the collection of fuel under-recoveries for the first and second quarters of 2003 that would have been collected in the third and fourth quarters of 2003, respectively. The deferred amount of \$77.6 million plus carrying charges was collected through the energy cost recovery rider over a twelve-month period that began in January 2004.

Entergy New Orleans

In June and November 2004, the City Council passed resolutions implementing a package of measures developed by Entergy New Orleans and the Council Advisors to protect customers from potential gas price spikes during the 2004 – 2005 winter heating season. These measures include: maintaining Entergy New Orleans' financial hedging plan for its purchase of wholesale gas, and deferral of collection of up to \$6.2 million of gas costs associated with a cap on the purchased gas adjustment in November and December 2004 and in the event that the average residential customer's gas bill were to exceed a threshold level. The deferral of \$1.7 million resulting from these caps was recovered over a seven-month period that began in April 2005.

In November 2004, the City Council directed Entergy New Orleans to confer with the Council Advisors regarding possible modification of the current gas cost collection mechanism in order to address concerns regarding its fluctuations particularly during the winter heating season. In June 2005, Entergy New Orleans filed a new purchased gas adjustment tariff (PGA tariff) with the City Council. The City Council approved the PGA tariff which became effective with billings in October 2005. In October 2005, the City Council approved modifications to the PGA tariff that became effective in November 2005. The modifications are intended to minimize fluctuations in PGS rates during the winter months.

Retail Rate Proceedings

Filings with the APSC (Entergy Arkansas)

Retail Rates

No significant retail rate proceedings are pending in Arkansas at this time.

Filings with the PUCT and Texas Cities (Entergy Gulf States)

Retail Rates

Entergy Gulf States is operating in Texas under a base rate freeze that has remained in effect during the delay in the implementation of retail open access in Entergy Gulf States' Texas service territory. As discussed in

"Electric Industry Restructuring and the Continued Application of SFAS 71" below, a Texas law was enacted in June 2005 which includes provisions in the Texas legislation regarding Entergy Gulf States' ability to file a general rate case and to file for recovery of transition to competition costs. As authorized by the legislation, in August 2005, Entergy Gulf States filed with the PUCT an application for recovery of its transition to competition costs. Entergy Gulf States requested recovery of \$189 million in transition to competition costs through implementation of a 15-year rider to be effective no later than March 1, 2006. The \$189 million represents transition to competition costs Entergy Gulf States incurred from June 1, 1999 through June 17, 2005 in preparing for competition in its service area, including attendant AFUDC, and all carrying costs projected to be incurred on the transition to competition costs through February 28, 2006. The \$189 million is before any gross-up for taxes or carrying costs over the 15-year recovery period. Entergy Gulf States has reached a unanimous settlement agreement in principle on all issues with the active parties in the transition to competition cost recovery case. The agreement in principle allows Entergy Gulf States to recover \$14.5 million per year in transition to competition costs over a 15-year period. Entergy Gulf States implemented interim rates based on this revenue level on March 1, 2006, subject to refund. Entergy Gulf States expects that the PUCT will consider the formal settlement document, which is currently being developed, in the second quarter 2006.

The Texas law enacted also allowed Entergy Gulf States to file with the PUCT for recovery of certain incremental purchased capacity costs which was implemented effective December 1, 2005. This proceeding is discussed above under **"Deferred Fuel Costs."**

Recovery of River Bend Costs

In March 1998, the PUCT disallowed recovery of \$1.4 billion of company-wide abeyed River Bend plant costs, which have been held in abeyance since 1988. Entergy Gulf States appealed the PUCT's decision on this matter to the Travis County District Court in Texas. In April 2002, the Travis County District Court issued an order affirming the PUCT's order on remand disallowing recovery of the abeyed plant costs. Entergy Gulf States appealed this ruling to the Third District Court of Appeals. In July 2003, the Third District Court of Appeals unanimously affirmed the judgment of the Travis County District Court. After considering the progress of the proceeding in light of the decision of the Court of Appeals, Entergy Gulf States accrued for the loss that would be associated with a final, non-appealable decision disallowing the abeyed plant costs. The net carrying value of the abeyed plant costs was \$107.7 million at the time of the Court of Appeals decision. Accrual of the \$107.7 million loss was recorded in the second quarter of 2003 as miscellaneous other income (deductions) and reduced net income by \$65.6 million after-tax. In September 2004, the Texas Supreme Court denied Entergy Gulf States' petition for review, and Entergy Gulf States filed a motion for rehearing. In February 2005, the Texas Supreme Court denied the motion for rehearing, and the proceeding is now final.

Filings with the LPSC

Global Settlement (Entergy Gulf States and Entergy Louisiana)

In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues for Entergy Gulf States and Entergy Louisiana. The settlement resulted in credits totaling \$76 million for retail electricity customers in Entergy Gulf States' Louisiana service territory and credits totaling \$14 million for retail electricity customers of Entergy Louisiana. The net income effect of \$48.6 million for Entergy Gulf States and \$8.6 million for Entergy Louisiana was recognized primarily in 2004 when Entergy Gulf States and Entergy Louisiana recorded provisions for the expected outcome of the proceeding. The settlement dismissed Entergy Gulf States' fourth, fifth, sixth, seventh, and eighth annual earnings reviews, Entergy Gulf States' ninth post-merger earnings review and revenue requirement analysis, the continuation of a fuel review for Entergy Gulf States, dockets established to consider issues concerning power purchases for Entergy Gulf States and Entergy Louisiana for the summers of 2001, 2002, 2003, and 2004, all prudence issues associated with decisions made through May 2005 related to the nuclear plant uprates at issue in these cases, and an LPSC docket concerning retail issues arising under the System Agreement. The settlement does not include the System Agreement case at FERC. In addition, Entergy

Gulf States agreed not to seek recovery from customers of \$2 million of excess refund amounts associated with the fourth through the eighth annual earnings reviews and Entergy Louisiana agreed to forgo recovery of \$3.5 million of deferred 2003 capacity costs associated with certain power purchase agreements. The credits were issued in connection with April 2005 billings. Entergy Gulf States and Entergy Louisiana reserved for the approximate refund amounts.

The settlement includes the establishment of a three-year formula rate plan for Entergy Gulf States that, among other provisions, establishes an ROE mid-point of 10.65% for the initial three-year term of the plan and permits Entergy Gulf States to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed range of 9.9% to 11.4% will be allocated 60% to customers and 40% to Entergy Gulf States. Entergy Gulf States made its initial formula rate plan filing in June 2005, as discussed below. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Gulf States.

Retail Rates - Electric

(Entergy Louisiana)

Entergy Louisiana made a rate filing with the LPSC requesting a base rate increase in January 2004. In March 2005, the LPSC staff and Entergy Louisiana filed a proposed settlement that included an annual base rate increase of approximately \$18.3 million that was implemented, subject to refund, effective with May 2005 billings. In May 2005, the LPSC approved a modified settlement which, among other things, reduces depreciation and decommissioning expense due to assuming a life extension of Waterford 3 and results in no change in rates. Subsequently, in June 2005, Entergy Louisiana made a revised compliance filing with the LPSC supporting a revised depreciation rate for Waterford 3, which reflects the removal of interim additions, and a rate increase from the purchase of the Perryville power plant, which results in a net \$0.8 million annual rate reduction. Entergy Louisiana reduced rates effective with the first billing cycle in July 2005 and refunded excess revenue collected during May 2005, including interest, in August 2005.

The May 2005 rate settlement includes the adoption of a three-year formula rate plan, the terms of which include an ROE mid-point of 10.25% for the initial three-year term of the plan and permit Entergy Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed regulatory range of 9.45% to 11.05% will be allocated 60% to customers and 40% to Entergy Louisiana. The initial formula rate plan filing will be in May 2006 based on a 2005 test year with rates effective September 2006. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Louisiana.

(Entergy Gulf States)

In June 2005, Entergy Gulf States made its formula rate plan filing with the LPSC for the test year ending December 31, 2004. The filing shows a net revenue deficiency of \$2.58 million indicating that no refund liability exists. The filing also indicates that a prospective rate increase of \$23.8 million is required in order for Entergy Gulf States to earn the authorized ROE mid-point of 10.65%. A revision to the filing was made in September 2005 resulting in a \$37.2 million base rate increase effective with the first billing cycle of October 2005, subject to refund. The base rate increase consists of two components. The first is a base rate increase of approximately \$21.1 million due to the formula rate plan 2004 test year revenue requirement. The second component of the increase is the recovery of the annual revenue requirement of \$16.1 million associated with the purchase of power from the Perryville generating station, which purchase was approved by the LPSC. A final order from the LPSC is expected by the second quarter of 2006.

Retail Rates - Gas (Entergy Gulf States)

In July 2004, Entergy Gulf States filed with the LPSC an application for a change in its rates and charges seeking an increase of \$9.1 million in gas base rates in order to allow Entergy Gulf States an opportunity to earn a fair and reasonable rate of return. In June 2005, the LPSC unanimously approved Entergy Gulf States' proposed settlement that includes a \$5.8 million gas base rate increase effective the first billing cycle of July 2005 and a rate stabilization plan with an ROE mid-point of 10.5%.

In January 2006, Entergy Gulf States filed with the LPSC its gas rate stabilization plan. The filing showed a revenue deficiency of \$4.1 million based on an ROE mid-point of 10.5%. Approval by the LPSC and implementation are not expected until the second quarter of 2006.

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan Filings

Entergy Mississippi made its annual formula rate plan filing with the MPSC in March 2005 based on a 2004 test year. In May 2005, the MPSC approved a joint stipulation entered into between the Mississippi Public Utilities Staff and Entergy Mississippi that provides for no change in rates based on a performance-adjusted ROE mid-point of 10.50%, establishing an allowed regulatory earnings range of 9.1% to 11.9%.

Power Management Rider

In November 2005, the MPSC approved the purchase of the 480MW Attala power plant. In December 2005, the MPSC issued an order approving the investment cost recovery through its power management rider and limited the recovery to a period that begins with the closing date of the purchase and ends the earlier of the date costs are incorporated into base rates or December 31, 2006. The MPSC order also provided that any reserve equalization benefits be credited to the annual ownership costs beginning with the date that Entergy Mississippi begins recovery of the Hurricane Katrina restoration costs or July 1, 2006, whichever is earlier. On December 9, 2005, Entergy Mississippi filed a compliance rider. Entergy Mississippi purchased the Attala power plant in January 2006.

Grand Gulf Accelerated Recovery Tariff (GGART)

In September 1998, the FERC approved the GGART for Entergy Mississippi's allocable portion of Grand Gulf, which was filed with the FERC in August 1998. The GGART provided for the acceleration of Entergy Mississippi's Grand Gulf purchased power obligation over the period October 1, 1998 through June 30, 2004. In May 2003, the MPSC authorized the cessation of the GGART effective July 1, 2003. Entergy Mississippi filed notice of the change with the FERC, and the FERC approved the filing on July 30, 2003. Entergy Mississippi accelerated a total of \$168.4 million of Grand Gulf purchased power obligation costs under the GGART over the period October 1, 1998 through June 30, 2003.

Filings with the City Council (Entergy New Orleans)

Formula Rate Plans

In April 2005, Entergy New Orleans made its annual scheduled formula rate plan filings with the City Council. The filings showed that a decrease of \$0.2 million in electric revenues was warranted and an increase of \$3.9 million in gas revenues was warranted. In addition, in May 2005, Entergy New Orleans filed with the City Council a request for continuation of the formula rate plans and generation performance-based rate plan (G-PBR) for an additional three years. In August 2005, Entergy New Orleans, the City Council advisors, and the intervenors entered into an agreement in principle which provided, among other things, for a reduction in the Customer Care System investment of \$3.2 million and for a reduction in Entergy New Orleans' electric base rates of \$2.5 million and no change in Entergy New Orleans' gas base rates. The agreement provided for the continuation of the electric and

gas formula rate plans for two more annual cycles, effective September 1, 2005, with a target equity ratio of 45% as well as a mid-point return on equity (ROE) of 10.75%. The ROE band-width is 100 basis points from the mid-point for electric operations. For gas operations, the ROE band-width is 50 basis points from the mid-point and zero basis points for the 2005 evaluation period. The agreement in principle also includes the continuation and modification of the G-PBR by separating the operation of the G-PBR from the formula rate plan so that the core business' electric rates are not set on a prospective basis by reference to G-PBR earnings. The agreement in principle provided for a \$4.5 million cap on Entergy New Orleans' share of G-PBR savings. The G-PBR plan, however, has been temporarily suspended due to impacts from Hurricane Katrina. Entergy New Orleans will notify the City Council's advisors and the City Council at such time as it is reasonable to resume the operation of the G-PBR.

In August 2005, prior to Hurricane Katrina, the Council Utility, Cable and Telecommunications Committee voted to recommend to the City Council a resolution approving this agreement in principle. The City Council was to consider this recommendation at its regularly scheduled meeting on September 1, 2005, but this meeting did not occur due to Hurricane Katrina. On August 31, 2005, the chairman of the Council Utility, Cable and Telecommunications Committee issued a letter authorizing Entergy New Orleans to implement the agreement in principle in accordance with the resolution previously considered by this Council committee, and advising Entergy New Orleans that the City Council would consider the ratification of this letter authorization at the first available opportunity. On September 27, 2005, the City Council ratified the August 31, 2005 letter, and deemed the resolution approving the agreement in principle to be effective as of September 1, 2005.

In May 2003, the City Council approved a resolution allowing for a total increase of \$30.2 million in electric and gas base rates effective June 1, 2003. In April 2004, Entergy New Orleans made filings with the City Council as required by the earnings review process prescribed by the Gas and Electric Formula Rate Plans approved by the City Council in 2003. The filings sought an increase in Entergy New Orleans' electric revenues of \$1.2 million and an increase in Entergy New Orleans' gas revenues of \$32,000. The Council Advisors and intervenors reviewed the filings, and filed their recommendations in July 2004. In August 2004, in accordance with the City Council's requirements for the formula rate plans, Entergy New Orleans made a filing with the City Council reflecting the parties' concurrence that no change in Entergy New Orleans' electric or gas rates is warranted. Later in August 2004, the City Council approved an unopposed settlement among Entergy New Orleans, the Council Advisors, and the intervenors in connection with the Gas and Electric Formula Rate Plans. In accordance with the resolution approving the settlement, Entergy New Orleans' gas and electric base rates remain unchanged from levels set in May 2003. The resolution ordered Entergy New Orleans to defer \$3.9 million relating to voluntary severance plan costs allocated to its electric operations and \$1.0 million allocated to its gas operations, which amounts were accrued on its books in 2003, and to record on its books regulatory assets in those amounts to be amortized over five years effective January 2004. Entergy New Orleans was also ordered to defer \$6.0 million of fossil plan maintenance expense incurred in 2003 and to record on its books a regulatory asset in that amount to be amortized over five years effective January 2003.

Fuel Adjustment Clause Litigation

In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the City 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. Entergy filed exceptions to the plaintiffs' allegations, asserting, among other things, that jurisdiction over these issues rests with the City Council and FERC. In March 2004, the plaintiffs supplemented and

amended their petition. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. The suit in state court has been stayed by stipulation of the parties pending review of the decision by the City Council in the proceeding discussed in the next paragraph.

Plaintiffs also filed a corresponding complaint with the City Council in order to initiate a review by the City 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 asserting, 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 Entergy New Orleans customers being overcharged by more than \$100 million over a period of years. Hearings were held in February and March 2002. In February 2004, the City Council approved a resolution that resulted in a refund to customers of \$11.3 million, including interest, during the months of June through September 2004. The resolution concludes, among other things, that the record does not support an allegation that Entergy New Orleans' actions or inactions, either alone or in concert with Entergy or any of its affiliates, constituted a misrepresentation or a suppression of the truth made in order to obtain an unjust advantage of Entergy New Orleans, or to cause loss, inconvenience or harm to its ratepayers. Management believes that it has adequately provided for the liability associated with this proceeding. The plaintiffs appealed the City Council resolution to the state courts. On May 26, 2005, the Civil District Court for the Parish of Orleans affirmed the City Council resolution that resulted in a refund to customers of \$11.3 million, including interest, during the months of June through September 2004, finding no support for the plaintiff's claim that the refund amount should be higher.

In June 2005, the plaintiffs appealed the Civil District Court decision to the Louisiana Fourth Circuit Court of Appeal. Subsequent to Entergy New Orleans' filing of a bankruptcy petition in the Eastern District of Louisiana, Entergy New Orleans filed a Notice of Stay with the Court of Appeal. The Bankruptcy Court lifted the stay with respect to the plaintiffs' appeal of the Civil District Court decision, but the class action lawsuit remains stayed. In February 2006, Entergy New Orleans filed a notice removing the class action lawsuit from the Civil District Court to the U.S. District Court for the Eastern District of Louisiana. Additionally, in the Entergy New Orleans bankruptcy proceeding, the named plaintiffs in the Entergy New Orleans fuel clause lawsuit, together with the named plaintiffs in the Entergy New Orleans rate of return lawsuit, filed a Complaint for Declaratory Judgment asking the court to declare that Entergy New Orleans, Entergy Corporation, and Entergy Services are a single business enterprise, and as such, are liable in solido with Entergy New Orleans for any claims asserted in the Entergy New Orleans fuel clause lawsuit and the Entergy New Orleans rate of return lawsuit, and alternatively, that the automatic stay be lifted to permit the movants to pursue the same relief in state court. Answers were due in this adversary proceeding in February 2006, but Entergy New Orleans has requested an extension to answer until March 2006.

Electric Industry Restructuring and the Continued Application of SFAS 71

Although Arkansas and Texas enacted retail open access laws, the retail open access law in Arkansas has now been repealed. Retail open access in Entergy Gulf States' service territory in Texas has been delayed. Entergy believes that significant issues remain to be addressed by Texas regulators, and the enacted law does not provide sufficient detail to allow Entergy Gulf States 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.

Texas

(Entergy Gulf States)

As ordered by the PUCT, in January 2003, Entergy Gulf States filed its proposal for an interim solution (retail open access without a FERC-approved RTO), which among other elements, included:

- the recommendation that retail open access in Entergy Gulf States' Texas service territory, including corporate unbundling, occur by January 1, 2004, or else be delayed until at least January 1, 2007. If retail open access is delayed past January 1, 2004, Entergy Gulf States requested authorization to separate into two bundled utilities, one subject to the retail jurisdiction of the PUCT and one subject to the retail jurisdiction of the LPSC.
- the recommendation that Entergy's transmission organization, possibly with the oversight of another entity, will continue to serve as the transmission authority for purposes of retail open access in Entergy Gulf States' service territory.
- the recommendation that the decision points be identified that would require prior to January 1, 2004, the PUCT's determination, based upon objective criteria, whether to proceed with further efforts toward retail open access in Entergy Gulf States' Texas service territory.

After considering the proposal, in an April 2003 order the PUCT set forth a sequence of proceedings and activities designed to initiate an interim solution. These proceedings and activities included initiating a proceeding to certify an independent organization to administer market protocols and ensure nondiscriminatory access to transmission and distribution systems.

In July 2004 the PUCT denied Entergy's application to certify Entergy's transmission organization as an independent organization under Texas law. In its order, the PUCT also ordered: the cessation of efforts to develop an interim solution for retail open access in Entergy Gulf States' Texas service territory, termination of the pilot project in that territory, and a delay in retail open access in that territory until either a FERC-approved RTO is in place or some other independent transmission entity is certified under Texas law. Several parties have appealed the termination of the pilot program aspect of the order, claiming the issue was not properly a part of the proceeding.

In June 2005, a Texas law was enacted which provides that:

- Entergy Gulf States is authorized by the legislation to proceed with a jurisdictional separation into two vertically integrated utilities, one subject solely to the retail jurisdiction of the LPSC and one subject solely to the retail jurisdiction of the PUCT;
- the portions of all prior PUCT orders requiring Entergy Gulf States to comply with any provisions of Texas law governing transition to retail competition are void;
- Entergy Gulf States must file a plan by January 1, 2006, identifying the power region(s) to be considered for certification and the steps and schedule to achieve certification (as discussed below);
- Entergy Gulf States must file a transition to competition plan no later than January 1, 2007, that would address how Entergy Gulf States intends to mitigate market power and achieve full customer choice, including potential construction of additional transmission facilities, generation auctions, generation capacity divestiture, reinstatement of a customer choice pilot project, establishment of a price to beat, and other measures;
- Entergy Gulf States' rates are subject to cost-of-service regulation until retail customer choice is implemented;
- Entergy Gulf States may not file a general base rate case in Texas before June 30, 2007, with rates effective no earlier than June 30, 2008, but may seek before then the recovery of certain incremental purchased power capacity costs, adjusted for load growth, not in excess of five percent of its annual base rate revenues (as discussed above in "**Deferred Fuel Costs**," in July 2005 Entergy Gulf States filed a request for implementation of an incremental purchased capacity recovery rider); and

- Entergy Gulf States may recover over a period not to exceed 15 years reasonable and necessary transition to competition costs incurred before the effective date of the legislation and not previously recovered, with appropriate carrying charges (as discussed above in "**Filings with the PUCT and Texas Cities**," in August 2005, Entergy Gulf States filed with the PUCT an application for recovery of its transition to competition costs).

Entergy Gulf States made the January 2006 filing regarding the identification of power region(s) required by the 2005 legislation, and based on the statutory requirements for the certification of a qualified power region (QPR), previous PUCT rulings, and Entergy Gulf States' geographical location, Entergy Gulf States identified three potential power regions:

1. Electric Reliability Council of Texas (ERCOT) as the power region and Independent Organization (IO);
2. Southwest Power Pool (SPP) as the power region and IO; and
3. the Entergy market as the power region and the Independent Coordinator of Transmission (ICT) as the IO.

Based on previous rulings of the PUCT, and absent reconsideration of those rulings, Entergy Gulf States believes that the third alternative - an ICT operating in Entergy's market area - is not likely to be a viable QPR alternative at this time. Accordingly, while noting this alternative, Entergy Gulf States' filing focuses on the first two alternatives, which are expected to meet the statutory requirements for certification so long as certain key implementation issues can be resolved. Entergy Gulf States' filing enumerated and discussed the corresponding steps and a high-level schedule associated with certifying either of these two power regions.

Entergy Gulf States' filing does not make a recommendation between ERCOT and the SPP as a power region. Rather, the filing discusses the major issues that must be resolved for either of those alternatives to be implemented. In the case of ERCOT, the major issue is the cost and time related to the construction of facilities to interconnect Entergy Gulf States' Texas operations with ERCOT, while addressing the interest of Entergy Gulf States' retail customers and certain wholesale customers in access to generation outside of Texas. With respect to the SPP, the major issue is the development of protocols that would ultimately be necessary to implement retail open access.

Entergy Gulf States recommended that the PUCT open a project for the purpose of involving stakeholders in the selection of the single power region that Entergy Gulf States should request for certification. Entergy Gulf States notes that House Bill 1567 also directs Entergy Gulf States to file a transition to competition filing no later than January 1, 2007. The contents of the January 1, 2007 filing will be affected by the power region selected. Accordingly, Entergy Gulf States recommended that the goal of the project should be to reach consensus on a power region in a timely manner to inform Entergy Gulf States' January 1, 2007 filing.

FERC Settlement (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 refunded 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 costs. Although such costs were excluded from rate base, System Energy amortized and recovered 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 costs reduced Entergy's and System Energy's net income by approximately \$10 million annually.

NOTE 3. INCOME TAXES

Income tax expenses for 2005, 2004, and 2003 consist of the following:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana Holdings	Entergy Louisiana, LLC	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)							
Current:							
Federal (a)(b)	(\$5,534)	(\$256,561)	(\$139,018)	(\$38,109)	(\$115,504)	(\$141,249)	\$171,318
State (a)(b)	36	(37,962)	10,249	10,249	(8,547)	(13,115)	10,566
Total (a)(b)	(5,498)	(294,523)	(128,769)	(27,860)	(124,051)	(154,364)	181,884
Deferred - net	106,898	410,500	229,279	128,370	159,333	156,581	(109,065)
Investment tax credit adjustments - net	(4,452)	(5,707)	(3,691)	(3,691)	(1,329)	(427)	(3,476)
Recorded income tax expense	\$96,948	\$110,270	\$96,819	\$96,819	\$33,953	\$1,790	\$69,343
2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana Holdings	Entergy Louisiana, LLC	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)							
Current:							
Federal (a)	\$14,490	\$42,436	\$2,439	\$2,439	(\$23,568)	(\$19,259)	\$222,622
State (a)	8,727	7,944	1,957	1,957	(1,221)	(3,655)	33,926
Total (a)	23,217	50,380	4,396	4,396	(24,789)	(22,914)	256,548
Deferred - net	70,674	63,615	80,207	80,207	63,234	40,226	(175,059)
Investment tax credit adjustments - net	(4,827)	(5,707)	(5,128)	(5,128)	(1,405)	(444)	(3,476)
Recorded income tax expense	\$89,064	\$108,288	\$79,475	\$79,475	\$37,040	\$16,868	\$78,013
2003	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana Holdings	Entergy Louisiana, LLC	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)							
Current:							
Federal (a)	\$40,632	(\$11,535)	(\$745,724)	(\$745,724)	(\$2,969)	(\$7,655)	\$95,670
State (a)	16,306	(1,503)	(16,243)	(16,243)	2,565	(1,871)	15,382
Total (a)	56,938	(13,038)	(761,967)	(761,967)	(404)	(9,526)	111,052
Deferred - net	53,309	49,365	864,656	864,656	36,240	15,853	(31,731)
Investment tax credit adjustments - net	(4,951)	(12,078)	(5,281)	(5,281)	(1,405)	(452)	(3,476)
Recorded income tax expense	\$105,296	\$24,249	\$97,408	\$97,408	\$34,431	\$5,875	\$75,845

- (a) Entergy Louisiana's actual cash taxes paid/(refunded) were \$11,116 in 2005, (\$70,650) in 2004, and \$35,128 in 2003. Entergy Louisiana's mark-to-market tax accounting election significantly reduced taxes paid in 2002. In 2001, Entergy Louisiana changed its method of accounting for tax purposes related to its wholesale electric power contracts. The most significant of these is the contract to purchase power from the Vidalia project (the contract is discussed in Note 8 to the domestic utility companies and System Energy financial statements). The new tax accounting method has provided a cumulative cash flow benefit of approximately \$664 million through 2005, which could reverse in the years 2006 through 2031 depending on several variables, including the price of power. The election did not reduce book income tax expense.

- (b) In 2003, the domestic utility companies and System Energy filed with the IRS a change in tax accounting method notification for their respective calculations of cost of goods sold. The adjustment implemented a simplified method of allocation of overhead to the production of electricity, which is provided under IRS capitalization regulations. The cumulative adjustment placing these companies on the new methodology resulted in a \$1.13 billion deduction for Entergy Arkansas, a \$641 million deduction for Entergy Gulf States, a \$474 million deduction for Entergy Louisiana, a \$111 million deduction for Entergy Mississippi, a \$32 million deduction for Entergy New Orleans, and a \$440 million deduction for System Energy on Entergy's 2003 income tax return. Entergy's current estimates of the utilization through 2005 indicate that Entergy Arkansas realized \$115 million, Entergy Gulf States realized \$46 million, Entergy Louisiana realized \$64 million, Entergy Mississippi realized \$2 million, and System Energy realized \$138 million in cash tax benefit from the method change. The IRS issued new proposed regulations, effective in 2005, which disallow a portion of Entergy's method. Approximately \$776 million of tax deductions have to be reversed and will be recognized in taxable income equally over two years, 2005 and 2006. Entergy Arkansas' share of this reversal is \$270 million. Entergy Gulf States' share is \$148 million. Entergy Louisiana's share is \$145 million. Entergy Mississippi's share is \$124 million. Entergy New Orleans' share is \$27 million. System Energy's share is \$62 million. In 2005, the domestic utility companies and System Energy filed a notice with the IRS of a new tax accounting method for their respective calculations of cost of goods sold. It is anticipated that this new method will offset a significant portion of the previously stated adjustment to taxable income. As Entergy is in a consolidated net operating loss position, the adjustment required by the new regulations has the effect of reducing the consolidated net operating loss and does not require a payment to the IRS at this time. However, to the extent the individual companies making this election do not have other deductions or sufficient net operating losses, they will have to pay back their benefits received to other Entergy companies under the Entergy Tax Allocation Agreement. At this time, it is estimated that Entergy Mississippi would owe \$1 million and System Energy would owe \$9 million. The new tax accounting method change is also subject to IRS scrutiny. Should the IRS fully deny the use of Entergy's tax accounting method for cost of goods sold, the companies would have to pay back all of the benefits received.

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 2005, 2004, and 2003 are:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)						
Computed at statutory rate (35%)	\$95,054	\$110,868	\$78,715	\$33,619	\$1,064	\$63,345
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	11,318	10,204	7,213	3,154	221	6,567
Regulatory differences - utility plant items	540	5,087	11,135	255	2,441	9,525
Amortization of investment tax credits	(4,452)	(5,316)	(3,691)	(1,332)	(424)	(3,476)
Flow-through/permanent differences	(3,148)	(8,843)	(4,420)	(1,344)	(1,439)	(6,626)
Other - net	(2,364)	(1,730)	7,867	(399)	(73)	8
Total income taxes	<u>\$96,948</u>	<u>\$110,270</u>	<u>\$96,819</u>	<u>\$33,953</u>	<u>\$1,790</u>	<u>\$69,343</u>
Effective Income Tax Rate	35.7%	34.8%	43.0%	35.3%	58.9%	38.3%

Domestic utility companies and System Energy
Notes to Respective Financial Statements

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Computed at statutory rate (35%)	\$80,946	\$105,194	\$72,440	\$38,688	\$15,729	\$64,386
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	12,204	8,289	6,411	3,845	1,158	7,665
Regulatory differences - utility plant items	13,775	6,951	10,052	(1,482)	1,373	10,528
Amortization of investment tax credits	(4,827)	(5,316)	(5,128)	(1,405)	(444)	(3,476)
Flow-through/permanent differences	(9,127)	(7,080)	(3,576)	(2,114)	(878)	(993)
Other - net	(3,907)	250	(724)	(492)	(70)	(97)
Total income taxes	<u>\$89,064</u>	<u>\$108,288</u>	<u>\$79,475</u>	<u>\$37,040</u>	<u>\$16,868</u>	<u>\$78,013</u>
Effective Income Tax Rate	38.5%	36.0%	38.4%	33.5%	37.5%	42.4%

2003	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Computed at statutory rate (35%)	\$80,957	\$30,850	\$85,247	\$35,522	\$4,807	\$63,647
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	12,987	1,270	7,764	3,000	21	7,765
Regulatory differences - utility plant items	15,994	13,260	10,568	(930)	2,045	11,530
Amortization of investment tax credits	(4,951)	(8,797)	(5,281)	(1,404)	(452)	(3,476)
Flow-through/permanent differences	1,090	(10,625)	(2,012)	(1,112)	(625)	(420)
Benefit of Entergy Corp. expenses	(1,145)	(888)	-	-	-	(3,408)
Other - net	364	(821)	1,122	(645)	79	207
Total income taxes	<u>\$105,296</u>	<u>\$24,249</u>	<u>\$97,408</u>	<u>\$34,431</u>	<u>\$5,875</u>	<u>\$75,845</u>
Effective Income Tax Rate	45.5%	27.5%	40.0%	33.9%	42.8%	41.7%

Significant components of net deferred and long-term accrued tax liabilities as of December 31, 2005 and 2004 are as follows:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)						
Deferred and Long-term Accrued Tax Liabilities:						
Net regulatory assets/(liabilities)	(\$86,344)	(\$491,661)	(\$140,463)	(\$21,800)	\$50,855	(\$214,474)
Plant-related basis differences - net	(1,277,810)	(1,716,213)	(1,094,333)	(416,728)	(183,111)	(514,130)
Power purchase agreements	(4,075)	(1,141)	(964,086)	(75)	-	-
Rate refunds	(40,429)	-	(23,186)	(49,336)	(14,448)	-
Deferred fuel	(80,109)	(128,565)	(2,139)	(29,978)	(12,881)	(6,885)
Other reserves	-	(10,442)	-	(27,457)	(40,477)	774
Other	(70,412)	(3,945)	(165,847)	(15,975)	(3,168)	(14,275)
Total	<u>(1,559,179)</u>	<u>(2,351,967)</u>	<u>(2,390,054)</u>	<u>(561,349)</u>	<u>(203,230)</u>	<u>(748,990)</u>
Deferred Tax Assets:						
Accumulated deferred investment tax credit	25,108	32,525	35,569	4,727	1,374	27,592
Sale and leaseback	-	-	89,140	-	-	149,417
Purchased power agreements	-	-	-	-	-	100,909
NOL carryforward	311,609	418,903	162,393	54,096	66,267	-
Unbilled/Deferred revenues	(1,454)	24,043	-	1,212	-	-
Pension-related items	321	14,661	19,686	(4,114)	5,698	6,745
Reserve for regulatory adjustments	-	120,792	-	-	-	-
Rate refund	-	6,530	-	-	-	170,222
Customer deposits	30,882	23,189	16,151	-	120	-
Nuclear decommissioning	12,070	-	2,833	-	-	3,671
Other	18,745	20,238	13,083	338	193	15,843
Total	<u>397,281</u>	<u>660,881</u>	<u>338,855</u>	<u>56,259</u>	<u>73,652</u>	<u>474,399</u>
Net deferred tax liability	<u>(\$1,161,898)</u>	<u>(\$1,691,086)</u>	<u>(\$2,051,199)</u>	<u>(\$505,090)</u>	<u>(\$129,578)</u>	<u>(\$274,591)</u>
2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)						
Deferred and Long-term Accrued Tax Liabilities:						
Net regulatory assets/(liabilities)	(\$128,594)	(\$479,158)	(\$169,675)	(\$22,864)	\$44,867	(\$223,391)
Plant-related basis differences - net	(1,237,303)	(1,388,391)	(921,976)	(389,558)	(103,733)	(471,026)
Power purchase agreements	-	-	(971,676)	-	-	-
Rate refunds	(39,163)	-	(17,736)	(49,124)	(14,375)	-
Deferred fuel	(2,899)	(36,017)	(1,286)	(6,424)	(3,873)	-
Other reserves	2,686	(33,916)	27,421	5,856	(323)	(80,597)
Other	(80,980)	(20,781)	(68,381)	(16,516)	(2,982)	(11,851)
Total	<u>(1,486,253)</u>	<u>(1,958,263)</u>	<u>(2,123,309)</u>	<u>(478,630)</u>	<u>(80,419)</u>	<u>(786,865)</u>
Deferred Tax Assets:						
Accumulated deferred investment tax credit	26,936	34,359	36,989	5,235	1,538	28,922
Sale and leaseback	-	-	82,410	-	-	144,745
NOL carryforward	300,249	164,749	164,840	34,642	18,973	-
Unbilled/Deferred revenues	-	17,001	-	10,193	-	-
Pension-related items	-	14,499	13,039	-	10,656	6,737
Reserve for regulatory adjustments	-	131,112	-	-	-	-
Rate refund	-	32,932	-	-	-	170,222
Customer deposits	40,880	33,425	17,479	15,777	91	-
Nuclear decommissioning	12,070	-	2,833	-	-	-
Other	11,801	10,721	13,021	2,386	193	11,296
Total	<u>391,936</u>	<u>438,798</u>	<u>330,611</u>	<u>68,233</u>	<u>31,451</u>	<u>361,922</u>
Net deferred tax liability	<u>(\$1,094,317)</u>	<u>(\$1,519,465)</u>	<u>(\$1,792,698)</u>	<u>(\$410,397)</u>	<u>(\$48,968)</u>	<u>(\$424,943)</u>

As of December 31, 2005, estimated federal net operating loss carryforwards were \$751.5 million for Entergy Arkansas, \$1.1 billion for Entergy Gulf States, \$85.4 million for Entergy Louisiana, \$168.3 million for Entergy Mississippi, and \$151.4 million for Entergy New Orleans, primarily resulting from a change in tax accounting method relating to the calculation of cost of goods sold and losses due to Hurricanes Katrina and Rita. The tax accounting method change produces temporary book tax differences, which will reverse in the future. If the federal net operating loss carryforwards are not utilized, they will expire in the years 2023 through 2025.

As of December 31, 2005, estimated state net operating loss carryforwards were and \$920.9 million for Entergy Arkansas, \$822.5 million for Entergy Gulf States, \$2.6 billion for Entergy Louisiana, and \$337.4 million for Entergy New Orleans. If the state net operating loss carryforwards are not utilized, they will expire in the years 2008 through 2010 for Entergy Arkansas, 2018 through 2020 for Entergy Gulf States, 2016 through 2020 for Entergy Louisiana, and 2018 through 2020 for Entergy New Orleans.

Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy have recorded receivables of approximately \$20 million, \$167 million, \$54 million, \$59 million and \$1 million, respectively, in the "Prepayments and other" line on the balance sheet as of December 31, 2005 for anticipated income tax refunds from prior tax years under the special provisions of the Gulf Opportunity Zone Act of 2005 and the Energy Policy Act of 2005.

Income Tax Audits

Entergy is currently under audit by the IRS with respect to tax returns for tax periods subsequent to 1995 and through 2003, and is subject to audit by the IRS and other taxing authorities for subsequent tax periods. The amount and timing of any tax assessments resulting from these audits are uncertain, and could have a material effect on Entergy's financial position and results of operations. Entergy believes that the contingency provisions established in its financial statements will sufficiently cover the liabilities that are reasonably estimable associated with tax matters. Certain material audit matters as to which management believes there is a reasonable possibility of a future tax payment are discussed below.

Depreciable Property Lives

In October 2005, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy concluded settlement discussions with IRS Appeals related to the 1996 - 1998 audit cycle. The most significant issue settled involved the changes in tax depreciation methods with respect to certain types of depreciable property. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans partially conceded depreciation associated with assets other than street lighting and intend to pursue the street lighting depreciation in litigation. Entergy Gulf States was not part of the settlement and did not change its accounting method for these certain assets until 1999. The total cash concession related to these deductions for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy is \$56 million plus interest of \$23 million. The effect of a similar settlement by Entergy Gulf States would result in a cash tax exposure of approximately \$25 million plus interest of \$8 million.

Because this issue relates to the timing of when depreciation expense is deducted, the conceded amount for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, or any future conceded amounts by Entergy Gulf States will be recovered in future periods. Entergy believes that the contingency provision established in its financial statements sufficiently covers the risk associated with this item.

Mark to Market of Certain Power Contracts

In 2001, Entergy Louisiana changed its method of accounting for income tax purposes related to its wholesale electric power contracts. The most significant of these is the contract to purchase power from the Vidalia hydroelectric project. On audit of Entergy Louisiana's 2001 tax return, the IRS made an adjustment reducing the amount of the deduction associated with this method change. The adjustment had no material impact on Entergy Louisiana's earnings and required no additional cash payment of 2001 income tax. The Vidalia contract method change has resulted in estimated cumulative cash flow benefits of approximately \$664 million through December 31, 2005. This benefit could reverse in the years 2006 through 2031 depending on several variables, including the price of power. The tax accounting election has had no effect on book income tax expense.

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

The short-term borrowings of the domestic utility companies (other than Entergy New Orleans) and System Energy are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2008. In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the FERC authorized limits.

The following are the FERC-authorized limits for short-term borrowings effective February 8, 2006 and the outstanding short-term borrowings from the money pool for the domestic utility companies (other than Entergy New Orleans) and System Energy as of December 31, 2005:

	<u>Authorized</u>	<u>Borrowings</u>
	(In Millions)	
Entergy Arkansas	\$250	\$27.3
Entergy Gulf States	\$350	-
Entergy Louisiana	\$250	\$68.7
Entergy Mississippi	\$175	\$84.1
System Energy	\$200	-

Under a savings provision in PUHCA 2005, which repealed PUHCA 1935, Entergy New Orleans may continue to be a participant in the money pool to the extent authorized by its SEC PUHCA 1935 order. However, Entergy New Orleans has not, and does not expect to make, any additional money pool borrowings while it is in bankruptcy proceedings. Entergy New Orleans had \$35.6 million in borrowings outstanding from the money pool as of its bankruptcy filing date, September 23, 2005. The money pool borrowings reflected on Entergy New Orleans' Balance Sheet as of December 31, 2005 are classified as a pre-petition obligation subject to compromise.

In 2005, the domestic utility companies and System Energy reclassified their treatment of money pool activity in their cash flow statements. Changes in receivables from the money pool are now classified as investing activities, and changes in payables to the money pool are now classified as financing activities. Previously, the domestic utility companies and System Energy had classified changes in receivables from the money pool and payables to the money pool as changes in working capital balances. The 2004 and 2003 money pool activity reported in the cash flow statements was reclassified to conform to the present classification.

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

<u>Company</u>	<u>Expiration Date</u>	<u>Amount of Facility</u>	<u>Amount Drawn as of Dec. 31, 2005</u>
Entergy Arkansas	April 2006	\$85 million (a)	-
Entergy Louisiana	April 2006	\$85 million (a)	\$40 million
Entergy Louisiana	May 2006	\$15 million (b)	
Entergy Mississippi	May 2006	\$25 million	-
Entergy New Orleans	May 2006	\$15 million (b)	\$15 million

- (a) The combined amount borrowed by Entergy Arkansas and Entergy Louisiana under these facilities at any one time cannot exceed \$85 million. Entergy Louisiana granted a security interest in its receivables to secure its \$85 million facility.
- (b) The combined amount borrowed by Entergy Louisiana and Entergy New Orleans under these facilities at any one time cannot exceed \$15 million. In July 2005, Entergy New Orleans granted the lender a security interest in its customer accounts receivables to secure its borrowings under its facility.

The 364-day credit facilities have variable interest rates and the average commitment fee is 0.13%. The \$85 million Entergy Arkansas and Entergy Louisiana credit facilities each requires the respective company to maintain total shareholders' equity of at least 25% of its total assets.

Entergy New Orleans Debtor-in-Possession Credit Agreement

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. On December 9, 2005, the bankruptcy court issued its final order approving the DIP Credit Agreement. The indenture trustee of Entergy New Orleans' first mortgage bonds appealed the final order, and that appeal is pending. Subsequent to the indenture trustee filing its notice of appeal, Entergy New Orleans, Entergy Corporation, and the indenture trustee filed with the bankruptcy court a motion to approve a settlement among the parties. The settlement would result in the dismissal of the indenture trustee's appeal. The settlement is set for hearing in the bankruptcy court on March 22, 2006.

The credit facility provides for up to \$200 million in loans. These funds were requested to enable Entergy New Orleans to meet its liquidity needs, including employee wages and benefits and payments under power purchase and gas supply agreements, and to continue its efforts to repair and restore the facilities needed to serve its electric and gas customers. The facility provides the ability for Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. As of December 31, 2005, Entergy New Orleans had \$90 million of outstanding borrowings under the DIP credit agreement. Management currently expects the bankruptcy court-authorized funding level to be sufficient to fund Entergy New Orleans' expected level of operations through 2006.

Borrowings under the DIP credit agreement are due in full, and the agreement will terminate, at the earliest of (i) August 23, 2006, or such later date as Entergy Corporation shall agree to in its sole discretion, (ii) the acceleration of the loans and the termination of the DIP credit agreement in accordance with its terms, (iii) the date of the closing of a sale of all or substantially all of Entergy New Orleans' assets pursuant to section 363 of the United States Bankruptcy Code or a confirmed plan of reorganization, or (iv) the effective date of a plan of reorganization in Entergy New Orleans' bankruptcy case.

As security for Entergy Corporation as the lender, the terms of the December 9, 2005 bankruptcy court order provide that all borrowings by Entergy New Orleans under the DIP Credit Agreement are: (i) entitled to superpriority

administrative claim status pursuant to section 364(c)(1) of the Bankruptcy Code; (ii) secured by a perfected first priority lien on all property of Entergy New Orleans pursuant to sections 364(c)(2) and 364(d) of the Bankruptcy Code, except on any property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens of the lender on Entergy New Orleans' \$15 million credit facility; and (iii) secured by a perfected junior lien pursuant to section 364(c)(3) of the Bankruptcy Code on all property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens in favor of the lender on Entergy New Orleans' \$15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition.

The lien granted by the bankruptcy court under sections 364(c)(2) and 364(d) primes the liens that secure Entergy New Orleans' obligations under its mortgage bond indenture that existed as of the date Entergy New Orleans filed its bankruptcy petition. To secure Entergy New Orleans' obligations under its mortgage bond indenture, the bankruptcy court's December 9, 2005 order grants in favor of the bond trustee, for the benefit of itself and the bondholders, a lien on all Entergy New Orleans property that secures its obligations under the DIP Credit Agreement. The lien in favor of the bond trustee is senior to all other liens except for the liens in favor of the lender on Entergy New Orleans' \$15 million credit facility and Entergy Corporation.

The interest rate on borrowings under the DIP credit agreement will be the average interest rate of borrowings outstanding under Entergy Corporation's \$2 billion revolving credit facility, which was approximately 4.7% per annum at December 31, 2005.

Events of default under the DIP credit agreement include: failure to make payment of any installment of principal or interest when due and payable; the occurrence of a change of control of Entergy New Orleans; failure by either Entergy New Orleans or Entergy Corporation to receive other necessary governmental approvals and consents; the occurrence of an event having a materially adverse effect on Entergy New Orleans or its prospects; and customary bankruptcy-related defaults, including, without limitation, appointment of a trustee, "responsible person," or examiner with expanded powers, conversion of Entergy New Orleans' chapter 11 case to a case under chapter 7 of the Bankruptcy Code, and the interim or final orders approving the DIP Credit Agreement being stayed or modified or ceasing to be in full force and effect.

NOTE 5. LONG - TERM DEBT (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Long-term debt as of December 31, 2005 and 2004 consisted of:

	2005	2004
	(In Thousands)	
<u>Entergy Arkansas</u>		
Mortgage Bonds:		
6.125% Series due July 2005	\$-	\$100,000
4.50% Series due June 2010	100,000	-
5.4% Series due May 2018	150,000	150,000
5.0% Series due July 2018	115,000	115,000
7.0% Series due October 2023	-	175,000
5.66% Series due February 2025	175,000	-
6.7% Series due April 2032	100,000	100,000
6.0% Series due November 2032	100,000	100,000
5.9% Series due June 2033	100,000	100,000
6.38% Series due November 2034	60,000	60,000
Total mortgage bonds	<u>900,000</u>	<u>900,000</u>
Governmental Bonds (a):		
6.3% Series due 2016, Pope County (f)	19,500	19,500
5.6% Series due 2017, Jefferson County	45,500	45,500
6.3% Series due 2018, Jefferson County (f)	9,200	9,200
6.3% Series due 2020, Pope County	120,000	120,000
6.25% Series due 2021, Independence County (f)	-	45,000
5.0% Series due 2021, Independence County (f)	45,000	-
5.05% Series due 2028, Pope County (b)	-	47,000
Total governmental bonds	<u>239,200</u>	<u>286,200</u>
Other Long-Term Debt		
Long-term DOE Obligation (c)	161,048	156,332
Unamortized Premium and Discount - Net	(2,010)	(4,390)
Other	-	621
Total Long-Term Debt	<u>1,298,238</u>	<u>1,338,763</u>
Less Amount Due Within One Year	-	147,000
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,298,238</u>	<u>\$1,191,763</u>
 Fair Value of Long-Term Debt (d)	 \$1,141,332	 \$1,224,942

	2005	2004
	(In Thousands)	
Entergy Gulf States		
Mortgage Bonds:		
6.77% Series due August 2005	\$-	\$98,000
3.6% Series due June 2008	325,000	325,000
Libor + 0.75% Series due December 2008	350,000	-
Libor + 0.4% Series due December 2009	225,000	225,000
5.12 % Series due August 2010	100,000	-
4.875% Series due November 2011	200,000	200,000
6.0% Series due December 2012	140,000	140,000
5.6% Series due December 2014	50,000	50,000
5.70% Series due June 2015	200,000	-
5.25% Series due August 2015	200,000	200,000
6.2% Series due July 2033	240,000	240,000
6.18% Series due March 2035	85,000	-
Total mortgage bonds	2,115,000	1,478,000
Governmental Bonds (a):		
5.45% Series due 2010, Calcasieu Parish	22,095	22,095
6.75% Series due 2012, Calcasieu Parish	48,285	48,285
6.7% Series due 2013, Pointe Coupee Parish	17,450	17,450
5.7% Series due 2014, Iberville Parish	21,600	21,600
7.7% Series due 2014, West Feliciana Parish	-	94,000
5.8% Series due 2015, West Feliciana Parish	28,400	28,400
7.0% Series due 2015, West Feliciana Parish	39,000	39,000
7.5% Series due 2015, West Feliciana Parish	-	41,600
9.0% Series due 2015, West Feliciana Parish	-	45,000
5.8% Series due 2016, West Feliciana Parish	20,000	20,000
6.6% Series due 2028, West Feliciana Parish	40,000	40,000
Total governmental bonds	236,830	417,430
Other Long-Term Debt		
8.75% Junior Subordinated Deferrable Interest Debentures	-	87,629
Unamortized Premium and Discount - Net	(2,516)	(2,397)
Other	8,816	8,816
Total Long-Term Debt	2,358,130	1,989,478
Less Amount Due Within One Year	-	98,000
Long-Term Debt Excluding Amount Due Within One Year	\$2,358,130	\$1,891,478
Fair Value of Long-Term Debt (d)	\$2,364,695	\$1,999,249

	<u>2005</u>	<u>2004</u>
	(In Thousands)	
<u>Entergy Louisiana</u>		
Mortgage Bonds:		
4.67% Series due June 2010	\$55,000	\$-
5.83% Series due November 2010	150,000	-
5.09% Series due November 2014	115,000	115,000
5.56% Series due September 2015	100,000	-
5.5% Series due April 2019	100,000	100,000
7.6% Series due April 2032	150,000	150,000
6.4% Series due October 2034	70,000	70,000
6.3% Series due September 2035	100,000	-
Total mortgage bonds	<u>840,000</u>	<u>435,000</u>
Governmental Bonds (a):		
7.5% Series due 2021, St. Charles Parish	-	50,000
7.0% Series due 2022, St. Charles Parish	-	24,000
7.05% Series due 2022, St. Charles Parish	-	20,000
5.95% Series due 2023, St. Charles Parish (f)	25,000	25,000
6.2% Series due 2023, St. Charles Parish	-	33,000
6.875% Series due 2024, St. Charles Parish	-	20,400
6.375% Series due 2025, St. Charles Parish	-	16,770
Auction Rate due 2030, St. Charles Parish (f)	60,000	60,000
4.9% Series due 2030, St. Charles Parish (e)	-	55,000
Total governmental bonds	<u>85,000</u>	<u>304,170</u>
Other Long-Term Debt:		
Waterford 3 Lease Obligation 7.45% (Note 9)	247,725	247,725
Unamortized Premium and Discount - Net	<u>(325)</u>	<u>(1,200)</u>
Total Long-Term Debt	1,172,400	985,695
Less Amount Due Within One Year	<u>-</u>	<u>55,000</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,172,400</u>	<u>\$930,695</u>
 Fair Value of Long-Term Debt (d)	 \$934,821	 \$762,782

	2005	2004
	(In Thousands)	
Entergy Mississippi		
Mortgage Bonds:		
4.35% Series due April 2008	\$100,000	\$100,000
4.65% Series due May 2011	80,000	80,000
5.15% Series due February 2013	100,000	100,000
4.95% Series due June 2018	95,000	95,000
6.0% Series due November 2032	75,000	75,000
7.25% Series due December 2032	100,000	100,000
6.25% Series due April 2034	100,000	100,000
Total mortgage bonds	650,000	650,000
Governmental Bonds (a):		
4.60% Series due 2022, Mississippi Business Finance Corp.(f)	16,030	16,030
Auction Rate due 2022, Independence County (f)	30,000	30,000
Total governmental bonds	46,030	46,030
Other Long-Term Debt:		
Unamortized Premium and Discount - Net	(884)	(957)
Total Long-Term Debt	\$695,146	\$695,073
Fair Value of Long-Term Debt (d)	\$697,772	\$716,201
	2005	2004
	(In Thousands)	
Entergy New Orleans		
Mortgage Bonds(g):		
8.125% Series due July 2005	\$-	\$30,000
3.875% Series due August 2008	30,000	30,000
4.98% Series due July 2010	30,000	-
5.25% Series due August 2013	70,000	70,000
6.75% Series due October 2017	25,000	25,000
5.6% Series due September 2024	34,975	35,000
5.65% Series due September 2029	39,960	40,000
Total mortgage bonds	229,935	230,000
Other Long-Term Debt:		
Unamortized Premium and Discount - Net	(76)	(98)
Total Long-Term Debt (h)	229,859	229,902
Less Amount Due Within One Year	-	30,000
Long-Term Debt Excluding Amount Due Within One Year	\$229,859	\$199,902
Fair Value of Long-Term Debt (d)	\$199,100	\$231,957

	<u>2005</u>	<u>2004</u>
	(In Thousands)	
<u>System Energy</u>		
Mortgage Bonds:		
4.875% Series due October 2007	\$70,000	\$70,000
Total mortgage bonds	<u>70,000</u>	<u>70,000</u>
Governmental Bonds (a):		
5.875% Series due 2022, Mississippi Business Finance Corp.	216,000	216,000
5.9% Series due 2022, Mississippi Business Finance Corp.	102,975	102,975
6.2% Series due 2026, Claiborne County	90,000	90,000
Total governmental bonds	<u>408,975</u>	<u>408,975</u>
Other Long-Term Debt:		
Grand Gulf Lease Obligation 5.02% (Note 9)	364,806	397,119
Unamortized Premium and Discount - Net	<u>(1,150)</u>	<u>(1,235)</u>
Total Long-Term Debt	842,631	874,859
Less Amount Due Within One Year	<u>22,989</u>	<u>25,266</u>
Long-Term Debt Excluding Amount Due Within One Year	<u><u>\$819,642</u></u>	<u><u>\$849,593</u></u>
 Fair Value of Long-Term Debt (d)	 \$474,508	 \$470,187

- (a) Consists of pollution control revenue bonds and environmental revenue bonds.
- (b) The bonds had a mandatory tender date of September 1, 2005. Entergy Arkansas purchased the bonds from the holders, pursuant to the mandatory tender provision, and has not remarketed the bonds at this time.
- (c) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.
- (d) The fair value excludes lease obligations and long-term DOE obligations, and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms.
- (e) The bonds had a mandatory tender date of June 1, 2005. Entergy Louisiana purchased the bonds from the holders, pursuant to the mandatory tender provision, and has not remarketed the bonds at this time.
- (f) The bonds are secured by a series of collateral first mortgage bonds.
- (g) Under a settlement agreement currently pending approval of the bankruptcy court, the holders have agreed to forego the accrual of interest on the bonds for one year beginning September 23, 2005.
- (h) The 2005 long-term debt is classified as Liabilities Subject to Compromise on the Balance Sheet.

The annual long-term debt maturities (excluding lease obligations) for debt outstanding as of December 31, 2005, for the next five years are as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Thousands)					
2006	-	-	-	-	-	-
2007	-	-	-	-	-	\$70,000
2008	-	\$675,000	-	\$100,000	\$30,000	-
2009	-	\$225,000	-	-	-	-
2010	\$100,000	\$122,095	\$205,000	-	\$30,000	-

Prior to February 8, 2006, the long-term securities issuances of Entergy Gulf States, Entergy Louisiana, LLC (as well as, prior to December 31, 2005, Entergy Louisiana, Inc., the predecessor to Entergy Louisiana, LLC's SEC financing authority), Entergy Mississippi and System Energy were authorized by the SEC under PUHCA 1935. Effective on that date, the FERC has jurisdiction over these issuances. Entergy Gulf States and Entergy Louisiana, LLC have obtained FERC authorization for their long-term financing. The long-term securities issuances of Entergy Arkansas are limited to amounts authorized by the APSC.

Under a savings provision contained in PUHCA 2005, which repealed PUHCA 1935, Entergy Mississippi and System Energy can each rely, after the repeal, on the long-term securities issuance authority in its SEC PUHCA 1935 order or orders unless superceded by FERC authorization. Under its SEC order, Entergy Mississippi cannot incur additional indebtedness or issue other securities unless (a) the issuer and Entergy Corporation maintain a common equity ratio of at least 30% and (b) the security to be issued (if rated) and all its outstanding securities of the issuer, as well as all outstanding securities of Entergy Corporation, that are rated, are rated investment grade.

Junior Subordinated Deferrable Interest Debentures and Implementation of FIN 46 (Entergy Gulf States)

Entergy implemented FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" effective December 31, 2003. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among their investors. Variable interest entities (VIEs), generally, are entities that do not have sufficient equity to permit the entity to finance its operations without additional financial support from its equity interest holders and/or the group of equity interest holders are collectively not able to exercise control over the entity. The primary beneficiary is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both as a result of holding the variable interest. A company may have an interest in a VIE through ownership or other contractual rights or obligations.

Entergy Gulf States Capital I (Trust) was established as a financing subsidiary of Entergy Gulf States, (the parent company or companies, collectively) for the purposes of issuing common and preferred securities. The Trust issued Cumulative Quarterly Income Preferred Securities (Preferred Securities) to the public and issued common securities to its parent companies. Proceeds from such issues were used to purchase junior subordinated deferrable interest debentures (Debentures) from the parent company. The Debentures held by the Trust were its only assets. The Trust used interest payments received on the Debentures owned by it to make cash distributions on the Preferred Securities and common securities. The parent company fully and unconditionally guaranteed payment of distributions on the Preferred Securities issued by the Trust. Prior to the application of FIN 46, the parent company consolidated its interest in its Trust. Because the parent company's share of expected losses of its Trust is limited to its investment in its Trust, the parent company is not considered the primary beneficiary and therefore de-consolidated its interest in the Trust upon application of FIN 46 with no significant impact to the financial statements. In 2004, the parent company's investment in the Trust and the Debentures issued by the parent company is included in Other Property and Investments and Long-Term Debt, respectively. In 2005, Entergy Gulf States redeemed the Debentures and the Trust redeemed the Preferred Securities.

Tax Exempt Bond Audit (Entergy Louisiana)

The Internal Revenue Service (IRS) is auditing certain Tax Exempt Bonds (Bonds) issued by St. Charles Parish, State of Louisiana (the Issuer). The Bonds were issued to finance previously unfinanced acquisition costs expended by Entergy Louisiana to acquire certain radioactive solid waste disposal facilities (the Facilities) at the Waterford Steam Electric Generating Station. In March and April 2005, the IRS issued proposed adverse determinations that the Issuer's 7.0% Series bonds due 2022, 7.5% Series bonds due 2021, and 7.05% Series bonds due 2022 are not tax exempt. The stated basis for these determinations was that radioactive waste did not constitute "solid waste" within the provisions of the Internal Revenue Code and therefore the Facilities did not qualify as solid waste disposal facilities. The Issuer has requested administrative appeals of the proposed adverse determinations with respect to the Bonds to the IRS Office of Appeals. The Issuer and Entergy Louisiana intend to continue to contest vigorously these matters. The three series of Bonds are the only series of bonds issued by the Issuer for the benefit of Entergy Louisiana that are the subject of audits by the IRS.

NOTE 6. PREFERRED STOCK (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

The number of shares authorized and outstanding and dollar value of preferred stock for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans as of December 31, 2005 and 2004 are presented below. Only the two Entergy Gulf States series "with sinking fund" contain mandatory redemption requirements. All other series of the U.S. Utility are redeemable at Entergy's option at the call prices presented. Dividends paid on all of Entergy's preferred stock series are eligible for the dividends received deduction. The dividends received deduction is limited by Internal Revenue Code section 244 for the following preferred stock series: Entergy Arkansas 4.72%, Entergy Gulf States 4.40%, Entergy Louisiana Holdings 4.96%, Entergy Mississippi 4.56%, and Entergy New Orleans 4.75%.

	Shares Authorized and Outstanding		Dollars (In Thousands)		Call Price Per Share as of December 31, 2005
	2005	2004	2005	2004	
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		Dollars (In Thousands)		Call Price Per Share as of December 31, 2005
	2005	2004	2005	2004	
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	308,830	30,883	30,883	\$101.80
Total without sinking fund	473,268	473,268	\$47,327	\$47,327	
With sinking fund:					
Adjustable Rate-A, 7.0% (b)	72,000	84,000	\$7,200	\$8,400	\$100.00
Adjustable Rate-B, 7.0% (b)	67,500	90,000	6,750	9,000	\$100.00
Total with sinking fund	139,500	174,000	\$13,950	\$17,400	
Fair Value of Preferred Stock with Sinking Fund (c)			\$15,286	\$15,286	

	Shares Authorized and Outstanding		Dollars (In Thousands)		Call Price Per Share as of December 31, 2005
	2005	2004	2005	2004	
Entergy Louisiana Holdings Preferred Stock					
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	

	Shares Authorized and Outstanding		Dollars (In Thousands)		Call Price Per Share as of December 31, 2005
	2005	2004	2005	2004	
<u>Entergy Louisiana, LLC Preferred Stock</u>					
Without sinking fund:					
Cumulative, \$100 par value:					
6.95% Series	1,000,000	-	\$100,000	\$-	\$-
Total without sinking fund	1,000,000	-	\$100,000	\$-	

	Shares		Dollars		Call Price Per
	Authorized and Outstanding		(In Thousands)		Share as of
	2005	2004	2005	2004	December 31, 2005
<u>Entergy Mississippi Preferred Stock</u>					
Without sinking fund:					
Cumulative, \$100 par value:					
4.36% Series	59,920	59,920	\$5,992	\$5,992	\$103.88
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	-	10,000	\$-
8.36% Series	-	200,000	-	20,000	\$-
Cumulative, \$25 par value					
6.25% Series (d)	1,200,000	-	30,000	-	\$-
Total without sinking fund	1,403,807	503,807	\$50,381	\$50,381	

	Shares Authorized and Outstanding		Dollars (In Thousands)		Call Price Per Share as of December 31,
	2005	2004	2005	2004	2005
<u>Entergy New Orleans Preferred Stock</u>					
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	\$104.58
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	

- (a) The total dollar value represents the liquidation value of \$25 per share.
- (b) Represents weighted-average annualized rates for 2005 and 2004.
- (c) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is an additional disclosure of fair value of financial instruments in Note 12 to the domestic utility companies and System Energy financial statements.
- (d) Series is non-callable until August 2010; thereafter callable at par.

Entergy Gulf States' preferred stock with sinking fund retirements were 34,500 shares in 2005, 2004, and 2003. Entergy Gulf States has annual sinking fund requirements of \$3.45 million through 2009 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.

In June 2005, Entergy Mississippi issued 1,200,000 shares of \$25 par value 6.25% Series Preferred Stock, all of which are outstanding as of December 31, 2005. The dividends are cumulative and payable quarterly beginning November 1, 2005. The preferred stock is redeemable on or after July 1, 2010, at Entergy Mississippi's option, at the call price of \$25 per share. The proceeds from this issuance were used in the third quarter of 2005 to redeem all \$20 million of Entergy Mississippi's \$100 par value 8.36% Series Preferred Stock and all \$10 million of Entergy Mississippi's \$100 par value 7.44% Series Preferred Stock.

In December 2005, Entergy Louisiana, LLC issued 1,000,000 shares of \$100 par value 6.95% Series Preferred Stock, all of which are outstanding as of December 31, 2005. The dividends are cumulative and payable quarterly beginning March 15, 2006. The preferred stock is redeemable on or after December 31, 2010, at Entergy Louisiana's option, at the call price of \$100 per share. The proceeds from the issuance will be used to repay short-term borrowings.

Entergy New Orleans has 77,798 shares of \$100 par value, 4 $\frac{3}{4}$ % series preferred stock ("4 $\frac{3}{4}$ % Preferred") issued and outstanding. The 4 $\frac{3}{4}$ % Preferred is non-voting, limited and preferred as to dividends, has a preference in liquidation over the common stock equal to its par value (\$100), has redemption rights equal to 105% of its issue price and is not convertible into any other class of stock. The 4 $\frac{3}{4}$ % Preferred is entitled to a quarterly dividend to be paid on the first day of January, April, July, and October. Due to its bankruptcy, Entergy New Orleans did not pay the preferred stock dividends due October 1, 2005 or January 1, 2006. If dividends with respect to the 4 $\frac{3}{4}$ % Preferred are not paid by July 1, 2006, the holders of these shares will have the right to elect a majority of the Entergy New Orleans board of directors. If the 4 $\frac{3}{4}$ % Preferred obtain the right to elect a majority of the Entergy New Orleans board of directors, Entergy New Orleans will no longer be a member of the Entergy Consolidated Tax Return Group. If Entergy New Orleans is not a member of the Entergy Consolidated Tax Return Group, Entergy New Orleans is not entitled to benefits under the Entergy Income Tax Allocation Agreement.

NOTE 7. COMMON EQUITY (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Dividend Restrictions

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of the domestic utility companies and System Energy restrict the payment of cash dividends or other distributions on their common and preferred stock. As of December 31, 2005, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of \$396.4 million and \$68.5 million, respectively.

The Federal Power Act restricts the ability of a public utility to pay dividends out of capital. As a result of its restructuring and the related accounting, Entergy Louisiana, LLC applied to the FERC for a declaratory order to pay dividends on its common and preferred membership interests from the following sources: (1) the amount of Entergy Louisiana, Inc.'s retained earnings immediately prior to its restructuring on December 31, 2005; (2) an amount in excess of the amount in (1) over a transition period not expected to last more than 3 years as long as Entergy Louisiana, LLC's proprietary capital ratio is, and will remain, above 30%; and (3) the amount of Entergy Louisiana, LLC's retained earnings after the restructuring. The FERC granted the declaratory order on January 23, 2006. Dividends paid by Entergy Louisiana, LLC on its common membership interests to Entergy Louisiana Holdings, Inc. may, in turn, be paid by Entergy Louisiana Holdings, Inc. to Entergy Corporation without the need for FERC approval. As a wholly-owned subsidiary, Entergy Louisiana Holdings, Inc. dividends its earnings to Entergy Corporation at a percentage determined monthly.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The domestic utility companies and System Energy are involved in a number of legal, tax, and regulatory proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of their business. While management is unable to predict the outcome of such proceedings, it is not expected that the ultimate resolution of these matters will have a material adverse effect on Entergy Arkansas', Entergy Gulf States', Entergy Louisiana's, Entergy Mississippi's, Entergy New Orleans', or System Energy's results of operations, cash flows, or financial condition.

Entergy New Orleans Bankruptcy

See Note 14 to the consolidated financial statements for information on the Entergy New Orleans bankruptcy proceeding.

Vidalia Purchased Power Agreement (Entergy Louisiana)

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately \$115.1 million in 2005, \$147.7 million in 2004, and \$112.6 million in 2003. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$130.4 million in 2006, and a total of \$3.4 billion for the years 2007 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause. In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by \$11 million each year for up to ten years, beginning in October 2002. The provisions of the settlement also provide that the LPSC shall not recognize or use Entergy Louisiana's use of the cash benefits from the tax treatment in setting any of Entergy Louisiana's rates. Therefore, to the extent Entergy Louisiana's use of the proceeds would ordinarily have reduced its rate base, no change in rate base shall be reflected for ratemaking purposes.

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

The domestic utility companies that are owners of System Fuels have made loans to System Fuels to finance its fuel procurement, delivery, and storage activities. The following loans outstanding to System Fuels as of December 31, 2005 mature in 2008:

<u>Owner</u>	<u>Ownership Percentage</u>	<u>Loan Outstanding at December 31, 2005</u>
Entergy Arkansas	35%	\$11.0 million
Entergy Louisiana	33%	\$14.2 million
Entergy Mississippi	19%	\$5.5 million
Entergy New Orleans	13%	\$3.3 million

Nuclear Insurance (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Third Party Liability Insurance

The Price-Anderson Act provides insurance for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Originally passed by Congress in 1957 and most recently amended in 2005, the Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two levels:

1. The primary level is private insurance underwritten by American Nuclear Insurers and provides liability insurance coverage of \$300 million. If this amount is not sufficient to cover claims arising from the accident, the second level, Secondary Financial Protection, applies. An industry-wide aggregate limitation of \$300 million exists for domestically-sponsored terrorist acts. There is no limitation for foreign-sponsored terrorist acts.
2. Within the Secondary Financial Protection level, each nuclear plant must pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, up to a maximum of \$100.6 million per reactor per incident. This consists of a \$95.8 million maximum retrospective premium plus a five percent surcharge that may be applied, if needed, at a rate that is presently set at \$15 million per year per nuclear power reactor. There are no domestically- or foreign-sponsored terrorism limitations.

Currently, 104 nuclear reactors are participating in the Secondary Financial Protection program - 103 operating reactors and one under construction. The product of the maximum retrospective premium assessment to the nuclear power industry and the number of nuclear power reactors provides over \$10 billion in insurance coverage to compensate the public in the event of a nuclear power reactor accident.

Entergy Arkansas has two licensed reactors and Entergy Gulf States, Entergy Louisiana, and System Energy each have one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (SMEPA), which would share on a pro-rata basis in any retrospective premium assessment under the Price-Anderson Act).

An additional but temporary contingent liability exists for all nuclear power reactor owners because of a previous Nuclear Worker Tort (long-term bodily injury caused by exposure to nuclear radiation while employed at a nuclear power plant) insurance program that was in place from 1988 to 1998. The maximum premium assessment exposure to each reactor is \$3 million and will only be applied if such claims exceed the program's accumulated reserve funds. This contingent premium assessment feature will expire with the Nuclear Worker Tort program's expiration, which is scheduled for 2008.

Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of certain mutual insurance companies that provide property damage coverage, including decontamination and premature decommissioning expense, to the members' nuclear generating plants. These programs are underwritten by Nuclear Electric Insurance Limited (NEIL). As of December 31, 2005, the domestic utility companies and System Energy were insured against such losses per the following structures:

ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3

- Primary Layer (per plant) - \$500 million per occurrence
- Excess Layer (per plant) - \$100 million per occurrence
- Blanket Layer (shared among all plants) - \$1.0 billion per occurrence
- Total limit - \$1.6 billion per occurrence
- Deductibles:
 - \$5.0 million per occurrence - Turbine/generator damage
 - \$5.0 million per occurrence - Other than turbine/generator damage

Note: ANO 1 and 2 share in the Primary Layer with one policy in common.

In addition, Waterford 3 and Grand Gulf are also covered under NEIL's Accidental Outage Coverage program. This coverage provides certain fixed indemnities in the event of an unplanned outage that results from a covered NEIL property damage loss, subject to a deductible. The following summarizes this coverage as of December 31, 2005:

Waterford 3

- \$2.95 million weekly indemnity
- \$413 million maximum indemnity
- Deductible: 26 week waiting period

Grand Gulf

- \$100,000 weekly indemnity
- \$14 million maximum indemnity
- Deductible: 26 week waiting period

Under the property damage and accidental outage insurance programs, Entergy's nuclear plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. As of December 31, 2005, the maximum amount of such possible assessments per occurrence were \$16.1 million for Entergy Arkansas, \$10.9 million for Entergy Gulf States, \$13.3 million for Entergy Louisiana, \$0.15 million for Entergy Mississippi, \$0.15 million for Entergy New Orleans, and \$11.9 million for System Energy.

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

In the event that one or more acts of domestically-sponsored terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate of \$3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses. There is no aggregate limit involving one or more acts of foreign-sponsored terrorism.

Non-Nuclear Property Insurance (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Entergy's non-nuclear property insurance program provides coverage up to \$400 million on an Entergy system-wide basis, subject to a \$20 million per occurrence self-insured retention, for all risks coverage for direct physical loss or damage, including boiler and machinery breakdown. Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes above-ground transmission and distribution lines, poles, and towers. The primary property program (excess of the deductible) is placed through Oil Insurance Limited (\$250 million layer) with the excess program (\$150 million layer) placed on a quota share basis through underwriters at Lloyds (50%) and Hartford Steam Boiler Inspection and Insurance Company (50%). There is an aggregation limit of \$1 billion for all parties insured by OIL for any one occurrence. Coverage is in place for Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy Gulf States, and Entergy New Orleans.

In addition to the OIL program, Entergy has purchased additional coverage for some of its non-regulated, non-generation assets through Zurich American. This policy serves to buy-down the \$20 million deductible and is placed on a scheduled location basis. The applicable deductibles are \$100,000 or \$250,000 as per the schedule provided to underwriters.

Nuclear Decommissioning and Other Retirement Costs (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy)

SFAS 143, "Accounting for Asset Retirement Obligations," which was implemented effective 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 are recorded at their fair values (which is 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 is 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 are depreciated over the useful lives of the assets. SFAS 143 is expected to be earnings neutral to the rate-regulated business of the domestic utility companies and System Energy.

In accordance with ratemaking treatment and as required by SFAS 71, the depreciation provisions for the domestic utility companies and System Energy include a component for removal costs that are not asset retirement obligations under SFAS 143. In accordance with regulatory accounting principles, the domestic utility companies and System Energy have recorded regulatory assets (liabilities) in the following amounts to reflect their estimates of the difference between estimated incurred removal costs and estimated removal costs recovered in rates previously recorded as a component of accumulated depreciation:

	December 31,	
	2005	2004
	(In Millions)	
Entergy Arkansas	\$86.2	\$34.9
Entergy Gulf States	\$17.9	\$0.9
Entergy Louisiana	(\$22.8)	(\$34.6)
Entergy Mississippi	\$40.9	\$32.7
Entergy New Orleans	\$5.4	\$1.3
System Energy	\$17.9	\$17.1

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2005 by Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy were as follows:

	Liabilities as of December 31, 2004	Accretion	Implementation of FIN 47	Change in Cash Flow Estimate	Liabilities as of December 31, 2005
	(In Millions)				
ANO 1 and ANO 2	\$492.7	\$31.3	\$5.3	(\$87.2)	\$442.1
River Bend	\$152.1	\$13.8	\$9.6	\$-	\$175.5
Waterford 3	\$347.3	\$18.7	\$8.9	(\$153.6)	\$221.3
Grand Gulf	\$335.9	\$24.4	\$-	(\$41.4)	\$318.9

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment.

In the first quarter of 2004, Entergy Arkansas recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for ANO 1 and 2 as a result of revised decommissioning costs and changes in assumptions regarding the timing of when the decommissioning of the plants

will begin. The revised estimate resulted in a \$107.7 million reduction in its decommissioning liability, along with a \$19.5 million reduction in utility plant and an \$88.2 million reduction in the related regulatory asset.

In the third quarter of 2004, Entergy Gulf States recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for River Bend that reflected an expected life extension for the plant. The revised estimate resulted in a \$166.4 million reduction in decommissioning liability, along with a \$31.3 million reduction in utility plant, a \$49.6 million reduction in non-utility property, a \$40.1 million reduction in the related regulatory asset, and a regulatory liability of \$17.7 million. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous income of \$27.7 million (\$17 million net-of-tax).

In the second quarter of 2005, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Waterford 3 that reflected an expected life extension for the plant. The revised estimate resulted in a \$153.6 million reduction in its decommissioning liability, along with a \$49.2 million reduction in utility plant and a \$104.4 million reduction in the related regulatory asset.

In the third quarter of 2005, Entergy Arkansas recorded a revision to its estimated decommissioning cost liability for ANO 2 in accordance with the receipt of approval by the NRC of Entergy Arkansas' application for a life extension for the unit. The revised estimate resulted in an \$87.2 million reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

In the third quarter of 2005, System Energy recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Grand Gulf. The revised estimate resulted in a \$41.4 million reduction in the decommissioning cost liability for Grand Gulf, along with a \$39.7 million reduction in utility plant and a \$1.7 million reduction in the related regulatory asset.

In December 2005, Entergy implemented FASB Interpretation 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143", (FIN 47), effective as of that date, which required the recognition of additional asset retirement obligations other than nuclear decommissioning which are conditional in nature. The obligations recognized upon implementation represent primarily Entergy's obligation to remove and dispose of asbestos at many of its non-nuclear generating units if and when those units are retired from commercial service and dismantled. For the U.S. Utility business, the implementation of FIN 47 for the rate-regulated business of the domestic utility companies was recorded as regulatory assets, with no resulting effect on Entergy's net income. Entergy recorded these regulatory assets because existing rate mechanisms in each jurisdiction allow the recovery in rates of the ultimate costs of asbestos removal, either through cost of service or in rate base, from current and future customers. As a result of this treatment, FIN 47 is expected to be earnings neutral to the rate-regulated business of the domestic utility companies. Upon implementation of FIN 47 in December 2005, assets increased by \$28.8 million and liabilities increased by \$30.3 million for the U.S. Utility segment as a result of recording the asset retirement obligations at their fair values of \$30.3 million as determined under FIN 47, increasing utility plant by \$2.7 million, increasing accumulated depreciation by \$1.8 million, and recording the related regulatory assets of \$27.9 million. The implementation of FIN 47 for portions of Entergy Gulf States not subject to cost-based ratemaking decreased earnings by \$0.9 million net-of-tax. If FIN 47 had been applied by Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans during prior periods, the following impacts would have resulted:

	December 31, 2004	December 31, 2003
	(in Thousands)	
Entergy Arkansas		
Asset retirement obligations actually recorded	\$492,745	\$567,546
Pro forma effect of FIN 47	\$5,057	\$4,770
Asset retirement obligations - pro forma	\$497,802	\$572,316
Entergy Gulf States		
Asset retirement obligations actually recorded	\$152,095	\$298,785
Pro forma effect of FIN 47	\$9,035	\$8,524
Asset retirement obligations - pro forma	\$161,130	\$307,309
Entergy Louisiana		
Asset retirement obligations actually recorded	\$347,255	\$325,598
Pro forma effect of FIN 47	\$8,379	\$7,904
Asset retirement obligations - pro forma	\$355,634	\$333,502
Entergy Mississippi		
Asset retirement obligations actually recorded	\$-	\$-
Pro forma effect of FIN 47	\$3,789	\$3,575
Asset retirement obligations - pro forma	\$3,789	\$3,575
Entergy New Orleans		
Asset retirement obligations actually recorded	\$-	\$-
Pro forma effect of FIN 47	\$2,263	\$2,115
Asset retirement obligations - pro forma	\$2,263	\$2,115

The impact on net income for each of the above companies for each of the years ended December 31, 2005, 2004, and 2003 would have been immaterial.

Entergy maintains decommissioning trust funds that are committed to meeting the costs of decommissioning the nuclear power plants. The fair values of the decommissioning trust funds and asset retirement obligation-related regulatory assets of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy as of December 31, 2005 are as follows:

	Decommissioning Trust Fair Values	Regulatory Assets
	(In Millions)	
ANO 1 & ANO 2	\$402.1	\$99.7
River Bend	\$310.8	-
Waterford 3	\$187.1	\$48.7
Grand Gulf	\$236.0	\$99.4

The Energy Policy Act of 1992 contains a provision that assesses domestic nuclear utilities with fees for the decontamination and decommissioning (D&D) of the DOE's past uranium enrichment operations. Annual assessments in 2005 were \$4.5 million for Entergy Arkansas, \$1.1 million for Entergy Gulf States, \$1.7 million for Entergy Louisiana, and \$1.9 million for System Energy. The Energy Policy Act calls for cessation of annual D&D assessments not later than October 24, 2007. At December 31, 2005, one year of assessments was remaining. D&D

fees are included in other current liabilities and other non-current liabilities and, as of December 31, 2005, recorded liabilities were \$4.5 million for Entergy Arkansas, \$1.1 million for Entergy Gulf States, \$1.7 million for Entergy Louisiana, and \$1.7 million for System Energy. Regulatory assets in the financial statements offset these liabilities, with the exception of Entergy Gulf States' 30% non-regulated portion. These assessments are recovered through rates in the same manner as fuel costs.

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

In 2003 the domestic utility companies entered an agreement with CashPoint Network Services (CashPoint) under which CashPoint was to manage a network of payment agents through which Entergy's utility customers could pay their bills. The payment agent system allows customers to pay their bills at various commercial or governmental locations, rather than sending payments by mail. Approximately one-third of Entergy's utility customers use payment agents.

On April 19, 2004, CashPoint failed to pay funds due to the domestic utility companies that had been collected through payment agents. The domestic utility companies then obtained a temporary restraining order from the Civil District Court for the Parish of Orleans, State of Louisiana, enjoining CashPoint from distributing funds belonging to Entergy, except by paying those funds to Entergy. On April 22, 2004, a petition for involuntary Chapter 7 bankruptcy was filed against CashPoint by other creditors in the United States Bankruptcy Court for the Southern District of New York. In response to these events, the domestic utility companies expanded an existing contract with another company to manage all of their payment agents. The domestic utility companies filed proofs of claim in the CashPoint bankruptcy proceeding in September 2004. Although Entergy cannot precisely determine at this time the amount that CashPoint owes to the domestic utility companies that may not be repaid, it has accrued an estimate of loss based on current information. If no cash is repaid to the domestic utility companies, an event Entergy does not believe is likely, the current estimates of maximum exposure to loss are approximately as follows:

	<u>Amount</u> (In Millions)
Entergy Arkansas	\$1.8
Entergy Gulf States	\$7.7
Entergy Louisiana	\$8.8
Entergy Mississippi	\$4.3
Entergy New Orleans	\$2.4

Environmental Issues (Entergy Gulf States)

Entergy Gulf States has been designated as a PRP for the cleanup of certain hazardous waste disposal sites. As of December 31, 2005, Entergy Gulf States does not expect the remaining clean-up costs to exceed its recorded liability of \$1.5 million for the remaining sites at which the EPA has designated Entergy Gulf States as a PRP.

City Franchise Ordinances (Entergy New Orleans)

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to franchise ordinances. These ordinances contain a continuing option for the city to purchase Entergy New Orleans' electric and gas utility properties.

Waterford 3 Lease Obligations (Entergy Louisiana)

On September 28, 1989, Entergy Louisiana entered into three identical transactions for the sale and leaseback of undivided interests (aggregating approximately 9.3%) in Waterford 3. In July 1997, Entergy Louisiana caused the lessors to issue \$307.6 million aggregate principal amount of Waterford 3 Secured Lease Obligation

Bonds, 8.09% Series due 2017, to refinance the outstanding bonds originally issued to finance the purchase of the undivided interests by the lessors. The lease payments were reduced to reflect the lower interest costs. Upon the occurrence of certain events, Entergy Louisiana may be obligated to pay amounts sufficient to permit the termination of the lease transactions and may be required to assume the outstanding bonds issued to finance, in part, the lessors' acquisition of the undivided interests in Waterford 3.

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

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

Asbestos and Hazardous Material Litigation (Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Numerous lawsuits have been filed in federal and state courts in Texas, Louisiana, and Mississippi primarily by contractor employees in the 1950-1980 timeframe against Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans, and Entergy Mississippi 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. Presently, there are approximately 555 lawsuits involving approximately 10,000 claims. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover more reimbursement. 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.

Grand Gulf - Related Agreements

Capital Funds Agreement (System Energy)

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

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

System Energy has agreed to sell all of its 90% share of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered so long as the unit remains in commercial operation. The agreement will remain in effect until terminated by the parties and the termination is approved by FERC, most likely upon Grand Gulf's retirement from service. Monthly obligations are based on actual capacity and energy costs. The average monthly payments for 2005 under the

agreement are approximately \$16.5 million for Entergy Arkansas, \$6.6 million for Entergy Louisiana, \$13.3 million for Entergy Mississippi, and \$8.1 million for Entergy New Orleans.

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

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are individually obligated to make payments or subordinated advances to System Energy in accordance with stated percentages (Entergy Arkansas-17.1%, Entergy Louisiana-26.9%, Entergy Mississippi-31.3%, and Entergy New Orleans-24.7%) in amounts that, when added to amounts received under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses as defined, including an amount sufficient to amortize the cost of Grand Gulf 2 over 27 years. (See Reallocation Agreement terms below.) System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Since commercial operation of Grand Gulf, payments under the Unit Power Sales Agreement have exceeded the amounts payable under the Availability Agreement. Accordingly, 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.

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

System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans entered into the Reallocation Agreement relating to the sale of capacity and energy from Grand Gulf and the related costs, in which Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans agreed to assume all of Entergy Arkansas' responsibilities and obligations with respect to Grand Gulf under the Availability Agreement. FERC's decision allocating a portion of Grand Gulf capacity and energy to Entergy Arkansas supersedes the Reallocation Agreement as it relates to Grand Gulf. Responsibility for any Grand Gulf 2 amortization amounts has been individually allocated (Entergy Louisiana-26.23%, Entergy Mississippi-43.97%, and Entergy New Orleans-29.80%) under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect Entergy Arkansas' obligation to System Energy's lenders under the assignments referred to in the preceding paragraph. Entergy Arkansas would be liable for its share of such amounts if Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans were unable to meet their contractual obligations. No payments of any amortization amounts will be required so long as amounts paid to System Energy under the Unit Power Sales Agreement, including other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Reimbursement Agreement (System Energy)

In December 1988, System Energy entered into two separate, but identical, arrangements for the sale and leaseback of an approximate aggregate 11.5% ownership interest in Grand Gulf. In connection with the equity funding of the sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable for the benefit of the equity investors by System Energy under the leases. The current letters of credit are effective until May 29, 2009.

Under the provisions of the reimbursement agreement relating to the letters of credit, System Energy has agreed to a number of covenants regarding the maintenance of certain capitalization and fixed charge coverage ratios. System Energy agreed, during the term of the reimbursement agreement, to maintain a ratio of debt to total liabilities and equity less than or equal to 70%. In addition, System Energy must maintain, with respect to each fiscal quarter during the term of the reimbursement agreement, a ratio of adjusted net income to interest expense of at least

1.50 times earnings. As of December 31, 2005, System Energy's debt ratio was approximately 31.2%, and its fixed charge coverage ratio for 2005 was approximately 4.0, calculated, in each case, as prescribed in the reimbursement agreement.

NOTE 9. LEASES (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

General

As of December 31, 2005 the domestic utility companies had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum lease payments as follows:

Capital Leases

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Mississippi</u>
	(In Thousands)	
2006	\$5,705	\$42
2007	3,484	11
2008	1,307	-
2009	237	-
2010	237	-
Years thereafter	2,331	-
Minimum lease payments	13,301	53
Less: Amount representing interest	3,400	3
Present value of net minimum lease payments	<u>\$9,901</u>	<u>\$50</u>

Operating Leases

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>
	(In Thousands)				
2006	\$22,685	\$24,682	\$8,368	\$7,895	\$1,476
2007	19,978	18,164	7,415	4,705	1,273
2008	17,235	10,906	6,183	3,979	750
2009	10,126	9,988	5,034	3,352	480
2010	9,244	9,378	3,749	2,839	269
Years thereafter	50,553	109,517	9,202	9,298	271
Minimum lease payments	<u>\$129,821</u>	<u>\$182,635</u>	<u>\$39,951</u>	<u>\$32,068</u>	<u>\$4,519</u>

Rental Expenses

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
(In Millions)						
2005	\$15.3	\$23.1	\$9.8	\$2.8	\$1.5	\$1.3
2004	\$17.4	\$24.4	\$11.9	\$3.4	\$1.9	\$2.0
2003	\$19.4	\$26.5	\$13.8	\$5.4	\$2.5	\$2.0

In addition to the above rental expense, railcar operating lease payments and oil tank facilities lease payments are recorded in fuel expense in accordance with regulatory treatment. Railcar operating lease payments were \$6.6 million in 2005, \$9.3 million in 2004, and \$6.8 million in 2003 for Entergy Arkansas and \$1.9 million in 2005, \$2.0 million in 2004, and \$1.8 million in 2003 for Entergy Gulf States. Oil tank facilities lease payments for Entergy Mississippi were \$3.5 million in 2005, \$3.2 million for 2004, and \$3.1 million for 2003.

Nuclear Fuel Leases

As of December 31, 2005, arrangements to lease nuclear fuel existed in an aggregate amount up to \$150 million for Entergy Arkansas, \$105 million for Entergy Gulf States, \$80 million for Entergy Louisiana, and \$110 million for System Energy. As of December 31, 2005, the unrecovered cost base of nuclear fuel leases amounted to approximately \$92.2 million for Entergy Arkansas, \$55.2 million for Entergy Gulf States, \$58.5 million for Entergy Louisiana, and \$87.5 million for System Energy. The lessors finance the acquisition and ownership of nuclear fuel through loans made under revolving credit agreements, the issuance of commercial paper, and the issuance of intermediate-term notes. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each have a termination date of October 30, 2006. The termination dates may be extended from time to time with the consent of the lenders. The intermediate-term notes issued pursuant to these fuel lease arrangements have varying maturities through February 15, 2009. It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. However, if such additional financing cannot be arranged, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations in accordance with the fuel lease.

Lease payments are based on nuclear fuel use. The table below represents the total nuclear fuel lease payments (principal and interest) as well as the separate interest component charged to operations in 2005, 2004, and 2003:

	2005		2004		2003	
	<u>Lease Payments</u>	<u>Interest</u>	<u>Lease Payments</u>	<u>Interest</u>	<u>Lease Payments</u>	<u>Interest</u>
(In Millions)						
Entergy Arkansas	\$47.5	\$3.9	\$53.0	\$4.3	\$49.9	\$3.3
Entergy Gulf States	27.2	3.5	29.7	3.2	27.8	3.0
Entergy Louisiana	30.9	2.6	36.1	2.5	32.3	2.4
System Energy	30.2	2.9	27.8	2.8	32.0	3.1
Total	<u>\$135.8</u>	<u>\$12.9</u>	<u>\$146.6</u>	<u>\$12.8</u>	<u>\$142.0</u>	<u>\$11.8</u>

Sale and Leaseback Transactions

Waterford 3 Lease Obligations (Entergy Louisiana)

In 1989, Entergy Louisiana sold and leased back 9.3% of its interest in Waterford 3 for the aggregate sum of \$353.6 million. The lease has an approximate term of 28 years. The lessors financed the sale-leaseback through the issuance of Waterford 3 Secured Lease Obligation Bonds. The lease payments made by Entergy Louisiana are sufficient to service the debt.

In 1994, Entergy Louisiana did not exercise its option to repurchase the 9.3% interest in Waterford 3. As a result, Entergy Louisiana issued \$208.2 million of non-interest bearing first mortgage bonds as collateral for the equity portion of certain amounts payable under the lease.

In 1997, the lessors refinanced the outstanding bonds used to finance the purchase of Waterford 3 at lower interest rates, which reduced the annual lease payments.

Upon the occurrence of certain events, Entergy Louisiana may be obligated to assume the outstanding bonds used to finance the purchase of the unit and to pay an amount sufficient to withdraw from the lease transaction. Such events include lease events of default, events of loss, deemed loss events, or certain adverse "Financial Events." "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure period, to maintain (i) total equity capital (including preferred stock) at least equal to 30% of adjusted capitalization, or (ii) a fixed charge coverage ratio of at least 1.50 computed on a rolling 12 month basis.

As of December 31, 2005, Entergy Louisiana's total equity capital (including preferred stock) was 49.51% of adjusted capitalization and its fixed charge coverage ratio for 2005 was 3.69.

As of December 31, 2005, Entergy Louisiana had future minimum lease payments (reflecting an overall implicit rate of 7.45%) in connection with the Waterford 3 sale and leaseback transactions, which are recorded as long-term debt, as follows:

	Amount
	(In Thousands)
2006	\$18,261
2007	18,754
2008	22,606
2009	32,452
2010	35,138
Years thereafter	298,924
Total	426,135
Less: Amount representing interest	178,410
Present value of net minimum lease payments	<u>\$247,725</u>

Grand Gulf Lease Obligations (System Energy)

In December 1988, System Energy sold 11.5% of its undivided ownership interest in Grand Gulf for the aggregate sum of \$500 million. Subsequently, System Energy leased back its interest in the unit for a term of 26 1/2 years. System Energy has the option of terminating the lease and repurchasing the 11.5% interest in the unit at certain intervals during the lease. Furthermore, at the end of the lease term, System Energy has the option of renewing the lease or repurchasing the 11.5% interest in Grand Gulf.

In May 2004 System Energy caused the Grand Gulf lessors to refinance the outstanding bonds that they had issued to finance the purchase of their undivided interest in Grand Gulf. The refinancing is at a lower interest rate, and System Energy's lease payments have been reduced to reflect the lower interest costs.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and is recording this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance at the end of the lease term. The amount of this net regulatory asset was \$64.8 million and \$75.4 million as of December 31, 2005 and 2004, respectively.

As of December 31, 2005, System Energy had future minimum lease payments (reflecting an implicit rate of 5.02%), which are recorded as long-term debt as follows:

	<u>Amount</u> (In Thousands)
2006	\$46,019
2007	46,552
2008	47,128
2009	47,760
2010	48,569
Years thereafter	<u>253,833</u>
Total	489,861
Less: Amount representing interest	<u>125,055</u>
Present value of net minimum lease payments	<u><u>\$364,806</u></u>

NOTE 10. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Qualified Pension Plans

Entergy's domestic utility companies and System Energy participate in two of Entergy's qualified pension plans: "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees." Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts. As of December 31, 2005 and 2004, Entergy's domestic utility companies and System Energy recognized an additional minimum pension liability for the excess of the accumulated benefit obligation over the fair market value of plan assets. In accordance with SFAS 87, an offsetting intangible asset, up to the amount of any unrecognized prior service cost, was also recorded, with the remaining offset to the liability recorded as a regulatory asset, reflective of the recovery mechanism for pension costs in the domestic utility companies' jurisdictions. Entergy's domestic utility companies' and System Energy's pension costs are recovered from customers as a component of cost of service in each of its jurisdictions. Entergy uses a December 31 measurement date for its pension plans.

Components of Qualified Net Pension Cost

Total 2005, 2004, and 2003 qualified pension cost of the domestic utility companies and System Energy, including amounts capitalized, included the following components:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$12,893	\$10,646	\$7,712	\$3,902	\$1,799	\$3,621
Interest cost on projected benefit obligation	38,132	30,193	23,307	12,620	4,876	5,701
Expected return on assets	(35,835)	(39,424)	(26,681)	(14,292)	(3,407)	(5,554)
Amortization of transition asset	-	-	-	-	-	(277)
Amortization of prior service cost	1,662	1,234	562	513	225	50
Recognized net loss	7,885	1,646	4,687	2,249	1,805	877
Net pension cost	<u>\$24,737</u>	<u>\$4,295</u>	<u>\$9,587</u>	<u>\$4,992</u>	<u>\$5,298</u>	<u>\$4,418</u>
2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$11,941	\$9,693	\$7,009	\$3,615	\$1,569	\$3,386
Interest cost on projected benefit obligation	35,846	28,471	21,790	11,915	4,465	5,189
Expected return on assets	(36,913)	(39,682)	(27,510)	(14,716)	(2,568)	(4,556)
Amortization of transition asset	-	-	-	-	-	(319)
Amortization of prior service cost	1,662	1,511	650	513	226	67
Recognized net loss	3,952	405	1,344	794	898	788
Net pension cost	<u>\$16,488</u>	<u>\$398</u>	<u>\$3,283</u>	<u>\$2,121</u>	<u>\$4,590</u>	<u>\$4,555</u>

2003	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$11,156	\$8,788	\$6,369	\$3,411	\$1,539	\$3,142
Interest cost on projected benefit obligation	33,009	27,708	20,028	11,339	3,958	4,200
Expected return on assets	(38,712)	(41,784)	(28,919)	(15,434)	(2,616)	(3,944)
Amortization of transition asset	-	-	-	-	-	(319)
Amortization of prior service cost	1,737	1,931	789	584	236	73
Recognized net loss	256	150	-	83	-	27
Curtailment loss	5,305	2,133	2,748	1,065	129	944
Special termination benefits	5,543	2,857	2,619	811	367	1,720
Net pension cost	<u>\$18,294</u>	<u>\$1,783</u>	<u>\$3,634</u>	<u>\$1,859</u>	<u>\$3,613</u>	<u>\$5,843</u>

Qualified Pension Obligations, Plan Assets, Funded Status, and Amounts Not yet Recognized and Recognized in the Balance Sheet as of December 31, 2005 and 2004

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Change in Projected Benefit Obligation (PBO)						
Balance at 12/31/04	\$624,816	\$496,210	\$379,102	\$206,143	\$78,350	\$94,999
Service cost	12,893	10,646	7,712	3,902	1,799	3,621
Interest cost	38,132	30,193	23,307	12,620	4,876	5,701
Actuarial loss	50,160	41,500	33,829	17,441	7,457	7,336
Benefits paid	(35,876)	(28,035)	(22,497)	(13,097)	(3,733)	(1,929)
Balance at 12/31/05	<u>\$690,125</u>	<u>\$550,514</u>	<u>\$421,453</u>	<u>\$227,009</u>	<u>\$88,749</u>	<u>\$109,728</u>
Change in Plan Assets						
Fair value of assets at 12/31/04	\$433,256	\$463,539	\$329,404	\$175,278	\$30,813	\$56,000
Actual return on plan assets	29,944	33,219	24,024	12,149	3,200	5,406
Employer contributions	4,003	14,818	-	1,025	14,404	7,694
Benefits paid	(35,876)	(28,035)	(22,497)	(13,097)	(3,733)	(1,929)
Fair value of assets at 12/31/05	<u>\$431,327</u>	<u>\$483,541</u>	<u>\$330,931</u>	<u>\$175,355</u>	<u>\$44,684</u>	<u>\$67,171</u>
Funded status	<u>(\$258,798)</u>	<u>(\$66,973)</u>	<u>(\$90,522)</u>	<u>(\$51,654)</u>	<u>(\$44,065)</u>	<u>(\$42,557)</u>
Amounts not yet recognized in the balance sheet						
Unrecognized prior service cost	6,515	4,703	3,200	2,179	1,038	235
Unrecognized net loss	181,987	84,689	107,760	54,160	32,216	26,906
Prepaid/(accrued) pension cost recognized in the balance sheet	<u>(\$70,296)</u>	<u>\$22,419</u>	<u>\$20,438</u>	<u>\$4,685</u>	<u>(\$10,811)</u>	<u>(\$15,416)</u>
Amounts recognized in the balance sheet						
Prepaid/(accrued) pension liability	(\$70,296)	\$22,419	\$20,438	\$4,685	(\$10,811)	(\$15,416)
Additional minimum pension liability	(145,634)	(16,352)	(75,271)	(42,919)	(24,335)	(12,432)
Intangible asset	7,595	3,245	3,200	2,427	1,038	366
Accumulated other comprehensive income (before taxes)	-	1,908	-	-	-	-
Regulatory asset	138,039	11,199	72,071	40,492	23,297	12,066
Net amount recognized	<u>(\$70,296)</u>	<u>\$22,419</u>	<u>\$20,438</u>	<u>\$4,685</u>	<u>(\$10,811)</u>	<u>(\$15,416)</u>

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Change in Projected Benefit Obligation (PBO)						
Balance at 12/31/03	\$565,004	\$467,707	\$340,212	\$190,184	\$67,866	\$79,033
Service cost	11,941	9,693	7,009	3,615	1,569	3,386
Interest cost	35,846	28,471	21,790	11,915	4,465	5,189
Actuarial loss	46,590	17,687	32,309	13,200	8,169	9,175
Benefits paid	(34,565)	(27,348)	(22,218)	(12,771)	(3,719)	(1,784)
Balance at 12/31/04	<u>\$624,816</u>	<u>\$496,210</u>	<u>\$379,102</u>	<u>\$206,143</u>	<u>\$78,350</u>	<u>\$94,999</u>
Change in Plan Assets						
Fair value of assets at 12/31/03	\$423,214	\$448,490	\$316,669	\$169,958	\$29,565	\$45,375
Actual return on plan assets	39,265	42,380	31,046	16,268	2,849	8,667
Employer contributions	5,342	17	3,907	1,823	2,118	3,742
Benefits paid	(34,565)	(27,348)	(22,218)	(12,771)	(3,719)	(1,784)
Fair value of assets at 12/31/04	<u>\$433,256</u>	<u>\$463,539</u>	<u>\$329,404</u>	<u>\$175,278</u>	<u>\$30,813</u>	<u>\$56,000</u>
Funded status	<u>(\$191,560)</u>	<u>(\$32,671)</u>	<u>(\$49,698)</u>	<u>(\$30,865)</u>	<u>(\$47,537)</u>	<u>(\$38,999)</u>
Amounts not yet recognized in the balance sheet						
Unrecognized transition asset	-	-	-	-	-	(277)
Unrecognized prior service cost	8,177	5,938	3,762	2,692	1,263	286
Unrecognized net loss	<u>133,821</u>	<u>38,628</u>	<u>75,962</u>	<u>36,825</u>	<u>26,357</u>	<u>20,298</u>
Prepaid/(accrued) pension cost recognized in the balance sheet	<u>(\$49,562)</u>	<u>\$11,895</u>	<u>\$30,026</u>	<u>\$8,652</u>	<u>(\$19,917)</u>	<u>(\$18,692)</u>
Amounts recognized in the balance sheet						
Prepaid/(accrued) pension liability	(\$49,562)	\$11,895	\$30,026	\$8,652	(\$19,917)	(\$18,692)
Additional minimum pension liability	(81,161)	-	(38,871)	(23,492)	(16,928)	(7,678)
Intangible asset	10,313	-	4,759	3,308	1,698	247
Regulatory asset	<u>70,848</u>	<u>-</u>	<u>34,112</u>	<u>20,184</u>	<u>15,230</u>	<u>7,431</u>
Net amount recognized	<u>(\$49,562)</u>	<u>\$11,895</u>	<u>\$30,026</u>	<u>\$8,652</u>	<u>(\$19,917)</u>	<u>(\$18,692)</u>

Other Postretirement Benefits

The domestic utility companies and System Energy also currently provide health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for Entergy. Entergy uses a December 31 measurement date for its postretirement benefit plans.

Effective January 1, 1993, Entergy adopted SFAS 106, which required a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. At January 1, 1993, the actuarially determined accumulated postretirement benefit obligation (APBO) earned by retirees and active employees was

estimated to be approximately \$241.4 million for Entergy (other than Entergy Gulf States) and \$128 million for Entergy Gulf States. Such obligations are being amortized over a 20-year period that began in 1993.

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

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

Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, the portion of Entergy Gulf States regulated by the PUCT, and System Energy fund postretirement benefit obligations collected in rates. System Energy is funding, on behalf of Entergy Operations, postretirement benefits associated with Grand Gulf. Entergy Louisiana and Entergy Gulf States continue to recover a portion of these benefits regulated by the LPSC and FERC on a pay-as-you-go basis.

Components of Net Other Postretirement Benefit Cost

Total 2005, 2004, and 2003 other postretirement benefit costs of the domestic utility companies and System Energy, including amounts capitalized and deferred, included the following components:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$4,648	\$5,300	\$2,958	\$1,463	\$805	\$1,724
Interest cost on APBO	10,555	10,476	6,872	3,502	3,255	1,566
Expected return on assets	(6,523)	(5,271)	-	(2,676)	(2,314)	(1,552)
Amortization of transition obligation	821	1,797	382	351	1,662	15
Amortization of prior service cost	(1,630)	-	(97)	(546)	38	(672)
Recognized net loss	5,806	2,854	3,065	2,287	1,095	626
Net other postretirement benefit cost	<u>\$13,677</u>	<u>\$15,156</u>	<u>\$13,180</u>	<u>\$4,381</u>	<u>\$4,541</u>	<u>\$1,707</u>

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$3,860	\$5,328	\$2,371	\$1,213	\$662	\$1,389
Interest cost on APBO	10,075	11,050	6,641	3,222	3,204	1,430
Expected return on assets	(6,210)	(4,995)	-	(2,554)	(2,263)	(1,362)
Amortization of transition obligation	1,068	4,589	1,202	431	2,121	15
Amortization of prior service cost	27	-	98	16	38	(361)
Recognized net loss	3,937	1,620	2,003	1,503	522	358
Net other postretirement benefit cost	<u>\$12,757</u>	<u>\$17,592</u>	<u>\$12,315</u>	<u>\$3,831</u>	<u>\$4,284</u>	<u>\$1,469</u>
2003	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	\$6,560	\$5,701	\$3,322	\$1,866	\$948	\$1,553
Interest cost on APBO	10,637	11,314	6,780	3,459	3,436	1,352
Expected return on assets	(4,859)	(4,349)	-	(2,186)	(2,010)	(1,088)
Amortization of transition obligation	3,327	5,307	2,238	1,301	2,449	135
Amortization of prior service cost	143	163	82	51	52	(140)
Recognized net loss	3,497	1,575	1,496	1,160	475	350
Curtailment loss	9,276	6,301	5,041	1,259	996	2,524
Special termination benefits	794	512	452	73	28	284
Net other postretirement benefit cost	<u>\$29,375</u>	<u>\$26,524</u>	<u>\$19,411</u>	<u>\$6,983</u>	<u>\$6,374</u>	<u>\$4,970</u>

Other Postretirement Benefit Obligations, Plan Assets, Funded Status, and Amounts Not Yet Recognized and Recognized in the Balance Sheet as of December 31, 2005 and 2004:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Change in APBO						
Balance at 12/31/04	\$179,358	\$201,264	\$115,796	\$57,578	\$54,849	\$26,902
Service cost	4,648	5,300	2,958	1,463	805	1,724
Interest cost	10,555	10,476	6,872	3,502	3,255	1,566
Actuarial loss	24,691	11,390	14,273	10,433	6,425	3,110
Benefits paid	(15,882)	(13,301)	(9,888)	(5,330)	(5,193)	(1,182)
Plan amendments	(5,629)	(24,291)	(1,013)	(2,177)	(637)	(3,942)
Plan participant contributions	1,611	1,451	1,039	585	711	64
Balance at 12/31/05	<u>\$199,352</u>	<u>\$192,289</u>	<u>\$130,037</u>	<u>\$66,054</u>	<u>\$60,215</u>	<u>\$28,242</u>
Change in Plan Assets						
Fair value of assets at 12/31/04	\$76,991	\$66,825	\$-	\$32,071	\$35,247	\$21,308
Actual return on plan assets	4,449	3,564	-	1,756	1,513	973
Employer contributions	18,195	14,331	8,849	4,787	4,739	1,671
Plan participant contributions	1,611	1,451	1,039	585	711	64
Benefits paid	(15,882)	(13,301)	(9,888)	(5,330)	(5,193)	(1,182)
Fair value of assets at 12/31/05	<u>\$85,364</u>	<u>\$72,870</u>	<u>\$-</u>	<u>\$33,869</u>	<u>\$37,017</u>	<u>\$22,834</u>
Funded status	<u>(\$113,988)</u>	<u>(\$119,419)</u>	<u>(\$130,037)</u>	<u>(\$32,185)</u>	<u>(\$23,198)</u>	<u>(\$5,408)</u>
Amounts not yet recognized in the balance sheet						
Unrecognized transition obligation	5,746	4,222	2,675	2,459	11,630	60
Unrecognized prior service cost	(8,012)	-	3	(2,646)	380	(6,031)
Unrecognized net loss	<u>100,144</u>	<u>67,332</u>	<u>55,932</u>	<u>37,495</u>	<u>21,751</u>	<u>12,763</u>
Prepaid/(accrued) postretirement benefit cost recognized in the balance sheet	<u>(\$16,110)</u>	<u>(\$47,865)</u>	<u>(\$71,427)</u>	<u>\$5,123</u>	<u>\$10,563</u>	<u>\$1,384</u>

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
(In Thousands)						
Change in APBO						
Balance at 12/31/03	\$187,259	\$194,205	\$112,675	\$57,786	\$55,062	\$25,466
Service cost	3,860	5,328	2,371	1,213	662	1,389
Interest cost	10,075	11,050	6,641	3,222	3,204	1,430
Actuarial loss	10,714	9,086	8,175	6,787	3,624	1,441
Benefits paid	(15,964)	(13,832)	(9,843)	(5,307)	(5,967)	(1,719)
Plan amendments (a)	(18,279)	(6,406)	(5,546)	(6,894)	(2,582)	(1,125)
Plan participant contributions	1,693	1,833	1,323	771	846	20
Balance at 12/31/04	<u>\$179,358</u>	<u>\$201,264</u>	<u>\$115,796</u>	<u>\$57,578</u>	<u>\$54,849</u>	<u>\$26,902</u>
Change in Plan Assets						
Fair value of assets at 12/31/03	\$68,876	\$59,511	\$-	\$28,932	\$33,158	\$16,821
Actual return on plan assets	5,657	4,773	-	2,154	2,340	1,495
Employer contributions	16,729	14,540	8,520	5,521	4,870	4,691
Plan participant contributions	1,693	1,833	1,323	771	846	20
Benefits paid	(15,964)	(13,832)	(9,843)	(5,307)	(5,967)	(1,719)
Fair value of assets at 12/31/04	<u>\$76,991</u>	<u>\$66,825</u>	<u>\$-</u>	<u>\$32,071</u>	<u>\$35,247</u>	<u>\$21,308</u>
Funded status	<u>(\$102,367)</u>	<u>(\$134,439)</u>	<u>(\$115,796)</u>	<u>(\$25,507)</u>	<u>(\$19,602)</u>	<u>(\$5,594)</u>
Amounts not yet recognized in the balance sheet						
Unrecognized transition obligation	6,567	30,310	3,057	2,810	13,929	119
Unrecognized prior service cost	(4,013)	-	919	(1,015)	418	(2,805)
Unrecognized net loss	<u>79,185</u>	<u>57,089</u>	<u>44,723</u>	<u>28,429</u>	<u>15,620</u>	<u>9,699</u>
Prepaid/(accrued) postretirement benefit cost recognized in the balance sheet	<u>(\$20,628)</u>	<u>(\$47,040)</u>	<u>(\$67,097)</u>	<u>\$4,717</u>	<u>\$10,365</u>	<u>\$1,419</u>

(a) Reflects plan design changes, including a change in participation assumption for certain bargaining employees at Entergy Arkansas and Entergy Mississippi, effective January 1, 2004.

Qualified Pension and Other Postretirement Plans' Assets

Entergy's qualified pension and postretirement plans weighted-average asset allocations by asset category at December 31, 2005 and 2004 are as follows:

	Pension		Postretirement	
	2005	2004	2005	2004
Domestic Equity Securities	45%	46%	37%	38%
International Equity Securities	21%	21%	15%	14%
Fixed-Income Securities	32%	31%	47%	47%
Other	2%	2%	1%	1%

Entergy's trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

In the optimization study, Entergy formulates assumptions (or hires a consultant to provide such analysis) about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical market characteristics of the various asset classes, and making adjustments to reflect future conditions expected to prevail over the study period.

The optimization analysis utilized in Entergy's latest study produced the following approved asset class target allocations.

	<u>Pension</u>	<u>Postretirement</u>
Domestic Equity Securities	45%	37%
International Equity Securities	20%	14%
Fixed-Income Securities	31%	49%
Other (Cash and GACs)	4%	0%

These allocation percentages combined with each asset class' expected investment return produced an aggregate return expectation for the five years following the study of 7.6% for pension assets, 5.4% for taxable postretirement assets, and 7.2% for non-taxable postretirement assets. These returns are not inconsistent with Entergy's disclosed expected pre-tax return on assets of 8.50% over the life of the respective liabilities.

Since precise allocation targets are inefficient to manage security investments, the following ranges were established to produce an acceptable economically efficient plan to manage to targets:

	<u>Pension</u>	<u>Postretirement</u>
Domestic Equity Securities	45% to 55%	32% to 42%
International Equity Securities	15% to 25%	9% to 19%
Fixed-Income Securities	25% to 35%	44% to 54%
Other	0% to 10%	0% to 5%

Accumulated Pension Benefit Obligation

The qualified pension accumulated benefit obligation for the domestic utility companies and System Entergy as of December 31, 2005 and 2004 was:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
	(In Thousands)	
Entergy Arkansas	\$629,791	\$558,283
Entergy Gulf States	\$501,026	\$449,986
Entergy Louisiana	\$385,763	\$341,681
Entergy Mississippi	\$209,638	\$189,119
Entergy New Orleans	\$79,831	\$69,202
System Energy	\$92,883	\$79,641

Estimated Future Benefit Payments

Based upon the assumptions used to measure the company's qualified pension and postretirement benefit obligation at December 31, 2005, and including pension and postretirement benefits attributable to estimated future employee service, Entergy expects that benefits to be paid over the next ten years and the Medicare Part D subsidies to be received will be as follows:

Estimated Future Qualified Pension Benefits Payments	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Year(s)						
2006	\$35,826	\$27,916	\$22,362	\$13,068	\$3,710	\$1,926
2007	\$36,472	\$28,226	\$22,512	\$13,277	\$3,735	\$1,959
2008	\$37,397	\$28,757	\$22,842	\$13,588	\$3,790	\$2,006
2009	\$38,698	\$29,535	\$23,346	\$14,030	\$3,873	\$2,074
2010	\$40,518	\$30,621	\$24,048	\$14,648	\$3,990	\$2,168
2011 - 2015	\$249,558	\$182,418	\$140,036	\$89,367	\$23,236	\$13,294

Estimated Future Other Postretirement Benefits Payments	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Year(s)						
2006	\$14,389	\$13,220	\$9,112	\$4,568	\$4,944	\$1,398
2007	\$15,291	\$14,151	\$9,658	\$4,883	\$5,218	\$1,514
2008	\$15,856	\$14,759	\$10,049	\$5,111	\$5,411	\$1,594
2009	\$16,337	\$15,153	\$10,310	\$5,259	\$5,562	\$1,699
2010	\$16,794	\$15,444	\$10,565	\$5,472	\$5,654	\$1,870
2011 - 2015	\$85,513	\$81,011	\$54,627	\$29,405	\$27,895	\$11,227

Estimated Future Medicare Part D Subsidies	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Year(s)						
2006	\$1,257	\$1,160	\$739	\$501	\$589	\$53
2007	\$1,434	\$1,320	\$847	\$564	\$647	\$70
2008	\$1,605	\$1,470	\$945	\$625	\$692	\$91
2009	\$1,745	\$1,604	\$1,031	\$682	\$721	\$109
2010	\$1,864	\$1,719	\$1,105	\$722	\$738	\$122
2011 - 2015	\$11,653	\$10,536	\$6,816	\$4,310	\$3,953	\$1,064

Contributions

The domestic utility companies and System Energy expect to contribute the following to the pension and other postretirement plans in 2006:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Thousands)					
2005 Pension						
Contributions delayed until 2006	\$10,124	\$8,162	\$-	\$2,197	\$-	\$5,025
2006 Expected Pension						
Contributions	\$104,420	\$13,940	\$54,048	\$14,160	\$-	\$8,012
Total Projected 2006 Pension Contributions	\$114,544	\$22,102	\$54,048	\$16,357	\$-	\$13,037
Other Postretirement Contributions	\$17,803	\$14,016	\$8,373	\$4,995	\$5,187	\$1,231

Additional Information

The change in the qualified pension plans' minimum pension liability had no effect on other comprehensive income at the domestic utility companies and System Energy in 2004. Accumulated other comprehensive income increased by \$1.9 million at Entergy Gulf States in 2005. The change in the minimum pension liability included in regulatory assets at each of the domestic utility companies and System Energy was as follows for 2005 and 2004:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Thousands)					
2005	\$67,191	\$11,199	\$37,959	\$20,308	\$8,067	\$4,635
2004	\$29,191	\$-	\$34,112	\$13,820	\$4,865	\$370

Actuarial Assumptions

The assumed health care cost trend rate used in measuring the APBO of the domestic utility companies and System Energy was 12% for 2006, gradually decreasing each successive year until it reaches 4.5% in 2012 and beyond. The assumed health care cost trend rate used in measuring the Net Other Postretirement Benefit Cost of the domestic utility companies and System Energy was 10% for 2005, gradually decreasing each successive year until it reaches 4.5% in 2011 and beyond. A one percentage point change in the assumed health care cost trend rate for 2005 would have the following effects:

2005	1 Percentage Point Increase		1 Percentage Point Decrease	
	Impact on the APBO	Impact on the sum of service costs and interest cost	Impact on the APBO	Impact on the sum of service costs and interest cost
Increase (Decrease) (In Thousands)				
Entergy Arkansas	\$16,650	\$1,727	(\$15,366)	(\$1,534)
Entergy Gulf States	\$18,808	\$2,141	(\$17,132)	(\$1,861)
Entergy Louisiana	\$11,152	\$1,148	(\$10,271)	(\$1,016)
Entergy Mississippi	\$5,490	\$545	(\$5,069)	(\$486)
Entergy New Orleans	\$4,389	\$392	(\$4,091)	(\$352)
System Energy	\$3,309	\$531	(\$2,962)	(\$454)

The significant actuarial assumptions used in determining the pension PBO and the SFAS 106 APBO as of December 31, 2005, 2004, and 2003 were as follows:

	2005	2004	2003
Weighted-average discount rate:			
Pension	5.90%	6.00%	6.25%
Other postretirement	5.90%	6.00%	6.71%
Weighted-average rate of increase in future compensation levels	3.25%	3.25%	3.25%

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2005, 2004, and 2003 were as follows:

	2005	2004	2003
Weighted-average discount rate			
Pension	6.00%	6.25%	6.75%
Other postretirement	6.00%	6.71%	6.75%
Weighted-average rate of increase in future compensation levels	3.25%	3.25%	3.25%
Expected long-term rate of return on plan assets:			
Taxable assets	5.50%	5.50%	5.50%
Non-taxable assets	8.50%	8.75%	8.75%

The domestic utility companies' and System Energy's remaining pension transition assets are being amortized over the greater of the remaining service period of active participants or 15 years which ended in 2005, and their SFAS 106 transition obligations are being amortized over 20 years ending in 2012.

Voluntary Severance Program

In the second half of 2003, the domestic utility companies and System Energy offered a voluntary severance program to certain groups of employees. As a result of this program, in the fourth quarter 2003 the domestic utility companies and System Energy recorded additional pension and postretirement costs (including amounts capitalized) of \$53.9 million for special termination benefits and plan curtailment charges. These amounts are included in the net pension cost and net postretirement benefit cost for the year ended December 31, 2003.

Medicare Prescription Drug, Improvement and Modernization Act of 2003

In December 2003, the President signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 into law. The Act introduces a prescription drug benefit under Medicare (Part D), starting in 2006, as well as a federal subsidy to employers who provide a retiree prescription drug benefit that is at least actuarially equivalent to Medicare Part D.

The actuarially estimated effect of future Medicare subsidies was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	Increase (Decrease)					
	In Thousands					
Impact on 12/31/2005 APBO	(\$42,337)	(\$36,740)	(\$23,640)	(\$14,407)	(\$11,206)	(\$5,972)
Impact on 12/31/2004 APBO	(\$35,928)	(\$31,846)	(\$20,085)	(\$12,227)	(\$9,742)	(\$4,982)
Impact on 2005 other postretirement benefit cost	(\$5,443)	(\$4,747)	(\$3,040)	(\$1,790)	(\$1,334)	(\$938)
Impact on 2004 other postretirement benefit cost	(\$4,999)	(\$4,405)	(\$2,752)	(\$1,657)	(\$1,248)	(\$815)

Non-Qualified Pension Plans

Entergy's domestic utility companies participate in Entergy's non-qualified, non-contributory defined benefit pension plans that provide benefits to certain executives. There are \$0.4 million in plan assets for a pre-merger Entergy Gulf States plan. The net periodic pension cost for the non-qualified plans for 2005, 2004 and 2003 was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>
	(In Thousands)				
2005	\$508	\$1,316	\$27	\$170	\$204
2004	\$510	\$1,268	\$27	\$132	\$190
2003	\$372	\$1,307	\$21	\$142	\$144

The projected benefit obligation for the non-qualified plans as of December 31, 2005 and 2004 was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>
	(In Thousands)				
2005	\$3,760	\$19,188	\$187	\$1,467	\$1,652
2004	\$3,785	\$18,707	\$220	\$1,139	\$1,925

The accumulated benefit obligation for the non-qualified plans as of December 31, 2005 and 2004 was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>
	(In Thousands)				
2005	\$3,545	\$19,108	\$187	\$1,316	\$1,466
2004	\$3,726	\$19,419	\$199	\$1,328	\$1,347

The additional minimum pension liability as of December 31, 2005 was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>
	(In Thousands)				
Additional minimum pension liability	(\$1,656)	(\$3,839)	(\$97)	(\$662)	(\$548)
Intangible asset	\$381	\$137	\$28	\$47	\$47
Regulatory asset	\$1,275	\$3,163	\$69	\$615	\$501
Accumulated other comprehensive income (before taxes)	\$-	\$539	\$-	\$-	\$-

NOTE 11. RISK MANAGEMENT AND DERIVATIVES

Market and Commodity Risks

In the normal course of business, the domestic utility companies and System Energy are exposed to a number of market and commodity risks including power price risk, fuel price risk, foreign currency exchange rate risk, and equity price and interest rate risks. Market risk is the potential loss that the domestic utility companies and System Energy may incur as a result of changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk.

The domestic utility companies and System Energy manage these risks through both contractual arrangements and derivatives. Contractual risk management tools include long-term power and fuel purchase agreements. The domestic utility companies and System Energy also use a variety of commodity and financial derivatives, including natural gas and electricity futures, forwards and options, and foreign currency forwards to manage the following risks:

- power price risk resulting from Entergy's short position during the summer months;
- fuel price risk for spot market gas purchases; and
- foreign currency exchange rate risk resulting from Euro-denominated nuclear fuel acquisition contracts.

Gains and losses realized from derivative transactions used to manage power and fuel price risk are included in fuel costs recovered through rates. Accordingly, these gains and losses are accounted for as regulatory assets and liabilities prior to transaction maturity. Power price risk is managed primarily through the purchase of short-term forward contracts that are accounted for as normal purchases. Any option premiums paid to manage power price risk are booked with an offsetting regulatory asset or liability. The volume of these purchases is based on Entergy's demand forecast.

Entergy manages fuel price risk for its Louisiana jurisdictions (Entergy Louisiana, Entergy New Orleans, and the Louisiana portion of Entergy Gulf States) and Entergy Mississippi primarily through the purchase of short-term swaps. These swaps are marked-to-market with offsetting regulatory assets or liabilities. The notional volumes of these swaps are based on a portion of projected purchases of gas for the summer (electric generation) and winter (gas distribution at Entergy Gulf States and Entergy New Orleans) peak seasons.

Entergy Gulf States manages foreign currency exchange rate risk associated with the acquisition of nuclear fuel through the purchase of forwards that are accounted for as cash flow hedges. The notional volumes of these forwards are based on forecasted purchases and the realized gain or loss from these forwards is included in the capitalized cost of the applicable batches of nuclear fuel. Gains totaling approximately \$6.4 million were realized during 2004 on the maturity of cash flow hedges. These realized gains resulted from foreign currency hedges related to Euro-denominated nuclear fuel acquisition contracts, and related gains or losses, when realized, are included in the capitalized cost of nuclear fuel. The ineffective portion of the change in the value of Entergy Gulf States' cash flow hedges during 2004 was insignificant. Entergy Gulf States had no outstanding cash flow hedges during the year ended December 31, 2005.

NOTE 12. DECOMMISSIONING TRUST FUNDS

Entergy Arkansas

Entergy Arkansas holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at December 31, 2005 and 2004 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
<u>2005</u>			
Equity	\$205.6	\$78.8	\$0.8
Debt Securities	196.5	1.1	2.6
Total	\$402.1	\$79.9	\$3.4
<u>2004</u>			
Equity	\$189.5	\$66.6	\$1.6
Debt Securities	194.3	4.3	1.9
Total	\$383.8	\$70.9	\$3.5

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at December 31, 2005:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
		(In Millions)		
Less than 12 months	\$0.2	\$-	\$102.4	\$1.6
More than 12 months	9.7	0.8	28.8	1.0
Total	\$9.9	\$0.8	\$131.2	\$2.6

The fair value of debt securities, summarized by contractual maturities, at December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
	(In Millions)	
less than 1 year	\$6.3	\$32.5
1 year - 5 years	71.9	128.3
5 years - 10 years	112.6	30.2
10 years - 15 years	2.2	3.3
15 years - 20 years	-	-
20 years+	3.5	-
Total	\$196.5	\$194.3

During the year ended December 31, 2005, the proceeds from the dispositions of securities amounted to \$19.5 million with gross gains of \$250,970 and gross losses of \$899,665. During the year ended December 31, 2004, the proceeds from the dispositions of securities amounted to \$1.7 million with gross gains of \$17,098 and gross losses of \$18,274.

Entergy Gulf States

Entergy Gulf States holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at December 31, 2005 and 2004 are summarized as follows:

	<u>Fair Value</u>	<u>Total Unrealized Gains</u> (In Millions)	<u>Total Unrealized Losses</u>
2005			
Equity	\$153.6	\$28.7	\$0.3
Debt Securities	157.2	6.9	0.5
Total	<u>\$310.8</u>	<u>\$35.6</u>	<u>\$0.8</u>
2004			
Equity	\$138.1	\$20.4	\$0.8
Debt Securities	152.9	8.8	0.2
Total	<u>\$291.0</u>	<u>\$29.2</u>	<u>\$1.0</u>

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at December 31, 2005:

	<u>Equity Securities</u>		<u>Debt Securities</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
	(In Millions)			
Less than 12 months	\$0.6	\$-	\$15.9	\$0.2
More than 12 months	5.1	0.3	0.1	0.3
Total	<u>\$5.7</u>	<u>\$0.3</u>	<u>\$16.0</u>	<u>\$0.5</u>

The fair value of debt securities, summarized by contractual maturities, at December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
	(In Millions)	
less than 1 year	\$7.7	\$8.7
1 year - 5 years	49.0	42.0
5 years - 10 years	50.1	51.3
10 years - 15 years	35.4	37.7
15 years - 20 years	12.2	11.0
20 years+	2.8	2.2
Total	<u>\$157.2</u>	<u>\$152.9</u>

During the year ended December 31, 2005, the proceeds from the dispositions of securities amounted to \$6.1 million with gross gains of \$205,683 and gross losses of \$320,003. During the year ended December 31, 2004, the proceeds from the dispositions of securities amounted to \$2.9 million with gross gains of \$790 and gross losses of \$98,852.

Entergy Louisiana

Entergy Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at December 31, 2005 and 2004 are summarized as follows:

	<u>Fair Value</u>	<u>Total Unrealized Gains (In Millions)</u>	<u>Total Unrealized Losses</u>
2005			
Equity	\$105.8	\$23.6	\$1.6
Debt Securities	81.3	2.2	0.8
Total	<u>\$187.1</u>	<u>\$25.8</u>	<u>\$2.4</u>
2004			
Equity	\$92.5	\$17.1	\$2.5
Debt Securities	79.6	2.8	0.8
Total	<u>\$172.1</u>	<u>\$19.9</u>	<u>\$3.3</u>

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at December 31, 2005:

	<u>Equity Securities</u>		<u>Debt Securities</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
	<u>(In Millions)</u>			
Less than 12 months	\$0.2	\$-	\$33.1	\$0.6
More than 12 months	13.8	1.6	5.2	0.2
Total	<u>\$14.0</u>	<u>\$1.6</u>	<u>\$38.3</u>	<u>\$0.8</u>

The fair value of debt securities, summarized by contractual maturities, at December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
	<u>(In Millions)</u>	
less than 1 year	\$15.6	\$38.8
1 year - 5 years	15.5	17.6
5 years - 10 years	22.1	12.4
10 years - 15 years	12.3	4.8
15 years - 20 years	12.9	6.0
20 years+	2.9	-
Total	<u>\$81.3</u>	<u>\$79.6</u>

During the year ended December 31, 2005, the proceeds from the dispositions of securities amounted to \$3.0 million with gross gains of \$99,390 and gross losses of \$174,179. During the year ended December 31, 2004, the proceeds from the dispositions of securities amounted to \$4.3 million with gross gains of \$244,250 and gross losses of \$25,882.

System Energy

System Energy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at December 31 2005 and 2004 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
<u>2005</u>			
Equity	\$142.9	\$22.3	\$4.5
Debt Securities	93.1	1.2	1.1
Total	\$236.0	\$23.5	\$5.6
<u>2004</u>			
Equity	\$127.0	\$15.0	\$7.2
Debt Securities	78.1	1.9	0.6
Total	\$205.1	\$16.9	\$7.8

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at December 31, 2005:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
		(In Millions)		
Less than 12 months	\$0.3	\$-	\$50.6	\$0.8
More than 12 months	42.6	4.5	13.7	0.3
Total	\$42.9	\$4.5	\$64.3	\$1.1

The fair value of debt securities, summarized by contractual maturities, at December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
	(In Millions)	
less than 1 year	\$9.8	\$4.8
1 year - 5 years	32.5	22.4
5 years - 10 years	20.7	30.0
10 years - 15 years	6.2	7.9
15 years - 20 years	3.4	6.9
20 years+	20.5	6.1
Total	\$93.1	\$78.1

During the year ended December 31, 2005, the proceeds from the dispositions of securities amounted to \$8.6 million and gross gains of \$148,293 and gross losses of \$471,952. During the year ended December 31, 2004, the proceeds from the dispositions of securities amounted to \$7.5 million and gross gains of \$32,362 and gross losses of \$58,755.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy evaluate unrealized gains and losses at the end of each period to determine whether an other than temporary impairment has occurred. This analysis considers the length of time that a security has been in a loss position, the current performance of that security, and whether decommissioning costs are recovered in rates. No significant impairments were recorded in 2005 and 2004 as a result of these evaluations.

Due to the regulatory treatment of decommissioning collections and trust fund earnings, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy record regulatory assets or liabilities for unrealized gains and losses on trust investments. For the unregulated portion of River Bend, Entergy Gulf States has recorded an offsetting amount of unrealized gains or losses in other deferred credits.

NOTE 13. TRANSACTIONS WITH AFFILIATES (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Each domestic utility company purchases electricity from and sells electricity to the other domestic utility companies and System Energy under rate schedules filed with FERC. The domestic utility companies and System Energy purchase fuel from System Fuels; receive management, technical, advisory, operating, and administrative services from Entergy Services; and receive management, technical, and operating services from Entergy Operations. These transactions are on an "at cost" basis. In addition, Entergy Power sells electricity to Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans, and RS Cogen sells electricity to Entergy Louisiana and Entergy New Orleans.

As described in Note 1 to the domestic utility companies and System Energy financial statements, all of System Energy's operating revenues consist of billings to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.

Additionally, as described in Note 4 to the domestic utility companies and System Energy financial statements, the domestic utility companies and System Energy participate in the Entergy's money pool and earn interest income from the money pool. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans also receive interest income from System Fuels, Inc.

The tables below contain the various affiliate transactions of the domestic utility companies, System Energy, and other Entergy affiliates.

<u>Intercompany Revenues</u>						
	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Millions)					
2005	\$197.7	\$186.7	\$342.4	\$69.2	\$117.6	\$533.9
2004	\$256.8	\$52.5	\$96.6	\$47.6	\$117.8	\$545.4
2003	\$242.3	\$42.8	\$102.4	\$27.6	\$85.5	\$583.8

Intercompany Operating Expenses

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Millions)					
	(1)		(2)		(3)	
2005	\$670.0	\$546.5	\$606.4	\$520.2	\$260.2	\$102.9
2004	\$467.5	\$558.2	\$491.8	\$484.4	\$228.4	\$109.4
2003	\$460.6	\$438.6	\$444.6	\$458.6	\$211.2	\$118.0

- (1) Includes \$1.9 million in 2005, \$2.3 million in 2004, and \$0.1 million in 2003 for power purchased from Entergy Power.
- (2) Includes power purchased from Entergy Power and RS Cogen LLC in 2005 of \$8.4 million and \$48.8 million, respectively, in 2004 of \$9.1 million and \$33.0 million, respectively, and in 2003 of \$5.9 million and \$19.1 million, respectively.
- (3) Includes power purchased from Entergy Power and RS Cogen LLC in 2005 of \$8.3 million and \$12.6 million, respectively, in 2004 of \$9.0 million and \$10.6 million, respectively, and in 2003 of \$5.7 million and \$6.9 million, respectively.

Intercompany Interest Income

	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Millions)					
2005	\$2.0	\$0.1	\$1.5	\$1.0	\$0.2	\$4.2
2004	\$0.6	\$0.4	\$1.1	\$0.6	\$0.2	\$0.6
2003	\$0.6	\$0.4	\$1.2	\$0.3	\$0.2	\$0.1

NOTE 14. ENTERGY NEW ORLEANS BANKRUPTCY PROCEEDING

On September 23, 2005, Entergy New Orleans filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Louisiana seeking reorganization relief under the provisions of Chapter 11 of the United States Bankruptcy Code (Case No. 05-17697). Entergy New Orleans continues to operate its business as a debtor-in-possession under the jurisdiction of the bankruptcy court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the bankruptcy court.

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. The facility provides the ability for Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. On December 9, 2005, the bankruptcy court issued its order giving final approval for a \$200 million debtor-in-possession credit facility and the priority and lien status of the indebtedness under the DIP credit agreement. The indenture trustee of Entergy New Orleans' first mortgage bonds appealed the final order, and that appeal is pending. Subsequent to the indenture trustee filing its notice of appeal, Entergy New Orleans, Entergy Corporation, and the indenture trustee filed with the bankruptcy court a motion to approve a settlement among the parties. The settlement would result in the dismissal of the indenture trustee's appeal. The settlement is set for hearing in the bankruptcy court on March 22, 2006. The DIP credit agreement is discussed in further detail in the Note 4 to the domestic utility companies and System Energy financial statements. The bankruptcy court has also issued orders allowing Entergy New Orleans to pay certain pre-petition vendors deemed critical to its restoration

efforts and allowing Entergy New Orleans to pay certain pre-petition wages, employee benefits, and employment-related taxes.

The accompanying financial statements have been prepared on the basis that Entergy New Orleans will continue as a going concern. Entergy New Orleans' filing for protection under Chapter 11 of the United States Bankruptcy Code as a result of the liquidity issues caused by Hurricane Katrina give rise to substantial doubt regarding Entergy New Orleans' ability to continue as a going concern for a reasonable period of time, primarily because of the loss of control inherent in the bankruptcy process. The financial statements do not include any adjustments that might result from the outcome of this uncertainty including adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if Entergy New Orleans is unable to continue as a going concern. The financial statements also do not attempt to reflect liabilities at the priority or status of any claims that the holders of such liabilities will have.

Entergy continues to work with the federal, state, and local authorities to resolve the bankruptcy in a manner that allows Entergy New Orleans' customers to be served by a financially viable entity as required by law. Key factors that will influence the timing and outcome of the Entergy New Orleans bankruptcy include:

- The amount of insurance recovery, if any, and the timing of receipt of proceeds;
- The amount of assistance, if any, from federal and state government, and the timing of that funding, including Entergy's intended application for Community Development Block Grant funding;
- The level of economic recovery of New Orleans;
- The number of customers that return to New Orleans, and the timing of their return; and
- The amount and timing of any regulatory recovery approved by the City Council.

The exclusivity period for filing a final plan of reorganization by Entergy New Orleans is currently scheduled to end on April 21, 2006, with solicitation of acceptances of the plan scheduled to be complete by June 20, 2006. If a party to the bankruptcy proceeding, including Entergy New Orleans, requests it, the bankruptcy court has the authority to extend these deadlines. In addition, the bankruptcy judge has set a date of April 19, 2006 by which creditors with prepetition claims against Entergy New Orleans must, with certain exceptions, file their proofs of claim in the bankruptcy case.

Certain pre-petition liabilities have been classified as liabilities subject to compromise in Entergy New Orleans' Balance Sheet as of December 31, 2005. The following table summarizes the components of liabilities subject to compromise as of December 31, 2005:

	Amount
	(In Thousands)
Accounts payable - Associated companies	\$46,815
Accounts payable - Other	25,000
Interest accrued	1,473
Accumulated provisions	5,770
Long-term debt	229,859
Total Liabilities Subject to Compromise	<u>\$308,917</u>

Payment terms for the amount classified as subject to compromise will be established in connection with a plan of reorganization.

NOTE 15. QUARTERLY FINANCIAL DATA (UNAUDITED) (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The business of the domestic utility companies and System Energy is subject to seasonal fluctuations with the peak periods occurring during the third quarter. Operating results for the four quarters of 2005 and 2004 were:

<u>Operating Revenue</u>						
	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Thousands)					
2005:						
First Quarter	\$367,360	\$679,250	\$480,673	\$251,246	\$191,267	\$124,790
Second Quarter	\$450,097	\$759,519	\$647,748	\$288,244	\$189,927	\$126,364
Third Quarter	\$556,445	\$971,840	\$760,916	\$406,765	\$189,593	\$140,583
Fourth Quarter	\$415,153	\$956,562	\$760,844	\$360,288	\$102,539	\$142,192
2004:						
First Quarter	\$363,461	\$638,996	\$488,046	\$236,829	\$169,767	\$127,168
Second Quarter	\$405,509	\$685,313	\$555,511	\$289,573	\$186,337	\$132,720
Third Quarter	\$481,103	\$840,630	\$668,240	\$390,337	\$200,036	\$144,052
Fourth Quarter	\$403,072	\$717,445	\$515,189	\$296,890	\$179,728	\$141,441

<u>Operating Income (Loss)</u>						
	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Thousands)					
2005:						
First Quarter	\$61,847	\$47,343	\$16,730	\$18,772	\$12,521	\$54,606
Second Quarter	\$87,109	\$91,998	\$140,802	\$35,793	\$17,934	\$53,259
Third Quarter	\$157,130	\$179,272	\$89,913	\$62,915	\$13,950	\$57,034
Fourth Quarter	\$9,861	\$72,747	\$33,689	\$15,209	(\$31,333)	\$58,511
2004:						
First Quarter	\$48,566	\$88,312	\$48,318	\$22,724	\$15,487	\$57,767
Second Quarter	\$80,669	\$101,832	\$84,357	\$42,157	\$22,880	\$59,585
Third Quarter	\$123,910	\$127,838	\$87,130	\$52,003	\$24,450	\$59,601
Fourth Quarter	\$40,590	\$41,437	\$41,710	\$29,730	(\$4,878)	\$56,181

<u>Net Income (Loss)</u>						
	<u>Entergy Arkansas</u>	<u>Entergy Gulf States</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>System Energy</u>
	(In Thousands)					
2005:						
First Quarter	\$31,931	\$23,349	\$1,771	\$7,222	\$5,736	\$26,232
Second Quarter	\$48,290	\$44,287	\$74,163	\$17,719	\$8,374	\$25,925
Third Quarter	\$92,368	\$105,060	\$42,860	\$33,327	\$6,417	\$26,920
Fourth Quarter	\$2,046	\$33,801	\$9,288	\$3,835	(\$19,277)	\$32,567
2004:						
First Quarter	\$19,276	\$41,728	\$21,211	\$8,637	\$7,114	\$24,664
Second Quarter	\$43,277	\$55,591	\$43,713	\$20,808	\$12,319	\$25,532
Third Quarter	\$67,944	\$82,456	\$45,496	\$27,873	\$13,189	\$27,505
Fourth Quarter	\$11,713	\$12,489	\$17,075	\$16,179	(\$4,550)	\$28,247