

ENTERGY CORP /DE/
 Form 10-Q
 May 03, 2019
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-35747	ENTERGY NEW ORLEANS, LLC (a Texas limited liability company) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 82-2212934
1-10764	ENTERGY ARKANSAS, LLC (a Texas limited liability company) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 83-1918668	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 10055 Grogans Mill Road The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company)	1-09067	SYSTEM ENERGY RESOURCES, INC.

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

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files). Yes No

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

	Large accelerated filer	Accelerated filer	Non- accelerated filer	Smaller reporting company	Emerging growth company
Entergy Corporation	<input type="checkbox"/>				
Entergy Arkansas, LLC			<input type="checkbox"/>		
Entergy Louisiana, LLC			<input type="checkbox"/>		
Entergy Mississippi, LLC			<input type="checkbox"/>		
Entergy New Orleans, LLC			<input type="checkbox"/>		
Entergy Texas, Inc.			<input type="checkbox"/>		
System Energy Resources, Inc.			<input type="checkbox"/>		

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

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

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

Registrant	Trading Symbol	Title of Class	Name of Each Exchange on Which Registered
Entergy Corporation	ETR	Common Stock, \$0.01 Par Value – 189,926,451 shares outstanding at April 30, 2019	New York Stock Exchange LLC NYSE Chicago, Inc.
Entergy Arkansas, LLC	EAB	Mortgage Bonds, 4.90% Series due December 2052	New York Stock Exchange LLC
	EAE	Mortgage Bonds, 4.75% Series due June 2063	New York Stock Exchange LLC
	EAI	Mortgage Bonds, 4.875% Series due September 2066	New York Stock Exchange LLC
Entergy Louisiana, LLC	ELJ	Mortgage Bonds, 5.25% Series due July 2052	New York Stock Exchange LLC
	ELU	Mortgage Bonds, 4.70% Series due June 2063	New York Stock Exchange LLC
	ELC	Mortgage Bonds, 4.875% Series due September 2066	New York Stock Exchange LLC
Entergy Mississippi, LLC	EMP	Mortgage Bonds, 4.90% Series due October 2066	New York Stock Exchange LLC
Entergy New Orleans, LLC	ENJ	Mortgage Bonds, 5.0% Series due December 2052	New York Stock Exchange LLC
	ENO	Mortgage Bonds, 5.50% Series due April 2066	New York Stock Exchange LLC
Entergy Texas, Inc.	EZT	Mortgage Bonds, 5.625% Series due June 2064	New York Stock Exchange LLC

Entergy Corporation, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2018, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

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

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

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

including the Entergy Wholesale Commodities nuclear plants, especially in light of the planned shutdown and sale of each of these nuclear plants;

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FORWARD-LOOKING INFORMATION (Continued)

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

volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;

changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;

- changes in environmental laws and regulations, agency positions or associated litigation, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, particulate matter and other regulated air emissions, heat and other regulated discharges to water, requirements for waste management and disposal and for the remediation of contaminated sites, wetlands protection and permitting, and changes in costs of compliance with environmental laws and regulations;

changes in laws and regulations, agency positions, or associated litigation related to protected species and associated critical habitat designations;

the effects of changes in federal, state, or local laws and regulations, and other governmental actions or policies, including changes in monetary, fiscal, tax, environmental, trade/tariff, or energy policies;

the effects of full or partial shutdowns of the federal government or delays in obtaining government or regulatory actions or decisions;

uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal and the level of spent fuel and nuclear waste disposal fees charged by the U.S. government or other providers related to such sites;

variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;

effects of climate change, including the potential for increases in extreme weather events and sea levels or coastal land and wetland loss;

changes in the quality and availability of water supplies and the related regulation of water use and diversion;

Entergy's ability to manage its capital projects and operation and maintenance costs;

Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms;

the economic climate, and particularly economic conditions in Entergy's Utility service area and the northern United States and events and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;

federal income tax reform, including the enactment of the Tax Cuts and Jobs Act, and its intended and unintended consequences on financial results and future cash flows;

the effects of Entergy's strategies to reduce tax payments, especially in light of federal income tax reform;

changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy's ability to refinance existing securities, execute share repurchase programs, and fund investments and acquisitions;

actions of rating agencies, including changes in the ratings of debt, changes in general corporate ratings, and changes in the rating agencies' ratings criteria;

changes in inflation and interest rates;

the effect of litigation and government investigations or proceedings;

changes in technology, including (i) Entergy's ability to implement new or emerging technologies, (ii) the impact of changes relating to new, developing, or alternative sources of generation such as distributed energy and energy storage, renewable energy, energy efficiency, demand side management, and other measures that reduce load, and (iii) competition from other companies offering products and services to Entergy's customers based on new or emerging

technologies or alternative sources of generation;
the effects, including increased security costs, of threatened or actual terrorism, cyber-attacks or data security breaches, natural or man-made electromagnetic pulses that affect transmission or generation infrastructure, accidents, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;
Entergy's ability to attract and retain talented management, directors, and employees with specialized skills;

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FORWARD-LOOKING INFORMATION (Concluded)

• changes in accounting standards and corporate governance;

• declines in the market prices of marketable securities and resulting funding requirements and the effects on benefits

• costs for Entergy's defined benefit pension and other postretirement benefit plans;

• future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;

• changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;

• the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by mid-2022, including the implementation of the planned shutdowns of Pilgrim, Indian Point 2, Indian Point 3, and Palisades;

• the effectiveness of Entergy's risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;

• factors that could lead to impairment of long-lived assets; and

• the ability to successfully complete strategic transactions Entergy may undertake, including mergers, acquisitions, divestitures, or restructurings, regulatory or other limitations imposed as a result of any such strategic transaction, and the success of the business following any such strategic transaction.

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DEFINITIONS

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

Abbreviation or Acronym	Term
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana.
Entergy Louisiana	Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes.
Entergy Texas	Entergy Texas, Inc., a Texas corporation formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Wholesale Commodities	Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which was sold in March 2017
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2018 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
Grand Gulf GWh	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy
Independence	Gigawatt-hour(s), which equals one million kilowatt-hours
	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC

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DEFINITIONS (Continued)

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

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DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014 and was disposed of in January 2019
Waterford 3 weather-adjusted usage	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, owned by Entergy Louisiana Electric usage excluding the effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: Utility and Entergy Wholesale Commodities.

The Utility business segment includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business.

The Entergy Wholesale Commodities business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. See "Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for discussion of the operation and planned shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants.

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

Results of Operations

First Quarter 2019 Compared to First Quarter 2018

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the first quarter 2019 to the first quarter 2018 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2018 Consolidated Net Income (Loss)	\$217,940	(\$17,779)	(\$63,961)	\$136,200
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	(43,585)	10,643	19	(32,923)
Other operation and maintenance	(2,636)	(2,116)	4,218	(534)
Asset write-offs, impairments, and related charges	—	1,055	—	1,055
Taxes other than income taxes	(2,191)	(3,607)	(845)	(6,643)
Depreciation and amortization	10,020	(111)	300	10,209
Other income	7,076	182,512	(1,738)	187,850
Interest expense	5,650	919	7,317	13,886
Other expenses	229	15,171	—	15,400
Income taxes	(63,788)	66,986	(4,090)	(892)
2019 Consolidated Net Income (Loss)	\$234,147	\$97,079	(\$72,580)	\$258,646

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

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

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Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

First quarter 2019 results of operations includes impairment charges of \$74 million (\$58 million net-of-tax) and first quarter 2018 results of operations includes impairment charges of \$73 million (\$58 million net-of-tax) due to costs being charged directly to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities' merchant power business. See "Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the first quarter 2019 to the first quarter 2018:

	Amount (In Millions)
2018 net revenue	\$1,460
Return of unprotected excess accumulated deferred income taxes to customers	(61)
Volume/weather	(38)
Retail electric price	61
Other	(6)
2019 net revenue	\$1,416

The return of unprotected excess accumulated deferred income taxes to customers resulted from activity in 2019 at the Utility operating companies in response to the enactment of the Tax Cuts and Jobs Act. The return of unprotected excess accumulated deferred income taxes began in second quarter 2018. There is no effect on net income as the reductions in net revenue were offset by reductions in income tax expense. See Note 2 to the financial statements in the Form 10-K for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The volume/weather variance is primarily due to the effect of less favorable weather on residential and commercial sales, partially offset by an increase in industrial usage. The increase in industrial usage is primarily driven by continued growth from new and expansion projects and increased demand from existing customers.

The retail electric price variance is primarily due to:

- the regulatory charges recorded in first quarter 2018 to reflect the effects of regulatory agreements to return the benefits of the lower income tax rate in 2018 to Entergy Louisiana customers;
- an increase in formula rate plan rates effective with the first billing cycle of January 2019 at Entergy Arkansas, as approved by the APSC;
- a base rate increase effective October 2018 at Entergy Texas, as approved by the PUCT;
- an increase in formula rate plan revenues implemented with the first billing cycle of September 2018 at Entergy Louisiana, as approved by the LPSC; and
- the implementation of an advanced metering system customer charge effective January 2019 at Entergy Louisiana, as approved by the LPSC.

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

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Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the first quarter 2019 to the first quarter 2018:

	Amount (In Millions)
2018 net revenue	\$382
Nuclear volume	15
Other	(4)
2019 net revenue	\$393

As shown in the table above, net revenue for Entergy Wholesale Commodities increased by \$11 million in the first quarter 2019 as compared to the first quarter 2018 primarily due to higher volume in the Entergy Wholesale Commodities nuclear fleet resulting from fewer non-refueling outage days in the first quarter 2019 as compared to the first quarter 2018.

Following are key performance measures for Entergy Wholesale Commodities for the first quarters 2019 and 2018:

	2019	2018
Owned capacity (MW)	3,962	3,962
GWh billed	7,203	6,996

Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	85%	83%
GWh billed	6,690	6,408
Average energy price (\$/MWh)	\$51.43	\$52.29
Average capacity price (\$/kW-month)	\$4.71	\$3.83
Refueling outage days:		
Indian Point 2	—	13
Indian Point 3	21	—

Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from \$588 million for the first quarter 2018 to \$585 million for the first quarter 2019 primarily due to:

- a decrease of \$20 million in nuclear generation expenses primarily due to a lower scope of work performed in the first quarter 2019 as compared to first quarter 2018 and lower nuclear labor costs, including contract labor;
- a decrease of \$5 million in storm damage provisions at Entergy Mississippi. See Note 2 to the financial statements in the Form 10-K for discussion of storm cost recovery; and
- a decrease of \$4 million in energy efficiency costs due to the timing of recovery from customers.

The decrease was partially offset by:

- an increase of \$8 million in information technology costs primarily due to higher software maintenance costs and higher contract costs;

an increase of \$5 million in outside legal costs primarily due to a settlement received in 2018 which reduced legal costs in the first quarter 2018;

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- an increase of \$4 million in spending on customer initiatives to explore new technologies and services;
- an increase of \$3 million in advanced metering costs, including customer education costs; and
- an increase of \$3 million in fossil-fueled generation expenses due to a higher scope of work performed in the first quarter 2019 as compared to the first quarter 2018.

Depreciation and amortization expenses increased primarily due to additions to plant in service, partially offset by updated depreciation rates used in calculating Grand Gulf plant depreciation and amortization expenses under the Unit Power Sales Agreement as part of a settlement approved by the FERC in August 2018. See Note 2 to the financial statements in the Form 10-K for further discussion of the Unit Power Sales Agreement.

Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2019, which included the Lake Charles Power Station, St. Charles Power Station, Montgomery County Power Station, and New Orleans Power Station projects. The increase was partially offset by changes in decommissioning trust fund activity, including portfolio rebalancing of certain of the decommissioning trust funds in 2018.

Interest expense increased primarily due to an increase in debt outstanding at the Utility operating companies. See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for a discussion of long-term debt.

Entergy Wholesale Commodities

Other income increased primarily due to gains on decommissioning trust fund investments in the first quarter 2019 as compared to the first quarter 2018. See Notes 8 and 9 to the financial statements herein for a discussion of decommissioning trust fund investments.

Other expenses increased primarily due to an increase in nuclear refueling outage expenses as a result of the amortization of higher costs associated with a refueling outage at Palisades.

Income Taxes

The effective income tax rate was 14.2% for the first quarter 2019. The difference in the effective income tax rate for the first quarter 2019 versus the federal statutory rate of 21% was primarily due to amortization of excess accumulated deferred income taxes, partially offset by the tax effects of the disposition of Vermont Yankee. See Notes 2 and 10 to the financial statements herein and Notes 2 and 3 to the financial statements in the Form 10-K for a discussion of the effects and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 10 to the financial statements herein for a discussion of the tax effects of the Vermont Yankee disposition.

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

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Income Tax Legislation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Income Tax Legislation” in the Form 10-K for a discussion of the Tax Cuts and Jobs Act enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2018 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 10 to the financial statements herein contains updates to that discussion. Note 2 to the financial statements in the Form 10-K contains a discussion of the regulatory proceedings that have considered the effects of the Tax Act.

Entergy Wholesale Commodities Exit from the Merchant Power Business

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business” in the Form 10-K for a discussion of management’s strategy to shut down and sell all remaining plants in the Entergy Wholesale Commodities’ merchant nuclear fleet. Following are updates to that discussion.

Vermont Yankee Disposition

As discussed in more detail in Note 16 to the financial statements herein, in January 2019, Entergy transferred 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC, the owner of the Vermont Yankee plant, to a subsidiary of NorthStar.

Planned Sale of Pilgrim

As discussed in the Form 10-K, Entergy entered into a purchase and sale agreement to sell 100% of the equity interests in Entergy Nuclear Generation Company, the owner of Pilgrim, for \$1,000 (subject to adjustments for net liabilities and other amounts). The sale of Entergy Nuclear Generation Company will include the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. Subject to the conditions discussed in the Form 10-K, the transaction is expected to close by the end of 2019. The transaction is expected to result in a loss based on the difference between Entergy’s adjusted net investment in Entergy Nuclear Generation Company and the sale price plus any agreed adjustments. As of March 31, 2019, Entergy’s adjusted net investment in Entergy Nuclear Generation Company was \$180 million. The primary variables in the ultimate loss that Entergy will incur are the values of the nuclear decommissioning trust and the asset retirement obligation at closing, the financial results from plant operations until the closing, and the level of any unrealized deferred tax balances at closing.

Planned Sale of Indian Point Energy Center

In April 2019, Entergy entered into an agreement to sell, directly or indirectly, 100% of the equity interests in the subsidiaries that own Indian Point 1, Indian Point 2, and Indian Point 3, after Indian Point 3 has been shut down and defueled, to a Holtec International subsidiary for decommissioning. The sale includes the transfer of the licenses, spent fuel, decommissioning liabilities, and nuclear decommissioning trusts for the three units.

The transaction is subject to closing conditions, including approval from the NRC. Entergy and Holtec also plan to seek an order from the New York State Public Service Commission disclaiming jurisdiction, or alternatively approving the transaction. Closing is also conditioned on obtaining from the New York State Department of Environmental Conservation an agreement related to Holtec’s decommissioning plan as being consistent with

applicable standards. The transaction closing is targeted for third quarter 2021, following the defueling of Indian Point 3.

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As consideration for the transfer to Holtec of its interest in Indian Point, Entergy will receive nominal cash consideration. The Indian Point transaction is expected to result in a loss based on the difference between Entergy's adjusted net investment in the subsidiaries at closing and the sale price net of any agreed adjustments. As of March 31, 2019, Entergy's adjusted net investment in the Indian Point units was \$315 million. The primary variables in the ultimate loss that Entergy will incur are the values of the nuclear decommissioning trusts and the asset retirement obligations at closing, the financial results from plant operations until the closing, and the level of unrealized any deferred tax balances at closing. The terms of the transaction include limitations on withdrawals from the nuclear decommissioning trusts to fund decommissioning activities and controls on how Entergy manages the investment of nuclear decommissioning trust assets between signing and closing; however, the agreement does not require a minimum level of funding in the nuclear decommissioning trusts as a condition to closing.

Costs Associated with Entergy Wholesale Commodities Strategic Transactions

Entergy expects to incur employee retention and severance expenses associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet of approximately \$130 million in 2019, of which \$34 million has been incurred as of March 31, 2019, and a total of approximately \$110 million from 2020 through 2022. In addition, Entergy Wholesale Commodities incurred impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets of \$74 million for the three months ended March 31, 2019. These costs were charged to expense as incurred as a result of the impaired value of certain of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. Entergy expects to continue to incur costs associated with nuclear fuel-related spending and expenditures for capital assets and, except for Palisades, expects to continue to charge these costs to expense as incurred because Entergy expects the value of the plants to continue to be impaired.

Liquidity and Capital Resources

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

Capital Structure

Entergy's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio for Entergy as of March 31, 2019 is primarily due to the net issuance of debt in 2019.

	March 31, 2019	December 31, 2018	
Debt to capital	67.8 %	66.7 %	
Effect of excluding securitization bonds	(0.5 %)	(0.6 %)	
Debt to capital, excluding securitization bonds (a)	67.3 %	66.1 %	
Effect of subtracting cash	(1.2 %)	(0.6 %)	
Net debt to net capital, excluding securitization bonds (a)	66.1 %	65.5 %	

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

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in September 2023. The facility includes fronting commitments for the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the three months ended March 31, 2019 was 4.03% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2019:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$320	\$6	\$3,174

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

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of March 31, 2019, Entergy Corporation had approximately \$1,942 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2019 was 3.03%.

In January 2019, Entergy Nuclear Vermont Yankee was transferred to NorthStar and its credit facility was assumed by Vermont Yankee Asset Retirement Management, LLC, Entergy Nuclear Vermont Yankee's parent company that remains an Entergy subsidiary after the transfer. The credit facility has a borrowing capacity of \$139 million and expires in November 2020. As of March 31, 2019, \$139 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the three months ended March 31, 2019 was 4.28% on the drawn portion of the facility. See Note 14 to the financial statements in the Form 10-K and Note 16 to the financial statements herein for discussion of the transfer of Entergy Nuclear Vermont Yankee to NorthStar.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital,” that sets forth the amounts of planned construction and other capital investments by operating segment for 2019 through 2021. Following are updates to that discussion.

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Choctaw Generating Station

In August 2018, Entergy Mississippi announced that it signed an asset purchase agreement to acquire from a subsidiary of GenOn Energy Inc. the Choctaw Generating Station, an 810 MW natural gas fired combined-cycle turbine plant located near French Camp, Mississippi. The purchase price is expected to be approximately \$314 million. Entergy Mississippi also expects to invest in various plant upgrades at the facility after closing and expects the total cost of the acquisition to be approximately \$401 million. The purchase is contingent upon, among other things, obtaining necessary approvals, including full cost recovery, from applicable federal and state regulatory and permitting agencies. These include regulatory approvals from the MPSC and the FERC. Clearance under the Hart-Scott-Rodino Antitrust Improvements Act has occurred. In October 2018, Entergy Mississippi filed an application with the MPSC seeking approval of the acquisition and cost recovery. In a separate filing in October 2018, Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism, the interim capacity rate adjustment mechanism, in the formula rate plan to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the non-fuel annual ownership costs of the Choctaw Generating Station, as well as to allow similar cost recovery treatment for other future capacity additions approved by the MPSC. Closing is expected to occur by the end of 2019. Due diligence performed on the plant indicates that there exists a potential mechanical issue that must be addressed prior to closing. There is some possibility that closing may be delayed to allow time for this issue to be resolved.

Searcy Solar Facility

In March 2019, Entergy Arkansas announced that it signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar energy facility that will be sited on approximately 800 acres in White County near Searcy, Arkansas. The purchase is contingent upon, among other things, obtaining necessary approvals from applicable federal and state regulatory and permitting agencies. The project will be constructed by a subsidiary of NextEra Energy Resources. Entergy Arkansas will purchase the facility upon completion and after the other purchase contingencies have been met. Closing is expected to occur by the end of 2021.

Dividends

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its April 2019 meeting, the Board declared a dividend of \$0.91 per share, which is the same quarterly dividend per share that Entergy has paid since the third quarter 2018.

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Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the three months ended March 31, 2019 and 2018 were as follows:

	2019	2018
	(In Millions)	
Cash and cash equivalents at beginning of period	\$481	\$781
Cash flow provided by (used in):		
Operating activities	501	557
Investing activities	(951)	(974)
Financing activities	952	841
Net increase in cash and cash equivalents	502	424
Cash and cash equivalents at end of period	\$983	\$1,205

Operating Activities

Net cash flow provided by operating activities decreased by \$56 million for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to:

- the return of unprotected excess accumulated deferred income taxes to Utility customers. See Note 2 to the financial statements in the Form 10-K for a discussion of the regulatory activity regarding the Tax Cuts and Jobs Act;
- the effect of less favorable weather on billed Utility sales in 2019;
- an increase of \$41 million in spending on nuclear refueling outages in 2019 as compared to the same period in 2018; and
- an increase of \$29 million in interest paid in 2019 as compared to the same period in 2018 resulting from an increase in debt outstanding.

The decrease was partially offset by:

- an increase due to the timing of recovery of fuel and purchased power costs in 2019 as compared to the same period in 2018. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of fuel and purchased power cost recovery; and
- a decrease of \$80 million in pension contributions in 2019 as compared to same period in 2018. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

Investing Activities

Net cash flow used in investing activities decreased \$23 million for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to:

- a decrease in collateral posted to provide credit support to secure its obligations under agreements to sell power produced by Entergy Wholesale Commodities' power plants; and
-

an increase of \$11 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

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The decrease was partially offset by changes in the decommissioning trust funds and an increase of \$20 million in construction expenditures, primarily in the Utility business. The increase in construction expenditures in the Utility business is primarily due to:

- an increase of \$32 million in transmission construction expenditures due to a higher scope of work performed in 2019 on various projects;
- an increase of \$27 million in distribution construction expenditures primarily due to a higher scope of work performed in 2019 on various projects; and
- an increase of \$21 million in nuclear construction expenditures primarily due to higher spending on various nuclear projects.

The increase in construction expenditures was partially offset by:

- a decrease of \$33 million in fossil-fueled generation construction expenditures primarily due to lower spending in 2019 on self-build projects in the Utility business; and
- a decrease of \$22 million in information technology capital expenditures primarily due to lower spending in 2019 on various projects.

Financing Activities

Net cash flow provided by financing activities increased \$111 million for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to a decrease in net repayments of \$812 million of commercial paper in 2019. The increase was partially offset by:

- long-term debt activity providing approximately \$1,145 million of cash in 2019 compared to approximately \$1,772 million in 2018;
- the repurchase in first quarter 2019 of \$50 million of Class A mandatorily redeemable preferred membership units in Entergy Holdings Company LLC, a wholly-owned Entergy subsidiary, that were held by a third party; and
- short-term borrowings of \$39 million in 2018 by the nuclear fuel company variable interest entities.

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

Rate, Cost-recovery, and Other Regulation

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

State and Local Rate Regulation and Fuel-Cost Recovery

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

Federal Regulation

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

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Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. Entergy Wholesale Commodities also sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities may also use a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of March 31, 2019 (2019 represents the remainder of the year):

Entergy Wholesale Commodities Nuclear Portfolio

	2019	2020	2021	2022
Energy				
Percent of planned generation under contract (a):				
Unit-contingent (b)	98%	95%	91%	66%
Planned generation (TWh) (c) (d)	18.6	17.7	9.6	2.8
Average revenue per MWh on contracted volumes:				
Expected based on market prices as of March 31, 2019	\$34.7	\$42.0	\$56.9	\$58.8
Capacity				
Percent of capacity sold forward (e):				
Bundled capacity and energy contracts (f)	27%	37%	68%	97%
Capacity contracts (g)	30%	27%	—%	—%
Total	57%	64%	68%	97%
Planned net MW in operation (average) (d)	3,167	2,195	1,158	338
Average revenue under contract per kW per month (applies to capacity contracts only)	\$5.1	\$3.2	\$—	\$—
Total Energy and Capacity Revenues (h)				
Expected sold and market total revenue per MWh	\$38.9	\$45.1	\$55.0	\$47.5
Sensitivity: +/- \$10 per MWh market price change	\$38.7-\$39.1	\$45.0-\$45.2	\$54.1-\$55.9	\$44.1-\$51.0

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

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- Transaction under which power is supplied from a specific generation asset; if the asset is not operating, the seller is generally not liable to the buyer for any damages. Certain unit-contingent sales include a guarantee of availability. Availability guarantees provide for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.
- (b) Amount of output expected to be generated by Entergy Wholesale Commodities nuclear resources considering plant operating characteristics and outage schedules.
 - (c) Assumes the planned shutdown of Pilgrim on May 31, 2019, planned shutdown of Indian Point 2 on April 30, 2020, planned shutdown of Indian Point 3 on April 30, 2021, and planned shutdown of Palisades on May 31, 2022.
 - (d) For a discussion regarding the planned shutdown of the Pilgrim, Indian Point 2, Indian Point 3, and Palisades plants, see "Entergy Wholesale Commodities Exit from the Merchant Power Business" above.
 - (e) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
 - (f) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
 - (g) A contract for the sale of an installed capacity product in a regional market.
 - (h) Includes assumptions on converting a portion of the portfolio to contracted with fixed price and excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, mark-to-market activity, and service revenues.

Entergy estimates that a positive \$10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on March 31, 2019 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of \$4 million for the remainder of 2019. As of March 31, 2018, a positive \$10 per MW change would have had a corresponding effect on pre-tax income of \$1.4 million for the remainder of 2018. A negative \$10 per MWh change in the annual average energy price in the markets based on March 31, 2019 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of (\$4) million for the remainder of 2019. As of March 31, 2018, a negative \$10 per MW change would have had a corresponding effect on pre-tax income of (\$1.4) million for the remainder of 2018.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. Cash and letters of credit are also acceptable forms of credit support. At March 31, 2019, based on power prices at that time, Entergy had liquidity exposure of \$121 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$34 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of March 31, 2019, Entergy would have been required to provide approximately \$75 million of additional cash or letters of credit under some of the agreements. As of March 31, 2019, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$235 million for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of March 31, 2019, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters” in the Form 10-K for a discussion of nuclear matters. The following is an update to that discussion.

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Pilgrim

In March 2019 the NRC moved Pilgrim from its “multiple/repetitive degraded cornerstone column,” or Column 4, of its Reactor Oversight Process Action Matrix to its “licensee response column,” or Column 1.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy’s accounting for nuclear decommissioning costs, utility regulatory accounting, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

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

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

	2019	2018
	(In Thousands, Except Share Data)	
OPERATING REVENUES		
Electric	\$2,121,024	\$2,248,262
Natural gas	54,948	56,695
Competitive businesses	433,612	418,924
TOTAL	2,609,584	2,723,881
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	478,330	443,296
Purchased power	339,507	396,023
Nuclear refueling outage expenses	50,441	42,760
Other operation and maintenance	783,051	783,585
Asset write-offs, impairments, and related charges	73,979	72,924
Decommissioning	102,119	94,400
Taxes other than income taxes	158,575	165,218
Depreciation and amortization	357,274	347,065
Other regulatory charges (credits)	(16,946)	42,946)
TOTAL	2,326,330	2,388,217
OPERATING INCOME	283,254	335,664
OTHER INCOME		
Allowance for equity funds used during construction	38,216	28,343
Interest and investment income	228,149	16,870
Miscellaneous - net	(64,658)	(31,356)
TOTAL	201,707	13,857
INTEREST EXPENSE		
Interest expense	200,993	182,923
Allowance for borrowed funds used during construction	(17,449)	(13,265)
TOTAL	183,544	169,658
INCOME BEFORE INCOME TAXES	301,417	179,863
Income taxes	42,771	43,663
CONSOLIDATED NET INCOME	258,646	136,200
Preferred dividend requirements of subsidiaries	4,109	3,439
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	\$254,537	\$132,761

Earnings per average common share:

Basic	\$1.34	\$0.73
Diluted	\$1.32	\$0.73

Basic average number of common shares outstanding	189,575,187	180,707,575
Diluted average number of common shares outstanding	192,234,191	181,431,968

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Three Months Ended March 31, 2019 and 2018
 (Unaudited)

	2019	2018
	(In Thousands)	
Net Income	\$258,646	\$136,200
Other comprehensive income		
Cash flow hedges net unrealized gain (loss) (net of tax expense (benefit) of (\$5,352) and \$25,349)	(12,426)	95,427
Pension and other postretirement liabilities (net of tax expense of \$3,249 and \$4,568)	11,550	16,574
Net unrealized investment gain (loss) (net of tax expense of \$8,073 and \$5,375)	13,703	(32,856)
Other comprehensive income	12,827	79,145
Comprehensive Income	271,473	215,345
Preferred dividend requirements of subsidiaries	4,109	3,439
Comprehensive Income Attributable to Entergy Corporation	\$267,364	\$211,906

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

	2019	2018
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	\$258,646	\$136,200
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	530,224	525,181
Deferred income taxes, investment tax credits, and non-current taxes accrued	104,884	104,607
Asset write-offs, impairments, and related charges	25,462	25,800
Changes in working capital:		
Receivables	39,697	131,150
Fuel inventory	(4,401)	(16,261)
Accounts payable	(63,613)	(68,857)
Taxes accrued	(44,083)	(56,301)
Interest accrued	(20,546)	(10,011)
Deferred fuel costs	20,201	(76,238)
Other working capital accounts	(42,016)	(28,004)
Changes in provisions for estimated losses	13,720	10,744
Changes in other regulatory assets	(162,192)	84,349
Changes in other regulatory liabilities	130,924	(31,380)
Changes in pensions and other postretirement liabilities	(7,713)	(97,418)
Other	(278,005)	(76,168)
Net cash flow provided by operating activities	501,189	557,393
INVESTING ACTIVITIES		
Construction/capital expenditures	(951,629)	(931,479)
Allowance for equity funds used during construction	38,322	28,512
Nuclear fuel purchases	(38,445)	(49,647)
Insurance proceeds received for property damages	—	1,582
Changes in securitization account	(1,084)	(7,063)
Payments to storm reserve escrow account	(2,285)	(1,175)
Decrease (increase) in other investments	39,045	(406)
Proceeds from nuclear decommissioning trust fund sales	1,307,547	1,091,332
Investment in nuclear decommissioning trust funds	(1,342,429)	(1,106,094)
Net cash flow used in investing activities	(950,958)	(974,438)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

	2019	2018
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	3,444,230	2,505,726
Treasury stock	35,577	1,952
Retirement of long-term debt	(2,298,855)	(734,000)
Repurchase of preferred membership units	(50,000)	—
Changes in credit borrowings and commercial paper - net	(17)	(773,177)
Other	(1,945)	5,193
Dividends paid:		
Common stock	(172,591)	(160,887)
Preferred stock	(4,109)	(3,439)
Net cash flow provided by financing activities	952,290	841,368
Net increase in cash and cash equivalents	502,521	424,323
Cash and cash equivalents at beginning of period	480,975	781,273
Cash and cash equivalents at end of period	\$983,496	\$1,205,596
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$214,935	\$185,606
Income taxes	(\$13,844)	(\$4,297)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND
SUBSIDIARIES
CONSOLIDATED BALANCE
SHEETS

ASSETS
March 31, 2019 and December 31,
2018
(Unaudited)

2019 2018
(In Thousands)

CURRENT ASSETS