ENTERGY CORP /DE/
Form 10-Q
August 09, 2006

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2006

OR

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

For the transition period from ____________ to ____________

Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, LA 70113 Telephone (504) 576-4000 72-1229752	1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street, Building 529 New Orleans, Louisiana 70112 Telephone (504) 670-3620 72-0273040
1-27031	ENTERGY GULF STATES, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631 74-0662730	1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000

				72-0752777
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 446 North Boulevard Baton Rouge, LA 70802 Telephone (225) 381-5868 75-3206126			

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 X No _

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer		Accelerated filer		Non-accelerated filer
Entergy Corporation	√				
Entergy Arkansas, Inc.					√
Entergy Gulf States, Inc.					√
Entergy Louisiana, LLC					√
Entergy Mississippi, Inc.					√
Entergy New Orleans, Inc.					√
System Energy Resources, Inc.					√

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Yes __ No X

Common Stock Outstanding		Outstanding at July 31, 2006
Entergy Corporation	($0.01 par value)	208,357,426

Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, 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, 2005, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

ENTERGY CORPORATION AND SUBSIDIARIES
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June 30, 2006

ENTERGY CORPORATION AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 30, 2006

FORWARD-LOOKING INFORMATION

In this filing and from time to time, Entergy makes statements 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. Although Entergy believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Except to the extent required by the federal securities laws, Entergy undertakes 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, and there are factors that could cause actual results to differ materially from those expressed or implied in the statements. Some of those factors (in addition to the risk factors in the Form 10-K as well as others described elsewhere in this report and in subsequent securities filings) include:

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of new Texas legislation, and other regulatory proceedings, including those related to Entergy's System Agreement and Entergy's utility supply plan
- Entergy's ability to manage its operation and maintenance costs
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- prices for power generated by Entergy's unregulated generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, the ability to meet credit support requirements, and the prices and availability of power and fuel Entergy must purchase for its utility customers and operations
- Entergy's ability to develop and execute on a point of view regarding prices of electricity, natural gas, and other energy-related commodities
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria
- changes in inflation, interest rates, and foreign currency exchange rates
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the establishment of a regional transmission organization that includes Entergy's utility service territory, and the application of market power criteria by the FERC
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the northeastern United States
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities
- changes in law resulting from federal energy legislation, including the effects of PUHCA repeal
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- the economic climate, and particularly growth in Entergy's service territory
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of Hurricanes Katrina and Rita and recovery of costs associated with restoration including Entergy's ability to obtain financial assistance from governmental authorities in connection with these storms
- the outcome of the Chapter 11 bankruptcy proceeding of Entergy New Orleans, and the impact of this proceeding on other Entergy companies
- the potential effects of threatened or actual terrorism and war
- the effects of Entergy's strategies to reduce tax payments
- the effects of litigation and government investigations
- changes in accounting standards, corporate governance, and securities law requirements
- Entergy's ability to attract and retain talented management and directors

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DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
average contract price per MWh or per kW per month	Price at which generation output and/or capacity is expected to be sold to third parties, given existing contract or option exercise prices based on expected dispatch or capacity
average contract revenue per MWh	Price at which the combination of generation output and capacity are expected to be sold to third parties, given existing contract or option exercise prices based on expected dispatch
Board	Board of Directors of Entergy Corporation
bundled capacity and energy contract	A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold
capacity contract	For Non-Utility Nuclear, a contract for the sale of the installed capacity product in regional markets managed by ISO New England and the New York Independent System Operator; For Energy Commodity Services, a contract for the sale of capacity and related energy, in which capacity and energy are priced separately
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
DOE	United States Department of Energy
domestic utility companies	Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively
EITF	FASB's Emerging Issues Task Force
Energy Commodity Services	Entergy's business segment that includes Entergy-Koch, LP and Entergy's non-nuclear wholesale assets business
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy-Koch	

	Entergy-Koch, LP, a joint venture equally owned by subsidiaries of Entergy and Koch Industries, Inc.
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
firm liquidated damages	Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset) or settles financially on notional quantities; if a party fails to deliver or receive energy, the defaulting party must compensate the other party as specified in the contract

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DEFINITIONS

(Continued)

Abbreviation or Acronym	Term
FSP	FASB Staff Position
Grand Gulf	Unit No. 1 of Grand Gulf Steam Electric Generating Station (nuclear), 90% owned or leased by System Energy
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour(s)
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
Mcf	One thousand cubic feet of gas
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatt(s)
MWh	Megawatt-hour(s)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, owned 70% by Entergy Gulf States
Net debt ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned or operated
Net revenue	Operating revenue net of fuel, fuel-related, and purchased power expenses; and other regulatory credits

Non-Utility Nuclear	Entergy's business segment that owns and operates five nuclear power plants and sells electric power produced by those plants primarily to wholesale customers
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
OASIS	Open Access Same Time Information Systems
percent of planned generation sold forward	Percent of planned generation output sold forward under contracts, forward physical contracts, forward financial contracts, or options that may or may not require regulatory approval
planned net MW in operation	Amount of capacity to be available to generate power considering uprates planned to be completed within the calendar year
planned TWh of generation	Amount of output expected to be generated by Non-Utility Nuclear for nuclear units, or by non-nuclear wholesale assets for fossil and wind units, considering plant operating characteristics, outage schedules, and expected market conditions that impact dispatch
PPA	Purchased power agreement
PRP	Potentially responsible party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
PUHCA 1935	Public Utility Holding Company Act of 1935, as amended
PUHCA 2005	Public Utility Holding Company Act of 2005, which repealed PUHCA 1935, among other things

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DEFINITIONS

(Concluded)

Abbreviation or Acronym	Term
PURPA	Public Utility Regulatory Policies Act of 1978
Ritchie Unit 2	Unit 2 of the R.E. Ritchie Steam Electric Generating Station (gas/oil)
River Bend	River Bend Steam Electric Generating Station (nuclear), owned by Entergy Gulf States
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards as promulgated by the FASB
SMEPA	South Mississippi Electric Power Agency, which owns a 10% interest in Grand Gulf
System Agreement	Agreement, effective January 1, 1983, as modified, among the domestic utility companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours

unit-contingent	Transaction under which power is supplied from a specific generation asset; if the asset is unavailable, the seller is not liable to the buyer for any damages
unit-contingent with availability guarantees	Transaction under which power is supplied from a specific generation asset; if the asset is unavailable, the seller is not liable to the buyer for any damages unless the actual availability over a specified period of time is below an availability threshold specified in the contract
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the estimated effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: Utility and Non-Utility Nuclear.

- **Utility**
generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **Non-Utility Nuclear**
owns and operates five nuclear power plants located in the northeastern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the Energy Commodity Services segment and the Competitive Retail Services business. Energy Commodity Services includes Entergy-Koch, LP and Entergy's non-nuclear wholesale assets business. Entergy-Koch sold its businesses in the fourth quarter of 2004 and is no longer an operating entity. In April 2006, Entergy sold the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, and now reports this portion of the business as a discontinued operation. Entergy reports Energy Commodity Services and Competitive Retail Services as part of All Other in its segment disclosures.

Hurricane Katrina and Hurricane Rita

See the Form 10-K for a discussion of the effects of Hurricanes Katrina and Rita, which in August and September 2005 caused catastrophic damage to portions of the Utility's service territory in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area. Following are updates to the discussion in the Form 10-K.

Community Development Block Grants (CDBG)

As discussed in the Form 10-K, a federal hurricane aid package became law that includes funding for Community Development Block Grants (CDBG) that allows state and local leaders to fund individual recovery priorities. The law permits funding for infrastructure restoration. It is uncertain how much funding, if any, will be designated for utility reconstruction and the timing of such decisions is also uncertain. The U.S. Department of Housing and Urban Development has allocated approximately $10.4 billion for Louisiana, $5.1 billion for Mississippi, and $74 million for Texas, with an additional $1 billion approved by Congress but not yet allocated to the states. The states, in turn, will administer the grants. Entergy is currently preparing applications to seek CDBG funding. In March 2006, Entergy New Orleans, Entergy Louisiana, and Entergy Gulf States-Louisiana provided justification statements to state and local officials. The statements, which will be reviewed by the Louisiana Recovery Authority, include the estimated costs of Hurricanes Katrina and Rita damage, as well as for Entergy New Orleans a lost customer base component intended to help offset the need for storm-related rate increases. The statements include justification for requests for CDBG funding of $718 million by Entergy New Orleans, $472 million by Entergy Louisiana, and $164 million by Entergy Gulf States-Louisiana. As discussed further below, in June 2006 Entergy Mississippi filed a request with the Mississippi Development Authority for $89 million of CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs.

Storm Costs Recovery Filings with Retail Regulators

On July 31, 2006, Entergy Louisiana and Entergy Gulf States filed a supplemental and amending storm cost recovery application with the LPSC, in which Entergy Louisiana and Entergy Gulf States requested that the LPSC (1) review Entergy Louisiana's and Entergy Gulf States' testimony and exhibits relating to the costs associated with Hurricanes Katrina and Rita, and declare that those verified, actual storm-related costs through May 31, 2006 are $466.8 million for Entergy Louisiana and $200.3 million for Entergy Gulf States in the Louisiana jurisdiction and that

those costs were prudently incurred; (2) declare that the annual revenue requirements associated with the recovery of those costs, based on a ten-year levelized rate are $54.4 million for Entergy Louisiana and $26.2 million for Entergy Gulf States; (3) authorize Entergy Louisiana and Entergy Gulf States to recover the costs through Storm Cost Recovery Riders (SCRRs) proposed by Entergy Louisiana and Entergy Gulf States; (4) declare that the storm costs incurred subsequent to May 31, 2006 are to be filed by Entergy Louisiana and Entergy Gulf States with the LPSC on an annual basis in connection with their annual formula rate plan (FRP) filings, and that the SCRRs be adjusted annually to reflect such costs and any insurance proceeds or CDBG funds actually received, with the adjusted amounts to be collected through the SCRRs to take effect contemporaneous with the effective date of rate changes under the FRP; (5) declare that the storm-related costs incurred by Entergy Louisiana and Entergy Gulf States meet the conditions set forth in the FRP for exclusion from the sharing provisions in those FRPs and authorize the permanent recovery of storm costs outside of the FRPs adopted by the LPSC for Entergy Louisiana and Entergy Gulf States; and (6) authorize the funding of a storm reserve through securitization sufficient to fund a storm cost reserve of $132 million for Entergy Louisiana and $81 million for Entergy Gulf States. Hearings on the application are scheduled for the first quarter 2007.

In July 2006, Entergy Gulf States filed an application with the PUCT with respect to the $393.2 million of Hurricane Rita reconstruction costs incurred in its Texas retail jurisdiction through March 31, 2006. The filing asks the PUCT to determine that $393.2 million is the amount of reasonable and necessary hurricane reconstruction costs eligible for securitization and recovery, approve the recovery of carrying costs, and approve the manner in which Entergy Gulf States-Texas allocates those costs among its retail customer classes. If approved, Entergy Gulf States' application will ultimately affect all its retail customers in Texas. Entergy Gulf States' filing does not request recovery of costs through a specific rider on customer bills or through any other means at this time. The hearing before the PUCT on the filing is scheduled for November 2006. This is the first of two filings authorized by a law passed earlier this year in a special session of the Texas Legislature. A second filing will request securitization and recovery of the eligible costs through retail rates and tariffs. Entergy Gulf States expects to make the second filing following the conclusion of the reconstruction cost case.

As discussed in the Form 10-K, 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. In February 2006, Entergy Mississippi filed an Application for an Accounting Order seeking certification by the MPSC of Entergy Mississippi's estimated $36 million of storm restoration costs not included in the December 2005 filing. In March 2006, the Governor signed a law that established a mechanism by which the MPSC may authorize and certify an electric utility financing order and the state may issue general obligation bonds to pay the costs of repairing damage caused by Hurricane Katrina to the systems of investor-owned electric utilities. Because of the passage of this law and the possibility of Entergy Mississippi obtaining CDBG funds for Hurricane Katrina storm restoration costs, in March 2006, the MPSC issued an order approving a Joint Stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provided for the review of Entergy Mississippi's total storm restoration costs in the Application for an Accounting Order proceeding. The Stipulation stated that the procedural schedule of the December 2005 Notice of Intent filing should be suspended until the MPSC issues a final order in the Application for an Accounting Order proceeding.

In June 2006, the MPSC issued an order certifying Entergy Mississippi's Hurricane Katrina restoration costs incurred through March 31, 2006 of $89 million, net of estimated insurance proceeds. Two days later Entergy Mississippi filed a request with the Mississippi Development Authority for $89 million of CDBG funding for reimbursement of its infrastructure restoration costs. Entergy Mississippi also filed a Petition for Financing Order with the MPSC for authorization of state general obligation bond financing of $169 million for Hurricane Katrina restoration costs and future storm costs. The $169 million amount includes Hurricane Katrina restoration costs plus $80 million to build Entergy Mississippi's storm damage reserve for the future. The amount financed through the bonds will be reduced dollar for dollar by any CDBG funds that Entergy Mississippi receives. Pursuant to the legislation, the MPSC must issue a financing order by the end of October 2006.

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See **State and Local Rate Regulation** below for a discussion of Entergy New Orleans' filings with the City Council directed at recovery of its storm costs.

Insurance Recovery

As discussed more fully in the Form 10-K, Entergy estimates that its net insurance recoveries for the losses caused by Hurricanes Katrina and Rita will be approximately $382 million. Entergy has received $15 million thus far on its insurance claims, as it continues working towards insurance payment of its covered losses.

Entergy New Orleans Bankruptcy

See the Form 10-K for a discussion of the Entergy New Orleans bankruptcy proceeding. Following is an update to the discussion in the Form 10-K. In April 2006, the bankruptcy judge extended the exclusivity period for filing a plan of reorganization by Entergy New Orleans to August 21, 2006. Entergy New Orleans has filed another motion to extend the exclusivity period for filing its plan of reorganization, requesting that the deadline be extended an additional 120 days until December 19, 2006. The court entered an order extending the August 21, 2006 date for Entergy New Orleans' exclusive right to file a plan of reorganization until the court can hear and rule on Entergy New Orleans' motion to extend, which was set for hearing on September 18, 2006. In order to file a plan of reorganization no later than December 2006, Entergy New Orleans believes that it needs resolution of its June 2006 formula rate plan and storm rider filings and commitment on timing and amount of CDBG funds. If the motion to extend is granted, Entergy New Orleans will have the exclusive right to file its plan of reorganization until December 19, 2006, and will have until February 15, 2007 to obtain acceptances of its plan by each class of impaired creditors.

In addition, the bankruptcy judge had 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. Approximately 500 claims have been filed thus far in Entergy New Orleans' bankruptcy proceeding. Entergy New Orleans is currently analyzing the accuracy and validity of the claims filed, and has begun seeking withdrawal or modification of claims or objecting to claims with which it disagrees.

Since the filing of the bankruptcy proceedings, Entergy New Orleans has not been able to declare and pay dividends on its 4.75% preferred stock for three quarters. As discussed further in the Form 10-K, if dividends with respect to the 4.75% preferred stock are not paid for four quarters, the holders of these shares would have the right to elect a majority of the Entergy New Orleans board of directors. Entergy New Orleans filed a motion in the bankruptcy court seeking authority to recommence paying dividends to the holders of the 4.75% preferred shares. After a hearing on the motion on May 3, 2006, the court granted Entergy New Orleans the authority to pay dividends to the holders of the 4.75% preferred shares, beginning with the dividend due on July 1, 2006, and thereafter, unless objections are filed by creditors forty-five days in advance of a dividend payment date. If any objections are filed, the matter would be heard by the bankruptcy court. Entergy New Orleans declared and paid the dividend due on July 1, 2006, and intends to declare and pay the dividends on the 4.75% preferred shares each quarter pending resolution of its plan of reorganization.

Municipalization is one potential outcome of Entergy New Orleans' recovery effort. In June 2006 Louisiana passed a law that establishes a governance structure for a public power authority, if municipalization of Entergy New Orleans' utility business is pursued.

As discussed in the Form 10-K, as a result of the Entergy New Orleans bankruptcy proceeding, Entergy deconsolidated Entergy New Orleans for financial reporting purposes retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change will not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations for any current or prior period, but will result in Entergy New Orleans' net income or loss being presented as "Equity in earnings of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for periods prior to 2005.

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Results of Operations

Second Quarter 2006 Compared to Second Quarter 2005

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing the second quarter 2006 to the second quarter 2005 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Non-Utility Nuclear	Parent & Other	Entergy
		(In Thousands)		
2nd Quarter 2005 Consolidated Net Income	$217,260	$58,277	$17,011	$292,548
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory credits - net)	(38,406)	17,693	19,697	(1,016)
Other operation and maintenance expenses	(1,957)	10,196	6,260	14,499
Taxes other than income taxes	(2,164)	(741)	(981)	(3,886)
Depreciation	11,754	1,958	(189)	13,523
Other income	7,721	4,822	(12,672)	(129)
Interest charges	10,107	(2,857)	12,190	19,440
Other expenses	610	2,504	17	3,131
Discontinued operations (net-of-tax)	-	-	15,932	15,932
Income taxes	(38,317)	6,353	3,016	(28,948)
2nd Quarter 2006 Consolidated Net Income	$206,542	$63,379	$19,655	$289,576

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

<u>Net Revenue</u>

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing the second quarter of 2006 to the second quarter of 2005.

	Amount (In Millions)
2nd Quarter 2005 net revenue	$1,114.2
Price applied to unbilled electric sales	(100.4)
Volume/weather	26.5
Base revenues/Attala cost deferral	18.9
Fuel recovery	15.8
Other	0.8
2nd Quarter 2006 net revenue	$1,075.8

The price applied to unbilled sales variance is due to the exclusion in 2006 of the fuel cost component in the calculation of the price applied to unbilled sales. Effective January 1, 2006, the fuel cost component is no longer included in the unbilled revenue calculation at Entergy Louisiana and the Louisiana jurisdiction at Entergy Gulf States, which is in accordance with regulatory treatment. Entergy expects that the effect of this factor will be less for its annual results for 2006. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - <u>Critical Accounting Estimates</u>**" herein.

The volume/weather variance resulted primarily from more favorable weather in the second quarter of 2006 compared to the second quarter of 2005 in addition to an increase in weather-adjusted usage. Billed usage increased a total of 801 GWh in the residential and commercial sectors and decreased 87 GWh in the industrial sector. The increase was partially offset by decreased usage during the unbilled period.

The base revenues variance resulted primarily from increases at Entergy Gulf States in the Louisiana jurisdiction effective October 2005 for the 2004 formula rate plan filing and the annual revenue requirement related to the purchase of power from the Perryville generating station, and increases at Entergy Gulf States in the Texas jurisdiction related to an incremental purchased capacity recovery rider that began in December 2005 and a transition to competition rider that began in March 2006. The Attala cost deferral variance resulted from deferred under-recovered Attala power plant costs at Entergy Mississippi that will be recovered through the power management rider. The net income effect of the Attala cost deferral is partially offset by Attala costs in other operation and maintenance expenses, depreciation expense, and taxes other than income taxes.

The fuel recovery variance resulted primarily from the under-recovery in 2005 of fuel costs from retail customers in addition to increased fuel cost recovery in 2006 as a result of special rate contracts.

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2006 due to a power uprate completed since the second quarter of 2005, partially offset by the effect of refueling outages on available generation output. The total number of refueling days was essentially the same in the second quarter of 2006 compared to the second quarter of 2005. However, the outage in the second quarter of 2006 was at a larger unit, Indian Point 2, while most of the outage days in the second quarter of 2005 were at a smaller unit, Pilgrim. Following are key performance measures for Non-Utility Nuclear for the second quarters of 2006 and 2005:

	2006	2005
Net MW in operation at June 30	4,200	4,105
Average realized price per MWh	$43.93	$42.63
Generation in GWh for the quarter	8,249	8,156
Capacity factor for the quarter	90%	91%

Parent & Other

Net revenue increased for Parent & Other primarily due to the $14.1 million gain ($8.6 million net-of-tax) realized on the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased for Non-Utility Nuclear from $145 million for the second quarter of 2005 to $155 million for the second quarter of 2006 primarily due to higher refueling outage expenses.

Interest Charges

Interest charges increased for the Utility and Parent & Other primarily due to additional borrowing to fund the significant storm restoration costs associated with Hurricanes Katrina and Rita.

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Discontinued Operations

Income from discontinued operations increased primarily due to the $17.1 million gain (net-of-tax) on the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas.

Income Taxes

The effective income tax rates for the second quarters of 2006 and 2005 were 31.0% and 33.9%, respectively. The difference in the effective income tax rate for the second quarter of 2006 versus the federal statutory rate of 35.0% is primarily due to the recognition of an income tax benefit related to ANO 1 steam generator removal cost and the favorable resolution of a tax audit issue, partially offset by state income taxes. The difference in the effective income tax rate for the second quarter of 2005 versus the federal statutory rate of 35.0% is primarily due to tax benefits from the American Jobs Creation Act of 2004 and investment tax credit amortization, partially offset by state income taxes and book and tax differences on utility plant items.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing the six months ended June 30, 2006 to the six months ended June 30, 2005 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Non-Utility Nuclear	Parent & Other	Entergy
		(In Thousands)		
2005 Consolidated Net Income	$313,286	$136,242	$21,399	$470,927
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory credits - net)	27,066	54,883	29,951	111,900
Other operation and maintenance expenses	11,147	17,995	11,147	40,289
Taxes other than income taxes	4,643	4,079	114	8,836
Depreciation	1,866	2,176	(651)	3,391
Other income	20,475	(14,898)	(21,492)	(15,915)
Interest charges	15,001	(3,349)	25,008	36,660
Other expenses	1,562	2,316	31	3,909
Discontinued operations (net-of-tax)	-	-	15,056	15,056
Income taxes	(6,869)	8,102	(3,593)	(2,360)
2006 Consolidated Net Income	$333,477	$144,908	$12,858	$491,243

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

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Net Revenue

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing the six months ended June 30, 2006 to the six months ended June 30, 2005.

	Amount (In Millions)
2005 net revenue	$1,972.9
Base revenues/Attala cost deferral	46.5
Fuel recovery	32.7
Volume/weather	18.0
Transmission revenue	11.9
Storm cost recovery	7.3
Price applied to unbilled electric sales	(95.8)
Other	6.5
2006 net revenue	$2,000.0

The base revenues variance resulted primarily from increases at Entergy Gulf States in the Louisiana jurisdiction effective October 2005 for the 2004 formula rate plan filing and the annual revenue requirement related to the purchase of power from the Perryville generating station, and increases at Entergy Gulf States in the Texas jurisdiction related to an incremental purchased capacity recovery rider that began in December 2005 and a transition to competition rider that began in March 2006. The Attala cost deferral variance resulted from deferred under-recovered Attala power plant costs at Entergy Mississippi that will be recovered through the power management rider. The net income effect of the Attala cost deferral is partially offset by Attala costs in other operation and maintenance expenses, depreciation expense, and taxes other than income taxes.

The fuel recovery variance resulted primarily from adjustments of fuel clause recoveries in Entergy Gulf States' Louisiana jurisdiction, the under-recovery in 2005 of fuel costs from retail customers, and increased recovery in 2006 of fuel costs as a result of special rate contracts. The increase was partially offset by the Entergy Arkansas energy cost recovery true-up made in the first quarter of 2005.

The volume/weather variance resulted primarily from increased usage, including the effect of weather on billed sales, compared to the same period in 2006. Billed usage increased a total of 657 GWh in the residential and commercial sectors and decreased 486 GWh in the industrial sector. The increase was partially offset by decreased usage during the unbilled period.

The transmission revenue variance is primarily due to new transmission customers in 2006. Also contributing to the increase was an increase in rates effective June 2006.

The storm cost recovery variance is due to the return earned on the interim recovery of storm-related costs at Entergy Louisiana and the Louisiana jurisdiction of Entergy Gulf States as allowed by the LPSC effective March 2006.

The price applied to unbilled sales variance is due to the exclusion in 2006 of the fuel cost component in the calculation of the price applied to unbilled sales. Effective January 1, 2006, the fuel cost component is no longer included in the unbilled revenue calculation at Entergy Louisiana and the Louisiana jurisdiction at Entergy Gulf States, which is in accordance with regulatory treatment. Entergy expects that the effect of this factor will be less for its annual results for 2006. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" herein.

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Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2006 due to power uprates at certain plants completed in 2005 and 2006 and fewer refueling outages in 2006. Following are key performance measures for Non-Utility Nuclear for the six months ended June 30, 2006 and 2005:

	2006	2005
Net MW in operation at June 30	4,200	4,105
Average realized price per MWh	$44.16	$42.09
Generation in GWh for the period	16,990	16,422
Capacity factor for the period	94%	92%

Parent & Other

Net revenue increased for Parent & Other primarily due to the $14.1 million gain ($8.6 million net-of-tax) realized on the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased for the Utility from $750 million in 2005 to $761 million in 2006 primarily due to the following:

- an increase of $11 million related to storm reserves. This increase does not include costs associated with Hurricanes Katrina and Rita;
- an increase of $9 million in customer service support costs, including an increase in customer write-offs; and
- an increase of $8 million in nuclear costs as a result of higher payroll costs and a non-refueling plant outage at Entergy Gulf States in February 2006.

The increase was partially offset by a decrease of $10 million in benefits and payroll costs and a decrease of $10 million in distribution costs, including lower planned spending for vegetation maintenance.

Other operation and maintenance expenses increased for Non-Utility Nuclear from $288 million in 2005 to $306 million in 2006 primarily due to higher refueling outage expenses.

Other Income

Other income increased for the Utility from $59 million in 2005 to $79 million in 2006 primarily due to an increase in interest income recorded on the deferred fuel costs balance. Other income decreased for Non-Utility Nuclear from $48 million in 2005 to $33 million in 2006 primarily due to miscellaneous income of $26 million in 2005 resulting from a reduction in the decommissioning liability for a plant in conjunction with a new decommissioning cost study. The decrease for Non-Utility Nuclear was partially offset by an increase of $5 million in interest income. The decrease in other income for Parent & Other was primarily due to a decrease in interest income and the proceeds in 2005 from the sale of SO_2 allowances.

Interest Charges

Interest charges increased for the Utility and Parent & Other primarily due to additional borrowing to fund the significant storm restoration costs associated with Hurricanes Katrina and Rita.

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Discontinued Operations

Income from discontinued operations increased primarily due to the $17.1 million gain (net-of-tax) on the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas.

Income Taxes

The effective income tax rates for the six months ended June 30, 2006 and 2005 were 33.5% and 33.9%, respectively. The difference in the effective income tax rate for the six months ended June 30, 2006 versus the federal statutory rate of 35.0% is primarily due to the recognition of an income tax benefit related to ANO 1 steam generator removal cost and the favorable resolution of a tax audit issue, partially offset by state income taxes. The difference in the effective income tax rate for the six months ended June 30, 2005 versus the federal statutory rate of 35.0% is primarily due to tax benefits from the American Jobs Creation Act of 2004, investment tax credit amortization, and a downward revision in the estimate of federal income tax expense related to tax depreciation. These factors were partially offset by state income taxes and book and tax differences on utility plant items.

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.

Debtor-in-Possession Credit Facility

See the Form 10-K for a discussion of the Entergy New Orleans debtor-in-possession (DIP) credit facility between Entergy New Orleans as borrower and Entergy Corporation as lender. Following is an update to that discussion.

As discussed in the Form 10-K, the bankruptcy court issued its order in December 2005 giving final approval for the $200 million DIP credit facility, and the indenture trustee for Entergy New Orleans' first mortgage bonds appealed the order. On March 29, 2006 the bankruptcy court approved a settlement among Entergy New Orleans, Entergy Corporation, and the indenture trustee, and the indenture trustee dismissed its appeal. As of June 30, 2006, Entergy New Orleans had approximately $40 million of outstanding borrowings under the DIP credit facility.

As discussed in the Form 10-K, borrowings under the DIP credit facility are due in full, and the agreement will terminate, at the earliest of several times or events, including August 23, 2006. Entergy and Entergy New Orleans have agreed to an amendment to the DIP credit agreement that extends the August 23, 2006 maturity date to August 23, 2007, and this amendment is subject to bankruptcy court approval. Entergy New Orleans has filed a motion with the bankruptcy court to authorize Entergy New Orleans to enter into the amendment, which is set for hearing August 16, 2006.

Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table.

	June 30, 2006	December 31, 2005
Net debt to net capital	50.3%	51.5%
Effect of subtracting cash from debt	2.1%	1.6%
Debt to capital	52.4%	53.1%

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Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, preferred stock with sinking fund, and long-term debt, including the currently maturing portion. Capital consists of debt, common shareholders' equity, and preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition.

As discussed in the Form 10-K, Entergy Corporation has in place two separate revolving credit facilities, a five-year credit facility and a three-year credit facility. The five-year credit facility expires in May 2010 and the three-year facility expires in December 2008. Entergy can issue letters of credit against the total borrowing capacity of both credit facilities. Following is a summary of the borrowings outstanding and capacity available under these facilities as of June 30, 2006:

Facility	Capacity	Borrowings	Letters of Credit	Capacity Available
		(In Millions)		
5-Year Facility	$2,000	$805	$144	$1,051
3-Year Facility	$1,500	$-	$-	$1,500

Entergy Arkansas, Entergy Gulf States, and Entergy Mississippi each have credit facilities available as of June 30, 2006 as follows:

Company	Expiration Date	Amount of Facility	Amount Drawn as of June 30, 2006

Entergy Arkansas	April 2007	$85 million	-
Entergy Gulf States	February 2011	$25 million (a)	-
Entergy Mississippi	May 2007	$30 million (b)	-
Entergy Mississippi	May 2007	$20 million (b)	-

(a) The credit facility allows Entergy Gulf States to issue letters of credit against the borrowing capacity of the facility. As of June 30, 2006, $1.4 million in letters of credit had been issued.

(b) Borrowings under the Entergy Mississippi facilities may be secured by a security interest in its accounts receivable.

See Note 4 to the consolidated financial statements for additional discussion of Entergy's credit facilities.

Capital Expenditure Plans and Other Uses of Capital

See the table in the Form 10-K under "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital**," which sets forth the amounts of planned construction and other capital investments by operating segment for 2006 through 2008. Following is an update to that discussion:

In July 2006, Entergy's Non-Utility Nuclear business reached an agreement to purchase Consumers Energy Company's 798 MW Palisades nuclear energy plant located near South Haven, Michigan for $380 million. Entergy's Non-Utility Nuclear business will acquire the plant, nuclear fuel, and other assets. In the near-term, Entergy intends to finance the acquisition through borrowings from Entergy Corporation's revolving credit facilities. As part of the purchase, Entergy's Non-Utility Nuclear business also executed a 15-year purchased power agreement with Consumers Energy for 100% of the plant's output. Entergy's Non-Utility Nuclear business will assume responsibility for eventual decommissioning of the plant. Consumers Energy will retain $200 million of the current $566 million Palisades decommissioning trust fund balance, and Entergy may return an additional approximately $100 million of the trust fund to Consumers Energy depending upon a pending tax ruling. Also as part of the transaction, Consumers Energy will pay Entergy's Non-Utility Nuclear business $30 million to accept responsibility for spent fuel at the

decommissioned Big Rock nuclear plant, which is located near Charlevoix, Michigan. Management expects to close the transaction in the first quarter 2007, pending the approvals of the NRC, the FERC, the Michigan Public Service Commission, and other regulatory agencies.

Cash Flow Activity

As shown in Entergy's Statements of Cash Flows, cash flows for the six months ended June 30, 2006 and 2005 were as follows:

	2006	2005
	(In Millions)	

Cash and cash equivalents at beginning of period	$583	$620
Effect of deconsolidating Entergy New Orleans in 2005	-	(8)
Cash flow provided by (used in):		
Operating activities	1,480	773
Investing activities	(1,054)	(674)
Financing activities	(279)	(104)
Effect of exchange rates on cash and cash equivalents	(1)	-
Net increase (decrease) in cash and cash equivalents	146	(5)
Cash and cash equivalents at end of period	$729	$607

Operating Activities

Entergy's cash flow provided by operating activities increased by $707 million for the six months ended June 30, 2006 compared to the six months ended June 30, 2005 primarily due to the following activity:

- Utility provided $1,088 million in cash from operating activities in 2006 compared to providing $539 million in 2005 primarily due to the receipt of an income tax refund (discussed below), increased collection of deferred fuel costs, and the effect in 2005 of a $90 million refund paid to customers in Louisiana, partially offset by storm restoration spending.
- Non-Utility Nuclear provided $473 million in cash from operating activities in 2006 compared to providing $235 million in 2005 primarily due to an increase of $130 million in income tax refunds received and an increase in net revenue.
- Parent & Other used $81 million in cash from operating activities in 2006 compared to using $1 million in 2005 primarily due to an increase in cash used of $72 million in the non-nuclear wholesale assets business primarily due to an increase in taxes paid and interest payments.

Entergy Corporation received a $344 million income tax refund (including $71 million attributable to Entergy New Orleans) as a result of net operating loss carryback provisions contained in the Gulf Opportunity Zone Act of 2005, as discussed in the Form 10-K. In accordance with Entergy's intercompany tax allocation agreement, $273 million of the refund was distributed to the Utility (including Entergy New Orleans) in April 2006, with the remainder distributed primarily to Non-Utility Nuclear.

Investing Activities

Net cash used in investing activities increased by $380 million for the six months ended June 30, 2006 compared to the six months ended June 30, 2005 primarily due to the following activity:

- Construction expenditures were $326 million higher in 2006 than in 2005, primarily due to an increase of $261 million in the Utility business because of storm restoration expenditures.

- Entergy Mississippi purchased the 480 MW Attala power plant in January 2006 for $88 million.

The increase was partially offset by:

- Entergy's investment in other temporary investments increased by $188 million during the six months ended June 30, 2005. Entergy had no activity in other temporary investments during the six months ended June 30, 2006.
- Entergy Louisiana purchased the 718 MW Perryville power plant in June 2005 for $162 million.
- The proceeds from the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.

Financing Activities

Net cash used in financing activities increased by $175 million for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. Following is a description of the significant financing activity occurring during the first six months of 2006 and 2005:

- Entergy Louisiana Holdings, Inc. redeemed all $100.5 million of its outstanding preferred stock in June 2006.
- Entergy Corporation increased the net borrowings on its credit facilities by $20 million during the six months ended June 30, 2006 compared to $585 million during the six months ended June 30, 2005. See Note 4 to the consolidated financial statements for a description of the Entergy Corporation credit facilities.
- Entergy Corporation repurchased $640 million of its common stock during the six months ended June 30, 2005.

See Note 4 to the consolidated financial statements for the details of long-term debt activity in the six months ended June 30, 2006.

Significant Factors and Known Trends

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Significant Factors and Known Trends**" in the Form 10-K for discussions of rate regulation, federal regulation, market and credit risks, utility restructuring, and nuclear matters. Following are updates to the information provided in the Form 10-K.

State and Local Rate Regulation

See the Form 10-K for the chart summarizing material rate proceedings. Following are updates to that chart. See also **Hurricanes Katrina and Rita** above for updates regarding storm cost recovery proceedings.

Entergy Arkansas

In March 2006, Entergy Arkansas filed with the APSC its annual redetermination of the energy cost rate for application to the period April 2006 through March 2007. The filed energy cost rate of $0.02827 per kWh was proposed to replace the interim rate of $0.01900 per kWh that had been in place since October 2005. The interim energy cost rate is discussed in the Form 10-K, along with the investigation that the APSC commenced concerning Entergy Arkansas' interim energy cost rate. The increase in the energy cost rate is due to increases in the cost of purchased power primarily due to the natural gas cost increase and the effect that Hurricanes Katrina and Rita had on market conditions, increased demand for purchased power during the ANO 1 refueling and steam generator replacement outage in the fall of 2005, and coal plant generation curtailments during off-peak periods due to coal delivery problems.

On March 31, 2006, the APSC suspended implementation of the $0.02827 per kWh energy cost rate, and ordered that the $0.01900 per kWh interim rate remain in effect pending the APSC proceedings on the energy cost recovery filings. The APSC also extended its investigation into Entergy Arkansas' interim energy cost rate to cover the costs included in Entergy Arkansas' March 2006 filing. The extended investigation does not identify new issues in addition to the four issues listed in the Form 10-K and covers the same time period. On April 7, 2006, the APSC issued a show cause order in the investigation proceeding that ordered Entergy Arkansas to file a cost of service study by June 8, 2006. The order also directed Entergy Arkansas to file testimony to support the cost of service study, to support the $0.02827 per kWh cost rate, and to address the general topic of elimination of the energy cost recovery rider.

Entergy Arkansas filed for rehearing of the APSC's orders, asking that the energy cost rate filed in March 2006 be implemented in May 2006 subject to refund, asserting that the APSC did not follow appropriate procedures in suspending the operation of the energy cost recovery rider, and asking the APSC to rescind its show cause order. On May 8, 2006 the APSC denied Entergy Arkansas' requests for rehearing. Entergy Arkansas appealed the APSC's decision, but later filed a motion to dismiss the appeal following the APSC's decision described below.

In June 2006, Entergy Arkansas once again filed a motion with the APSC seeking to implement the redetermined energy cost rate of $0.02827 per kWh. After a hearing the APSC approved Entergy Arkansas' request and the redetermined rate was implemented in July 2006, subject to refund pending the outcome of the APSC energy cost recovery investigation. Because of the delay in implementing the redetermined energy cost rate, Entergy Arkansas estimated in its motion that $46 million of energy costs would remain under-recovered at December 31, 2006.

A hearing in the APSC energy cost recovery investigation is scheduled for October 2006.

On June 7, 2006, Entergy Arkansas filed the cost of service study ordered by the APSC. On that date Entergy Arkansas also filed notice with the APSC that it intends to file for a change in base rates within 60 to 90 days of its notice. Entergy Arkansas expects to make that filing in August 2006.

See "System Agreement Litigation" herein for a discussion of Entergy's compliance filing in that proceeding. If the FERC approves the compliance tariff as filed, then payments under that tariff will be classified as energy costs, which would then be included in setting the retail energy cost rate as part of the normal working of the energy cost recovery rider. As noted above the APSC has given notice that it is considering the prospective elimination of the energy cost recovery rider. Therefore, Entergy Arkansas plans to propose an alternative to the energy cost recovery rider for recovery of the costs allocated to it as a result of the System Agreement litigation should the energy cost recovery rider be lawfully terminated by the APSC. A separate exact recovery rider, similar to the energy cost recovery rider or a production cost allocation rider, would ensure that Entergy Arkansas' customers pay only the amount allocated by the FERC.

Entergy Gulf States-Louisiana

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%. On May 1, 2006, Entergy Gulf States implemented a $3.5 million rate increase pursuant to an uncontested agreement with the LPSC Staff.

In March 2006, the LPSC approved an uncontested stipulated settlement in Entergy Gulf States' formula rate plan filing for the 2004 test year. The settlement includes a revenue requirement increase of $36.8 million and calls for

Entergy Gulf States to apply a refund liability of $744 thousand to capacity deferrals. The refund liability pertained to the periods 2004-2005 as well as the interim period in which a $37.8 million revenue increase was in place.

In May 2006, Entergy Gulf States made its formula rate plan filing with the LPSC for the 2005 test year. The filing shows that Entergy Gulf States' return on equity was within the allowed bandwidth. The filing also indicates that under the formula rate plan rider for approved capacity additions, a $7.1 million rate increase is required to recover LPSC-approved incremental

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deferred and ongoing capacity requirements. The filing is subject to a period of LPSC Staff review, and rate changes associated with the formula rate plan are scheduled to take effect with the first billing cycle of September 2006.

Entergy Gulf States -Texas

As discussed in Note 2 to the consolidated financial statements in the Form 10-K, 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 reached a unanimous settlement agreement on all issues with the active parties in the transition to competition cost recovery case. The agreement 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. The PUCT approved the settlement agreement in June 2006.

Entergy Louisiana

In May 2006, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. The filing shows that Entergy Louisiana's return on equity was within the allowed bandwidth. The filing also indicates that under the formula rate plan rider for approved capacity additions, a $121 million rate increase is required to recover LPSC-approved incremental deferred and ongoing capacity requirements. Entergy Louisiana requested recovery of the capacity deferrals over a three-year period, including carrying charges. $51 million of the rate increase is associated with these deferrals. The remaining $70 million of the rate increase is associated with ongoing capacity costs. The filing is subject to a period of LPSC Staff review, and rate changes associated with the formula rate plan are scheduled to take effect with the first billing cycle of September 2006.

Entergy Mississippi

In March 2006, Entergy Mississippi made its annual scheduled formula rate plan filing with the MPSC. The filing was amended by an April 2006 filing. The amended filing showed that an increase of $3.1 million in electric revenues is warranted. The MPSC has approved a settlement providing for a $1.8 million rate increase, which will be implemented in August 2006.

Entergy New Orleans

In June 2006, Entergy New Orleans made its annual formula rate plan filings with the City Council. The filings show various alternatives to reflect the effect of Entergy New Orleans' lost customers and decreased revenue. Entergy New Orleans' recommended alternative adjusts for lost customers and assumes that the City Council's June 2006 decision to allow recovery of all Grand Gulf costs through the fuel adjustment clause stays in place (a portion of Grand Gulf costs was previously recovered through base rates). Under that alternative, annual increases of $6.4 million in electric base rate revenues (an increase of 4.4%) and $22.8 million in gas base rate revenues (an increase of 160.9%) are warranted. The filings triggered the prescribed four-month period for review by the City Council's Advisors and other parties, and rate adjustments, if any, could be implemented as soon as the first billing cycle of November 2006.

At the same time as it made its formula rate plan filings, Entergy New Orleans also filed with the City Council a request to implement two storm-related riders. With the first rider, Entergy New Orleans seeks to recover over a ten-year period the $114 million in electric restoration costs and the $25 million in gas restoration costs that it has actually spent through March 31, 2006. Entergy New Orleans also proposed semiannual filings to update the rider for additional restoration spending and also to consider the receipt of CDBG funds or insurance proceeds that it may

receive. With the second rider, Entergy New Orleans seeks to establish over a ten-year period a $150 million storm reserve to provide for the risk of another storm. Entergy New Orleans requested that the City Council consider the proposed riders within the same time frame as the formula rate plans, which would allow implementation as soon as the first billing cycle of November 2006.

Federal Regulation

System Agreement Litigation

See the Form 10-K for a discussion of the System Agreement litigation proceedings at the FERC. In April 2006, Entergy filed with the FERC its compliance filing to implement the provisions of the FERC's decision. The filing amends the System Agreement to provide for the calculation of production costs, average production costs, and payments/receipts among the domestic utility companies to the extent required to maintain rough production cost equalization pursuant to the FERC's decision, and makes clear that all payments/receipts will be classified as energy costs. The payments/receipts would be based on calendar year 2006 production costs, with any payments/receipts among the domestic utility companies to be made in twelve equal monthly installments, commencing in June 2007.

Motions to intervene without protest were filed by the City of New Orleans, the MPSC, the Louisiana Energy Users Group, and Occidental Chemical Corporation. Protests to the compliance filing were filed by the APSC, the LPSC, Arkansas Electric Energy Consumers, Inc. (AEEC), and the Arkansas Attorney General (Arkansas AG). Among other things, the LPSC urged the FERC: (1) to require any payments/receipts to commence in January 2007, rather than June 2007, and to require such payments to be made in a single lump sum payment, rather than in twelve equal monthly installments, or in the alternative to require a paying utility company to complete all payments within the calendar year following the year in which the disparity occurred; (2) to find that the bandwidth remedy is analogous to a "cost-of-service tariff with deferred billing," as opposed to a prospective remedy, so that a utility company could be required to make a payment based on a previous year's production costs even if such utility company has exited the System Agreement and so that interest would be due on the amount of any payment; and (3) to order interest on any payments to the extent they are not made in a single lump sum amount. In addition to the above issues, the LPSC and the other parties filing protests urged the FERC to require the bandwidth calculation to be set forth in a separate service schedule within the System Agreement, rather than the existing Service Schedule MSS-3 as proposed by Entergy. The APSC's protest urged the FERC to require that the bandwidth formula include all bandwidth payments as a production cost of the paying utility company for the year in which the payment is made, instead of excluding such costs as proposed in the compliance filing. The AEEC, among other things, urges the FERC to segregate the capacity and energy cost components of any bandwidth payments/receipts. The domestic utility companies responded to the issues raised in the protests and urged the FERC to approve the compliance filing as submitted by Entergy. The LPSC filed a reply to Entergy's response reasserting its previous positions and alleging, among other things, that Entergy was trying to delay the bandwidth payment in an effort to protect purported excess profits at Entergy Arkansas.

Separately, in July 2006 the LPSC filed with the FERC a Motion for Summary Disposition on the same issues that the LPSC had raised in its protests to the compliance filing. The domestic utility companies filed an answer urging the FERC to reject the LPSC's Motion for Summary Disposition and asking the FERC for summary disposition of several issues in favor of the domestic utility companies' positions.

The FERC's decision in the System Agreement proceeding is currently pending before the United States Court of Appeals for the D.C. Circuit. The parties to the proceeding reached agreement on a proposed briefing schedule that would result in the various parties submitting initial and reply briefs between August and November 2006. The proposed briefing schedule has been submitted to the Court of Appeals.

The FERC's decision would reallocate total production costs of the domestic utility companies whose relative total production costs expressed as a percentage of Entergy System average production costs are outside an upper or lower bandwidth. This would be accomplished by payments from domestic utility companies whose production costs are more than 11% below Entergy System average production costs to domestic utility companies whose production costs are more than the Entergy System average production cost, with payments going first to those

domestic operating utilities whose total production costs are farthest above the Entergy System average. For purposes of the Entergy Arkansas rate filings discussed above in "State and Local Rate Regulation" that are expected to be made in mid-August 2006, an assessment of the potential effects of the FERC's June 2005 order, as amended by its December 2005 order on rehearing, has been calculated on the basis of a 2006 test year, using a 2006 gas price that consists of a non-weighted average of twelve months of gas prices calculated as follows: January through May 2006 are actual, volume-weighted monthly averages of day-ahead cash prices as reported by Energy Intelligence Natural Gas Week; the June 2006 price is the First of the Month Index price as reported by Platts Inside FERC's Gas Market Report; the July 2006 price is the 5/31/06 NYMEX Henry Hub settlement price; and August through December 2006 are 30 calendar-day rolling averages as of May 31, 2006 of forward NYMEX Henry Hub gas contracts. For example the August 2006 price is an average of all the daily NYMEX settlement prices for the August 2006 contract for each trading day from the period 5/2/06 - 5/31/06 inclusive. A similar calculation is made using the daily settlements of the September 2006 through December 2006 NYMEX contracts to arrive at those monthly prices. This resulted in an average annual gas price of $7.49/mmBtu. If the FERC's June 2005 order, as amended by its December 2005 order on rehearing, becomes final and if an annual average gas price of $7.49/ mmBtu occurs for 2006 as assumed, the following potential annual production cost reallocation among the domestic utility companies could result:

	Annual Payments or (Receipts) (in millions)
Entergy Arkansas	$284
Entergy Gulf States	($197)
Entergy Louisiana	($59)
Entergy Mississippi	($28)
Entergy New Orleans	$0

In calculating the production costs for this purpose under the FERC's order, output from the Vidalia hydroelectric power plant does not reflect the actual Vidalia price for the year but is priced at that year's average price paid by Entergy Louisiana for the exchange of electric energy under Service Schedule MSS-3 of the System Agreement, thereby reducing the amount of Vidalia costs reflected in the comparison of the domestic utility companies' total production costs.

APSC Complaint at the FERC

In June 2006, the APSC filed a complaint with the FERC against Entergy Services as the representative of Entergy Corporation and the domestic utility companies, pursuant to Sections 205, 206 and 207 of the Federal Power Act. The APSC states that "The purpose of the complaint is to institute an investigation into the prudence of Entergy's practices affecting the wholesale rates that flow through its System Agreement." The complaint requests, among other things, that the FERC disallow any costs found to be imprudent, with a refund effective date to be set at the earliest possible time. Specific areas of requested investigation include:

- The domestic utility companies' transmission expansion and planning process, including the construction, or lack thereof, of economic transmission upgrades;
- The domestic utility companies' wholesale purchasing practices, including the potential savings due to integration of independent power producers into their economic dispatch;
- The domestic utility companies' alleged failure to retire their aging, inefficient gas- and oil-fired generation; and
- The alleged failure to construct or acquire coal capacity for the generation portfolio of Entergy Louisiana.

The complaint also requests that the FERC exercise its authority under Section 207 of the FPA to investigate the adequacy of Entergy's transmission system and direct it to make all necessary upgrades to ensure that its transmission facilities provide reliable, adequate and economic service.

On July 31, 2006, the domestic utility companies submitted their answer to the APSC complaint. In their answer, the domestic utility companies acknowledge that while the FERC is the appropriate forum to consider the issues raised in the APSC's complaint, the APSC has provided no probative evidence supporting its allegations and has not met the standards under the Federal Power Act (FPA) to have a matter set for hearing. Under the FPA standards, the APSC must create "serious doubt" as to the propriety of the challenged actions. As indicated in the domestic utility companies' answer, the APSC complaint does not raise a "serious doubt" but instead largely relies on unsupported assertions, many of which have been investigated in other proceedings. In those limited instances when the APSC complaint references "evidence" in an attempt to support its request for a hearing, the "evidence" to which it refers in fact does nothing to support its position but, rather, shows that Entergy has acted prudently. As further indicated in the domestic utility companies' answer, following the issuance of the FERC's System Agreement decision, all of the production costs of the domestic utility companies are now inputs to a formula rate that will result in bandwidth payments among the domestic utility companies in order to roughly equalize production costs. Based on well-established Supreme Court precedent, the FERC has exclusive jurisdiction over all inputs that will be included in the System Agreement bandwidth formula rates filed in compliance with the FERC's System Agreement decision and retail regulators are preempted from taking any action that disturbs the FERC's findings with respect to these production cost inputs and the FERC-determined allocation of production costs among the domestic utility companies. The domestic utility companies believe that their conduct with respect to these issues has been prudent and will vigorously defend such conduct.

Several parties have intervened in the proceeding, including the MPSC, the LPSC, and the City Council. The LPSC's answer and comments in response to the APSC Complaint ask the FERC to investigate whether Entergy Arkansas' withdrawal from the System Agreement is fair, just, and reasonable.

APSC System Agreement Investigation

In 2004, the APSC commenced an investigation into whether Entergy Arkansas' continued participation in the System Agreement is in the best interests of its customers. Citing its concerns that the benefits of its continued participation in the current form of the System Agreement have been seriously eroded, in December 2005, Entergy Arkansas submitted its notice that it will terminate its participation in the current System Agreement effective 96 months from December 19, 2005 or such earlier date as authorized by the FERC. Entergy Arkansas indicated, however, that a properly structured replacement agreement could be a viable alternative. In June 2006 the APSC issued an order in its investigation requiring Entergy Arkansas President Hugh McDonald to file testimony in response to several questions involving details of what action Entergy Arkansas or Entergy has taken to insure that Entergy Arkansas' customers are protected from additional costs including those related to the following areas: construction of new generating plants located outside of Arkansas, costs of the Entergy New Orleans bankruptcy, and costs associated with restoration of facilities damaged by Hurricanes Katrina and Rita. Mr. McDonald was also directed to describe actions taken since December 19, 2005 to encourage or persuade the FERC to authorize Entergy Arkansas to exit the Entergy System Agreement sooner than 96 months, and to describe current and future actions related to development of a replacement system agreement. Responsive testimony was filed with the APSC in July 2006. A public hearing for the purpose of cross-examination of Mr. McDonald on his testimony and for questioning by the APSC was also conducted in July 2006.

Independent Coordinator of Transmission (ICT)

In April 2006 the FERC issued an order approving with modification Entergy's ICT proposal filed in May 2005. In its order, the FERC: (1) approved the establishment of the ICT, with modifications; (2) approved Entergy's proposed pricing policy, with modifications; (3) approved the implementation of a weekly procurement process (WPP); and (4) ordered Entergy to submit a compliance filing and an executed contract with the Southwest Power Pool (SPP), the approved ICT, within 60 days of the order. Several parties have filed requests for rehearing of the FERC order, and those requests are still pending.

The proposed modifications include, among other things: (1) Entergy must file with the FERC the criteria used to grant and deny transmission service, including calculating available flowgate capacity; (2) the FERC extended the initial term of the ICT from two years to four years; and Entergy is precluded from terminating the ICT prior to the end of the four year period; (3) the establishment of a transmission users group that will provide input directly to the ICT on the effectiveness of the ICT Proposal and also will propose to the FERC an appropriate means by which they could be given access to inputs in the process and models under the direction of the ICT; (4) with regard to any dispute between the ICT and Entergy concerning transmission service requests, transmission planning, and interconnection requests, the ICT's position will prevail during the pendency of the dispute resolution; and (5) the WPP must be operational within approximately 14 months of the FERC order or the FERC may reevaluate all approvals to proceed with the ICT.

Entergy made its compliance filing with the FERC on May 24, 2006, including the executed ICT agreement with SPP. Entergy informed the FERC that, assuming it has received all required approvals, Entergy intends to install SPP as the ICT within 30 days of FERC approval of the ICT agreement. Several parties have filed protests regarding Entergy's compliance filing, and consideration of Entergy's compliance filing is pending at the FERC.

The LPSC voted to approve the ICT proposal in July 2006.

Market and Credit Risks

Commodity Price Risk

Power Generation

As discussed more fully in the Form 10-K, the sale of electricity from the power generation plants owned by Entergy's Non-Utility Nuclear business and Energy Commodity Services business, unless otherwise contracted, is subject to the fluctuation of market power prices. Following is an updated summary of the amount of the Non-Utility Nuclear business' output that is sold forward under physical or financial contracts (2006 represents the remaining two quarters of the year):

	2006	2007	2008	2009	2010
Non-Utility Nuclear :					
Percent of planned generation sold forward:					
Unit-contingent	34%	39%	34%	25%	12%
Unit-contingent with guarantee of availability (1)	53%	47%	32%	13%	5%
Firm liquidated damages	4%	8%	0%	0%	0%
Total	91%	94%	66%	38%	17%
Planned generation (TWh)	17	34	34	35	34
Average contracted price per MWh	$41	$49	$53	$58	$46

1. A sale of power on a unit contingent basis coupled with a guarantee of availability provides 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.

See the Form 10-K for a discussion of Non-Utility Nuclear's value sharing agreements with NYPA involving energy sales from the Fitzpatrick and Indian Point 3 power plants and a discussion of the Vermont Yankee PPA price adjustment clause.

Some of the agreements to sell the power produced by Entergy's Non-Utility Nuclear power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The

Entergy subsidiary will be required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Non-Utility Nuclear sells power. The primary form of collateral to satisfy these requirements would be an Entergy Corporation guaranty. Cash and letters of credit are also acceptable

forms of collateral. At June 30, 2006, based on power prices at that time, Entergy had in place as collateral $1,275 million of Entergy Corporation guarantees for wholesale transactions, including $100 million of guarantees that support letters of credit. The assurance requirement associated with Non-Utility Nuclear is estimated to increase by an amount up to $445 million if gas prices increase $1 per MMBtu in both the short- and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, Entergy will be required to replace Entergy Corporation guarantees with cash or letters of credit under some of the agreements.

In addition to selling the power produced by its plants, the Non-Utility Nuclear business sells installed capacity to load-serving distribution companies in order for those companies to meet requirements placed on them by the ISO in their area. Following is a summary of the amount of the Non-Utility Nuclear business' installed capacity that is currently sold forward, and the blended amount of the Non-Utility Nuclear business' planned generation output and installed capacity that is currently sold forward (2006 represents the remaining two quarters of the year):

	2006	2007	2008	2009	2010
Non-Utility Nuclear					
:					
Percent of capacity sold forward:					
Bundled capacity and energy contracts	13%	12%	12%	12%	12%
Capacity contracts	77%	48%	36%	24%	3%
Total	90%	60%	48%	36%	15%
Planned net MW in operation	4,200	4,200	4,200	4,200	4,200
Average capacity contract price per kW per month	$1.1	$1.1	$1.1	$1.0	$0.9
Blended Capacity and Energy (based on revenues)					
% of planned generation and capacity sold forward	86%	88%	57%	33%	11%
Average contract revenue per MWh	$42	$50	$53	$59	$46

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, unbilled revenue, impairment of long-lived assets, qualified pension and other postretirement benefits, and other contingencies. Following is an update to that discussion.

Unbilled Revenue

As discussed in Note 10 to the consolidated financial statements, effective January 1, 2006, Entergy Louisiana and the Louisiana portion of Entergy Gulf States reclassified the fuel component of unbilled accounts receivable to deferred fuel and will no longer include the fuel component in their unbilled revenue calculations, which is in accordance with regulatory treatment.

Recently Issued Accounting Pronouncements

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006 and is effective for Entergy in the first quarter of 2007. The FASB's objective in issuing this interpretation is to increase comparability among companies in financial reporting of income taxes. FIN 48 establishes a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. Entergy does not expect that the adoption of FIN 48 will materially affect its financial position, results of operations, or cash flows.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2006 and 2005
(Unaudited)

	Three Months Ended		Six Months Ended	
	2006	2005	2006	2005
	(In Thousands, Except Share Data)			
OPERATING REVENUES				
Domestic electric	$2,177,710	$2,044,666	$4,270,646	$3,746,683
Natural gas	13,612	12,532	51,027	39,387
Competitive businesses	437,180	388,193	874,864	769,502
TOTAL	2,628,502	2,445,391	5,196,537	4,555,572
OPERATING EXPENSES				
Operating and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	661,619	419,360	1,501,791	918,345
Purchased power	577,408	608,562	1,038,778	1,040,184
Nuclear refueling outage expenses	42,546	39,150	84,540	78,960
Other operation and maintenance	573,234	558,735	1,102,664	1,062,375
Decommissioning	36,258	36,525	71,854	73,524
Taxes other than income taxes	91,130	95,016	194,468	185,632
Depreciation and amortization	217,943	204,420	423,332	419,941
Other regulatory credits - net	(58,929)	(31,951)	(102,946)	(49,971)
TOTAL	2,141,209	1,929,817	4,314,481	3,728,990
OPERATING INCOME	487,293	515,574	882,056	826,582
OTHER INCOME				
Allowance for equity funds used during construction	8,908	10,918	24,367	23,521
Interest and dividend income	35,139	34,441	78,968	65,059
Equity in earnings of unconsolidated equity affiliates	8,483	10,291	12,070	13,593
Miscellaneous - net	(7,965)	(10,956)	(14,170)	14,977
TOTAL	44,565	44,694	101,235	117,150
INTEREST AND OTHER CHARGES				
Interest on l				