CHARTER COMMUNICATIONS INC /MO/
Form DEF 14A
August 04, 2005

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SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule l4a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-l2

Charter Communications, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(l) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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August 4, 2005

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Charter Communications, Inc. (the Company), which will be held at the W Seattle Hotel, 1112 Fourth Avenue, Seattle, Washington on Tuesday, August 23, 2005 at 10:00 a.m. (Pacific Daylight Time).

All stockholders of record at the close of business on July 29, 2005 are invited to attend the meeting. For security reasons, however, to gain admission to the meeting you may be required to present identification containing a photograph and to comply with other security measures. Parking at the W Seattle Hotel for the Annual Meeting will be complimentary. Please inform the attendant you are attending the Charter Annual Meeting.

Details of the business to be conducted at the annual meeting are provided in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and promptly return the enclosed proxy in the postage-paid envelope that is provided. If you decide to attend the annual meeting, you will have the opportunity to vote in person.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of the Company.

Sincerely,

Robert P. May
Interim President and Chief Executive Officer

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Charter Plaza
12405 Powerscourt Drive
St. Louis, Missouri 63131

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
OF
CHARTER COMMUNICATIONS, INC.

Date:	Tuesday, August 23, 2005
Time:	10:00 a.m. (Pacific Daylight Time)
Place:	The W Seattle Hotel 1112 Fourth Avenue Seattle, Washington

Matters to be voted on:

1. Election of ten directors, as follows:
   One Class A/ Class B director; and
   Nine Class B directors.
2. An amendment to the Company s 2001 Stock Incentive Plan,.

3. Ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ended December 31, 2005.

4. Any other matters properly brought before the stockholders at the meeting.

By order of the Board of Directors,

Thomas J. Hearity
Secretary

August 4, 2005

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CHARTER COMMUNICATIONS, INC.
PROXY STATEMENT

Your vote at the annual meeting is important to us. Please vote your shares of Class A common stock by completing the enclosed proxy card and returning it to us in the envelope provided. This proxy statement was first mailed to stockholders on or about August 4, 2005.

General Information about Voting and the Meeting

What are you voting on at the meeting?

As a holder of Class A common stock, you are being asked to vote, together with the holder of Class B common stock, **FOR** the following:

- election of Robert P. May as the one director to serve as the Class A/ Class B director on the board of directors of the Company (the Class A/ Class B director);

- an amendment to the Company s 2001 Stock Incentive Plan,; and

- ratification of the appointment of KPMG LLP (KPMG) as the Company s independent registered public accountants for the year ended December 31, 2005.

Why are you voting on only one director?

There currently are a total of nine members of the board of directors. In addition, Nathanial A. Davis has been nominated by the Board to fill an existing vacancy. Our Certificate of Incorporation provides that all but one of the directors will be elected by vote of the holder of the Class B shares voting alone (the Class B directors), and that the remaining director (the Class A/ Class B director) will be elected by the holders of the Class A and Class B shares voting together.

Who has been nominated for election as a director at the annual meeting?

The board of directors has nominated the nine current directors for re-election plus a new director to fill a vacancy. As noted above, however, the holders of Class A shares will be voting for only one director. The Class A/ Class B director nominee who has been nominated by the Board of Directors for election by vote of the Class A and Class B shares voting together at the annual meeting is Robert P. May.

The other nine directors who have been nominated by the board of directors to serve as Class B directors are: Paul G. Allen, W. Lance Conn, Nathaniel A. Davis, Jonathan L. Dolgen, David C. Merritt, Marc B. Nathanson, Jo Allen Patton, John H. Tory and Larry W. Wangberg.

Who can vote?

For all matters except the election of the nine Class B directors, a total of 345,694,905 shares of Class A common stock, representing approximately 8.5% of the total voting power of all of our issued and outstanding stock, and 50,000 shares of Class B common stock, representing approximately 91.5% of the total voting power, are entitled to vote. Each holder of Class A common stock is entitled to one vote per share. Each holder of Class B common stock is entitled to ten votes per share plus ten votes per share of Class B common stock for which membership units in Charter Communications Holding Company, LLC held by Mr. Allen and his affiliates are exchangeable. Accordingly, each outstanding share of Class B common stock was entitled to 67,836.4 votes at July 29, 2005.

You can vote your Class A shares if our records show that you owned the shares at the close of business on July 29, 2005 (the Record Date). The enclosed proxy card indicates the number of Class A shares that our records show you are entitled to vote.

You will not have a vote in the election of the Class B directors. Mr. Allen, the sole holder of Class B shares, will be the only stockholder voting in that election.

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What is the quorum required for the meeting?

We will hold the annual meeting if holders of shares having a majority of the combined voting power of the Class A and Class B common stock as of the Record Date either sign and return their proxy cards or attend the meeting. If you sign and return your proxy card, your shares will be counted to determine whether we have a quorum, even if you fail to indicate your vote.

Based on the voting power of the Class A and Class B common stocks, the presence or absence of Mr. Allen at the meeting (in person or by proxy) will determine if a quorum is present.

Abstentions and broker non-votes will be counted as present for purposes of determining whether a quorum exists at the annual meeting.

What is a broker non-vote ?

A broker non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because the nominee does not have discretionary voting power for that particular proposal and has not received voting instructions from the beneficial owner.

What is the vote required for the proposals on the agenda?

A plurality of Class A and Class B votes cast, voting together as a single class, is required for the election of the Class A/ Class B director. The affirmative vote of the holders of a majority of Class A and Class B shares present in person or represented by proxy at the meeting and entitled to vote, voting together as a single class, is required to approve and adopt the proposed amendment to the 2001 Incentive Stock Plan and for ratification of the appointment of KPMG as our independent registered public accountants.

Under our Certificate of Incorporation and Bylaws, for purposes of determining whether votes have been cast, abstentions and broker non-votes will not be counted except with respect to the election of directors where abstentions and broker non-votes will result in the respective nominee receiving fewer votes, but will have no effect on the outcome of the vote.

A stockholder may vote to abstain on the proposal to amend the 2001 Stock Incentive Plan and the ratification of the appointment of KPMG as our independent registered public accountants and the other proposals which may properly come before the annual meeting. If you vote to abstain, your shares will be counted as present at the meeting for purposes of determining a quorum on all matters, but will not be considered to be votes cast with respect to such matters. Abstentions will not be voted and will have the effect of a vote against the proposals. If an executed proxy is returned by a broker holding shares in street name that indicates that the broker does not have discretionary authority as to certain shares to vote on one or more matters (a broker non-vote), such shares will be considered present at the meeting for purposes of determining a quorum on all matters, but will not be considered to be votes cast with respect to such matters. Therefore, broker non-votes will have no effect on the outcome of the election of directors, but will have the effect of a vote against the proposal to amend the 2001 Stock Incentive Plan and the ratification of the appointment of KPMG as our independent public accountants. In addition, in the election of directors, a stockholder may withhold such stockholder s vote.

We have been advised by Paul G. Allen, the sole holder of Class B shares, that he intends to vote FOR all of the ten nominees identified above, including the Class A/ Class B director nominee, which would result in the election of the Class A/ Class B nominee. We have also been advised by Mr. Allen, that he intends to vote FOR the amendment of the 2001 Stock Incentive Plan and the ratification of the appointment of KPMG as our independent public accountants, which would result in the approval of the proposals.

What are my choices in the proposals on the agenda?

You can vote your shares FOR, or you can withhold your vote for, the Class A/ Class B director nominee, Robert P. May. On the proposals not involving the election of directors, you can (1) vote for the proposal, (2) vote against the proposal, or (3) abstain from voting.

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How do I vote by proxy?

Follow the instructions on the enclosed proxy card. Sign and date the proxy card and mail it back to us in the enclosed envelope. If you receive more than one proxy card it may mean that you hold shares in more than one account. Sign and return all proxy cards to ensure that all of your shares are voted. The proxy holder named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not indicate your vote, the proxy holder will vote on your behalf FOR the named Class A/ Class B director nominee or his substitute, FOR the amendment of the 2001 Stock Incentive Plan and FOR ratification of KPMG as our independent registered public accountants.

Can I vote or via the Internet?

Stockholders with shares registered in their names with Mellon Investor Services LLC, our transfer agent, may authorize a proxy by the internet at the following address: http://www.proxyvote.com. A number of brokerage firms and banks participate in a program that permits internet voting. If your shares are held in an account at a brokerage firm or bank that participates in such a program, you may direct the vote of those shares by following the instructions on the voting form enclosed with the proxy from the brokerage firm or bank.

Proxies submitted via the internet must be received by 11:59 p.m. (EDT) on August 22, 2005. Please refer to your voting instruction form and/or your proxy card for specific voting instructions. If you vote this year s proxy via the internet, you may also elect to receive future proxy and other materials electronically by following the instructions when you vote. Making this election will save the Company the cost of producing and mailing these documents.

What if other matters come up at the annual meeting?

The items listed on the Notice of Annual Meeting of Stockholders are the only matters that we know will be voted on at the annual meeting. On such other business as may properly come before the meeting, your shares will be voted in the discretion of the proxy holder.

Can I change my vote after I return my proxy card?

Yes. At any time before the vote at the annual meeting, you can change your vote either by giving our Secretary a written notice revoking your proxy card, or by signing, dating and submitting a new proxy card. We will honor the latest dated proxy card which has been received prior to the closing of the voting. You may also attend the meeting and vote in person.

Can I vote in person at the annual meeting rather than by completing the proxy card?

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person.

What do I do if my shares are held in street name ?

If your shares are held in the name of your broker, a bank or other nominee, you should return your proxy in the envelope provided by such broker, bank or nominee or instruct the person responsible for holding your shares to execute a proxy on your behalf. In either case, your shares will be voted according to your instructions.

If you wish to attend the annual meeting and vote your shares in person, you should obtain the documents required to vote your shares in person at the annual meeting from your broker, bank or other nominee.

Who is soliciting my vote?

The board of directors is soliciting your vote.

Who pays for this proxy solicitation?

The Company pays for the proxy solicitation. We will ask banks, brokers and other nominees and fiduciaries to forward the proxy material to the beneficial owners of the Class A common stock and to obtain the authority of executed proxies. We will reimburse them for their reasonable expenses.

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Proposal No. 1: Election of Class A/ Class B Director
(Item 1 on Proxy Card)

The Company currently has nine directors, each of whom is elected on an annual basis. In addition, a tenth person has been nominated to be a Class B director to fill an existing vacancy. The Company s Certificate of Incorporation provides that the holders of the Class B common stock elect all but one of the directors. The holders of the Class A common stock and Class B common stock, voting together, elect one director (the Class A/ Class B director). This election of one Class A/ Class B director by the holders of Class A and Class B common stock voting together is scheduled to take place at the annual meeting of stockholders. The board of directors is soliciting your vote for the Class A/ Class B director to be elected at the annual meeting of stockholders. Once elected, the Class A/ Class B director will hold office until his or her successor is elected, which we expect to occur at next year s annual meeting of stockholders. You do not have a vote, and your vote is not being solicited, with respect to the election of the ninth Class B directors who will be elected at the meeting.

Nominations. Robert P. May has been nominated for election as the Class A/ Class B director. Although we do not know of any reason why Mr. May might not be able to serve, the board of directors will propose a substitute nominee to serve if May is not available for election for any reason.

By virtue of Mr. Allen s control of approximately 91.5% of the voting power of the Company as of the Record Date, the Company is a controlled company under Nasdaq rule 4350(c)(5). As such, the Company is not subject to requirements that a majority of our directors be independent (as defined in Nasdaq s rules) or that there be a nominating committee of the board, responsible for nominating director candidates. The Company does not have a nominating committee. Candidates for director are nominated by the board of directors, based on the recommendation of one or more of our directors. Given the significance of Mr. Allen s investment in the Company and the high caliber of the individuals who have been recruited to serve on our board of directors, we believe that the Company s nomination process is appropriate. Criteria and qualifications for new board members considered by the Company s directors include a high level of integrity and ability, industry experience or knowledge, and operating company experience as a member of senior management (operational or financial). In addition, director candidates must be individuals with the time and commitment necessary to perform the duties of a board member and other special skills that complement or supplement the skill sets of current directors.

Stockholders may nominate persons to be directors by following the procedures set forth in our Bylaws. These procedures require the stockholder to deliver timely notice to the Secretary at our principal executive offices. That notice must contain the information required by the Bylaws about the stockholder proposing the nominee and about the nominee. No stockholder nominees have been proposed for this year s meeting.

Stockholders also are free to suggest persons for the board of directors to consider as nominees. The board of directors will consider those individuals if adequate information is submitted in a timely manner (but at least 120 days before the date of the proxy statement for the prior year s annual meeting of stockholders) in writing to the board of directors at the Company s principal executive offices, in care of the General Counsel. The board of directors may, however, give less serious consideration to individuals with whom none of the current board members personally know.

General Information about the Class A/ Class B Director Nominee

Robert P. May is the director nominee proposed for election by the holders of the Company s Class A and Class B common stock. Mr. May has agreed to be named in this proxy statement and to serve as a director if elected.

Robert P. May, 56, was elected to our board of directors in October 2004 and became our Interim President and Chief Executive Officer in January 2005. Mr. May has served on the board of directors of HealthSouth Corporation, a national provider of healthcare services, since October 2002, and has been its

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Chairman since July 2004. Mr. May also served as HealthSouth Corporation s Interim Chief Executive Officer from March 2003 until May 2004, and as Interim President of its Outpatient and Diagnostic Division from August 2003 to January 2004. Since March 2001, Mr. May has been a private investor and principal of RPM Systems, which provides strategic business consulting services. From March 1999 to March 2001, Mr. May served on the board of directors and was Chief Executive of PNV Inc., a national telecommunications company. PNV Inc. filed for bankruptcy in December 2000. Prior to his employment at PNV Inc., Mr. May was Chief Operating Officer and a member of the board of directors of Cablevision Systems Corporation from October 1996 to February 1998, and from 1973 to 1993 he held several senior executive positions with Federal Express Corporation, including President, Business Logistics Services. Mr. May was educated at Curry College and Boston College and attended Harvard Business School s Program for Management Development.

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR THE CLASS A/ CLASS B DIRECTOR NOMINEE.

Election of Class B Directors

Information about the Class B Director Nominees

The following information concerns the nine individuals who have been nominated by the board of directors for election by the Class B holder, voting as a separate class. Each of the following individuals currently serve as Class B directors with the exception of Mr. Davis who has been nominated by the Board to fill an existing vacancy.

Paul G. Allen, 52, has been Chairman of the Company s board of directors since July 1999, and Chairman of the board of directors of Charter Investment, Inc. (a predecessor to, and currently an affiliate of, the Company) since December 1998. Mr. Allen, co-founder of Microsoft Corporation, has been a private investor for more than 15 years, with interests in over 50 technology, telecommunications, content and biotech companies. Mr. Allen s investments include Vulcan Inc., Vulcan Productions, Inc., the Portland Trail Blazers NBA and Seattle Seahawks NFL franchises, and investments in DreamWorks LLC and Oxygen Media. In addition, Mr. Allen is a director of Vulcan Programming Inc., Vulcan Ventures, Vulcan Inc., Vulcan Cable III Inc., numerous privately held companies and, until its sale in May 2004 to an unrelated third party, TechTV L.L.C.

W. Lance Conn, 37, was elected to the board of directors of the Company in September 2004. Since July 2004, Mr. Conn has served as Executive Vice President, Investment Management for Vulcan Inc., the investment and project management company that oversees a diverse multi-billion dollar portfolio of investments by Paul G. Allen. Prior to joining Vulcan Inc., Mr. Conn was employed by America Online, Inc., an interactive online services company, from March 1996 to May 2003. From 1997 to 2000, Mr. Conn served in various senior business development roles at America Online. In 2000, Mr. Conn began supervising all of America Online s European investments, alliances and business initiatives. In 2002, he became Senior Vice President of America Online U.S. where he led a company-wide effort to restructure and optimize America Online s operations. From September 1994 until February 1996, Mr. Conn was an attorney with the Shaw Pittman law firm in Washington, D.C. Mr. Conn holds a J.D. degree from the University of Virginia, a master s degree in history from the University of Mississippi and an A.B. in history from Princeton University.

Nathaniel A. Davis, 51, has been nominated by the board to be a Class B director. Since June 2003, Mr. Davis has been Managing Director and owner of RANND Advisory Group, a technology Consulting Group, which advises venture capital, telecom and other technology related firms. From January 2000 through May of 2003, he was President and Chief Operating Officer of XO Communication, Inc. XO Communications filed a petition to reorganize under Chapter 11 of the Bankruptcy Code in June 2002 and completed its restructuring and emerged from Chapter 11 in January 2003. From October 1998 to December 1999 he was Executive Vice President, Network and Technical Services of Nextel Communications, Inc. Prior to that, he worked for MCI Communications from 1982 until 1998 in a number of positions, including as Chief Financial Officer of MCIT from November 1996 until October 1998. Prior to that, Mr. Davis served in a variety of roles that include Senior Vice President of Network Operations, Chief Operating Officer of MCImetro, Sr. Vice President of Finance, Vice President of Systems Development. Mr. Davis holds a B.S. degree from Stevens Institute of Technology, an M.S. from Moore School of Engineering and an M.B.A. from the Wharton School at the University of Pennsylvania. He is a member of the boards of XM Satellite Radio Holdings, Inc. and of Mutual of America Capital Management Corporation.

Jonathan L. Dolgen, 60, was elected to the board of directors of the Company in October 2004. Since July 2004, Mr. Dolgen has also been a Senior Advisor to Viacom, Inc. a worldwide entertainment and media company, where he provides advisory services to the current Chairman and Chief Executive of Viacom, or others designated by him, on an as requested basis. Since July 2004, Mr. Dolgen has been a private investor and since September 2004, Mr. Dolgen has been a principal of Wood River Ventures, LLC, a private start-up entity that seeks investment and other opportunities primarily in the media sector. From April 1994 to July 2004, Mr. Dolgen served as Chairman and Chief Executive Officer of the Viacom Entertainment Group, a unit of Viacom, where he oversaw various operations of Viacom s businesses, which during 2003 and 2004 primarily included the operations engaged in motion picture production and distribution, television production and distribution, regional theme parks, theatrical exhibition and publishing. Mr. Dolgen began his career in the entertainment industry in 1976, and until joining the Viacom Entertainment Group, served in executive positions at Columbia Pictures Industries, Inc., Twentieth Century Fox and Fox, Inc., and Sony Pictures Entertainment. Mr. Dolgen holds a B.S. degree from Cornell University and a J.D. degree from New York University.

David C. Merritt, 51, was elected to the board of directors of the Company in July 2003, and was also appointed as Chairman of the Audit Committee at that time. Since October 2003, Mr. Merritt has been a Managing Director of Salem Partners, LLC, an investment banking firm. He was a Managing Director in the Entertainment Media Advisory Group at Gerard Klauer Mattison & Co., Inc., a company that provided Financial advisory services to the entertainment and media industries, from January 2001 through April 2003. From July 1999 to November 2001, he served as Chief Financial Officer of CKE Associates, Ltd., a privately held company with interests in talent management, film production, television production, music and new media. He also served as a director of Laser-Pacific Media Corporation from January 2001 until October 2003 and served as Chairman of its audit committee. In December 2003, he became a director of Outdoor Channel Holdings, Inc. Mr. Merritt joined KPMG in 1975 and served in a variety of capacities during his years with the firm, including national partner in charge of the media and entertainment practice and before joining CKE Associates, Mr. Merritt was an audit and consulting partner of KPMG for 14 years. Mr. Merritt holds a B.S. degree in Business and Accounting from California State University Northridge.

Marc B. Nathanson, 60, has been a director of the Company since January 2000 and serves as Vice Chairman of the board, a non-executive position. Mr. Nathanson is the Chairman of Mapleton Investments LLC, an investment vehicle formed in 1999. He also founded and served as Chairman and Chief Executive Officer of Falcon Holding Group, Inc., a cable operator, and its predecessors, from 1975 until 1999. He served as Chairman and Chief Executive Officer of Enstar Communications Corporation, a cable operator, from 1988 until November 1999. Prior to 1975, Mr. Nathanson held executive positions with Teleprompter Corporation, Warner Cable and Cypress Communications Corporation. In 1995, he was appointed by the President of the United States to the Broadcasting Board of Governors, and from 1998 through September 2002, served as its Chairman. Mr. Nathanson holds a bachelors degree in Mass Communications from the University of Denver and a masters degree in Political Science from University of California/ Santa Barbara.

Jo Allen Patton, 47, has been a director of the Company since April 2004. Ms. Patton joined Vulcan Inc. as Vice President in 1993, and since that time she has served as an officer and director of many affiliates of Mr. Allen, including her current position as President and Chief Executive Officer of Vulcan Inc. since July 2001. Ms. Patton is also President of Vulcan Productions, an independent feature film and documentary production company, Vice Chair of First & Goal, Inc., which developed and operated the Seattle Seahawks NFL stadium, and serves as Executive Director of the six Paul G. Allen Foundations. Ms. Patton is a co-founder of the Experience Music Project museum, as well as the Science Fiction Museum and Hall of Fame. Ms. Patton is the sister of Mr. Allen.

John H. Tory, 51, has been a director of the Company since December 2001. Mr. Tory served as the Chief Executive Officer of Rogers Cable Inc., Canada s largest broadband cable operator, from 1999 until 2003. From 1995 to 1999, Mr. Tory was President and Chief Executive Officer of Rogers Media Inc., a broadcasting and publishing company. Prior to joining Rogers, Mr. Tory was a Managing Partner and member of the executive committee at Tory Tory DesLauriers & Binnington, one of Canada s largest law firms. Mr. Tory serves on the board of directors of Rogers Telecommunications Limited and Cara Operations Limited and is Chairman of Cara Operations Audit Committee. Mr. Tory was educated at University of Toronto Schools, Trinity College (University of Toronto) and Osgoode Hall Law School. Effective September 18, 2004, Mr. Tory was elected Leader of the Ontario Progressive Conservative Party. On March 17, 2005, he was elected a Member of the Provincial Parliament and on March 29, 2005, became the Leader of Her Majesty s Loyal Opposition. On June 29, 2005, Mr. Tory formally notified the Company that he intends to resign from the board of directors. The date for his departure has not yet been determined, but he has indicated that he will continue to serve on the board, as well as the audit committee, at least until the date of the annual stockholders meeting or until a replacement director is named.

Larry W. Wangberg, 63, has been a director of the Company since January 2002. From August 1997 to May 2004, Mr. Wangberg was a director of TechTV L.L.C., a cable television network controlled by Paul Allen. He also served as its Chairman and Chief Executive Officer from August 1997 through July 2002. In May 2004, TechTV L.L.C. was sold to an unrelated party. Prior to joining TechTV L.L.C., Mr. Wangberg was Chairman and Chief Executive Officer of StarSight Telecast Inc., an interactive navigation and program guide company which later merged with Gemstar International, from 1994 to 1997. Mr. Wangberg was Chairman and Chief Executive Officer of Times Mirror Cable Television and Senior Vice President of its corporate parent, Times Mirror Co., from 1983 to 1994. He currently serves on the boards of Autodesk Inc. and ADC Telecommunications, Inc. Mr. Wangberg holds a bachelor s degree in Mechanical Engineering and a master s degree in Industrial Engineering, both from the University of Minnesota.

Board of Directors

Our board of directors meets regularly throughout the year on a set schedule. The board also holds special meetings and acts by written consent from time to time as necessary. Meetings of the independent members of the board coincide with regularly scheduled meetings of the full board (four times a year) and may meet more frequently. Management is not present at these meetings. Each of the directors then serving attended last year s annual meeting of stockholders, and members of the board of directors are encouraged to attend the annual meeting each year. In 2004, the full board of directors held thirteen meetings and acted seven times by written consent. No director attended fewer than 75% of the total number of meetings of the board and of committees on which he or she served.

The board of directors has determined that all of the members of the Audit Committee are independent directors, as required by the Nasdaq listing standards. The remaining director independence NASDAQ requirements do not apply to the Company, as it is a Controlled Company under the NASDAQ listing standards by virtue of Mr. Allen s control of more than 50% of the voting power.

Stockholder Contact with Directors

Individuals may communicate directly with members of the board of directors or members of the board s standing committees by writing to the following address:

Charter Communications, Inc.
Charter Plaza
12405 Powerscourt Drive
St. Louis, Missouri 63131
Attn: Corporate Secretary

The Secretary will summarize all correspondence received, subject to the standards below, and periodically forward summaries to the board. Members of the board may at any time request copies of any such correspondence. Communications may be addressed to the attention of the board, a standing committee of the board, or any individual member of the board or a committee. Communication that is primarily commercial in nature, relates to an improper or irrelevant topic, or requires investigation to verify its content may not be forwarded.

Committees of the Board

The board of directors delegates authority to act with respect to certain matters to board committees whose members are appointed by the board. The following are the committees of the board of directors: Audit Committee, Financing Committee, Compensation Committee, Executive Committee, Strategic Planning Committee and a Special Committee for matters related to the CC VIII put dispute discussed herein.

The Audit Committee, which has a written charter approved by the board of directors, consisted of three directors as of March 28, 2005: Charles Lillis, John Tory and David Merritt, all of whom were determined by the board of directors to be independent in accordance with the applicable corporate governance listing standards of the NASDAQ National Market. The Company s board of directors has determined that, in its judgment, David Merritt is an audit committee financial expert within the meaning of the applicable federal regulations.

Charles M. Lillis resigned from the Company s board of directors, effective on March 28, 2005. Mr. Lillis was one of three independent members of the Audit Committee. As a result of his resignation, the Company no longer complies with Nasdaq s Marketplace Rule 4350(d)(2)(A), requiring an Audit Committee with at least three members who are independent as defined in that rule. On March 31, 2005, the Company received notification from Nasdaq of its noncompliance with Marketplace Rule 4350. Nasdaq has informed the Company that it has until the date of its next annual stockholder meeting to regain compliance or its securities will be delisted. When Mr. Davis is elected a director at the stockholders meeting, he will automatically become a new Audit Committee member who meets the independence requirements of the Nasdaq rules and thus, the Company will regain compliance with the Nasdaq rules. In addition, on June 29, 2005, Mr. Tory formally notified the Company that he intends to resign from the board of directors and the board committees on which he serves. The date for his departure has not yet been determined, but he has indicated that he will continue to serve on the board and its committees at least until the date of the annual stockholders meeting or until a replacement director is named. The Audit Committee held ten meetings in 2004.

The Compensation Committee reviews and approves the Company s compensation of the senior management of the Company and its subsidiaries. Until April 2004, when William Savoy resigned from the board, the Compensation Committee of the Company was comprised of Messrs. Allen, Savoy and Nathanson. Mr. Lillis was elected to the Committee in July 2004. The Compensation Committee met five times in 2004 and executed two unanimous consents in lieu of a meeting.

The Option Plan Committee administered our 1999 Option Plan, and the 2001 Stock Incentive Plan and authorizes grants and awards under the 2001 Stock Incentive Plan, including the Long-Term Incentive Program, to eligible individuals. The Option Plan Committee determined the terms of each stock option grant, restricted stock grant or other award at the time of grant. The Option Plan Committee also had the power to accelerate the vesting of any grant or extend the term thereof. The Option Plan Committee, consisted of Ms. Peretsman and Mr. Merritt until July of 2004, when Ms. Peretsman was replaced by Mr. Lillis. The Option Plan Committee met five times in 2004 and executed two unanimous consents in lieu of a meeting.

In February 2005, as a result of the impending departure from the Board of Mr. Lillis, the Compensation Committee and Option Plan Committee merged and the resulting committee is called the Compensation Committee. The current members are Messrs. Allen, Merritt and Nathanson.

The Financing Committee reviews the Company s financing activities and approves the terms and conditions of any financing transactions in consultation with the Company s legal and financial advisors. The Financing Committee in 2004 consisted of Messrs. Allen and Vogel and Ms. Peretsman, until her resignation in September 2004. Mr. Merritt replaced Ms. Peretsman on the Committee in October 2004. Mr. Vogel resigned as a member in January 2005. The Financing Committee met fourteen times in 2004.

The Executive Committee may act in place of the full board of directors and exercise such powers of the full board as the board may delegate to such Committee from time to time. The Executive Committee consisted of directors Messrs. Allen, Savoy, Vogel and Nathanson until Mr. Savoy resigned in April 2004. Mr. Vogel resigned in January 2005 and Mr. May was elected to the Committee in January 2005. The Executive Committee meets on an informal basis and did not meet in 2004.

A Special Committee was formed in 2003 to address a dispute with Mr. Allen over the ownership of membership interests of our subsidiary CC VIII, LLC. That Special Committee consists of Messrs. Merritt, Wangberg and Tory. The Special Committee met twenty-five times in 2004.

The Strategic Planning Committee was formed in September 2004 to focus on operational improvement. The Committee s purpose is to assist the Board of Directors in the oversight and development of the strategic planning process. Messrs. Conn, Nathanson and Vogel and Ms. Patton were elected Committee members. Mr. May was added as a Committee member in October 2004 and Mr. Vogel resigned in January 2004. The Strategic Planning Committee met three times in 2004.

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Director Compensation

Each non-employee member of our board receives an annual retainer of $40,000 in cash plus restricted stock, vesting one year after date of grant, with a value on the date of grant of $50,000. In addition, the Audit Committee chair receives $25,000 per year, and the chair of each other committee receives $10,000 per year. Prior to February 22, 2005, all committee members also received $1,000 for attendance at each committee meeting. Beginning on February 22, 2005 each director also receives $1,000 for telephonic attendance at each meeting of the full board and $2,000 for in-person attendance. Each director of the Company is entitled to reimbursement for costs incurred in connection with attendance at board and committee meetings. Vulcan has informed us that, in accordance with its internal policy, Mr. Conn turns over to Vulcan all compensation he receives for his participation on the Company s board of directors or committees thereof. Directors who were employees did not receive additional compensation in 2003 or 2004. Mr. Vogel, who was our President and Chief Executive Officer in 2004, was the only director who was also an employee during 2004. Our Bylaws provide that all directors are entitled to indemnification to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses incurred in connection with or arising out of the performance by them of their duties for us or our subsidiaries. In addition, we have been informed by Vulcan that the bylaws of Vulcan, Inc. also provide that Ms. Patton and Messrs. Allen and Conn are entitled to similar indemnification in connection with their service on our Board of Directors.

Executive Officers

Our executive officers, listed below, are elected by the board of directors annually following the Annual Meeting of Stockholders, and each serves until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Executive Officers	Position
Paul G. Allen	Chairman of the Board of Directors
Robert P. May	Interim President and Chief Executive Officer
Wayne H. Davis	Executive Vice President and Chief Technical Officer
Sue Ann Hamilton	Executive Vice President, Programming
Thomas J. Hearity	Senior Vice President, Acting General Counsel and Secretary
Michael J. Lovett	Executive Vice President and Chief Operating Officer
Paul E. Martin	Senior Vice President, Interim Chief Financial Officer, Principal Accounting Officer and Corporate Controller
Lynne F. Ramsey	Senior Vice President, Human Resources

Information regarding our executive officers who do not serve as directors is set forth below.

Wayne H. Davis, 51, *Executive Vice President and Chief Technical Officer.* Mr. Davis was promoted to his current position in June 2004. Previously, Mr. Davis served as a Senior Vice President, Engineering and Technical Operations, and as Assistant to the President/ Vice President of Management Services since July 2002 and prior to that, he was Vice President of Engineering/ Operations for the Company s National Region from December 2001. Before joining the Company, Mr. Davis held the position of Vice President of Engineering for Comcast Corporation, Inc. Prior to that, he held various engineering positions including Vice President of Engineering for Jones Intercable Inc. He began his career in the cable industry in 1980. He attended the State University of New York at Albany. Mr. Davis serves as an advisory board member of Cedar Point Communications, and as a board member of @Security Broadband Corp., a company in which the Company owns an equity interest. Mr. Davis is also a member of the Society of Cable Telecommunications Engineers.

Sue Ann R. Hamilton, 44, *Executive Vice President, Programming.* Ms. Hamilton joined the Company as Senior Vice President of Programming in March 2003 and was promoted to her current position in April 2005. From March 1999 to November 2002, Ms. Hamilton served as Vice President of Programming for AT&T Broadband, L.L.C. Prior to that, from October 1993 to March 1999, Ms. Hamilton held numerous

management positions at AT&T Broadband, L.L.C. and Tele-Communications, Inc. (TCI), which was acquired by AT&T Broadband, L.L.C. in 1999. Prior to her cable television career with TCI, she was a partner with Kirkland & Ellis representing domestic and international clients in complex commercial transactions and securities matters. A magna cum laude graduate of Carleton College in Northfield, Minnesota, Ms. Hamilton received a J.D. degree from Stanford Law School, where she was Associate Managing Editor of the *Stanford Law Review* and Editor of the *Stanford Journal of International Law.*

Thomas J. Hearity, 58, *Senior Vice President, Acting General Counsel and Secretary.* Mr. Hearity joined the Company as Vice President and Associate General Counsel in September 2003 and was promoted to Senior Vice President and Associate General Counsel in August 2004. He was appointed to Acting General Counsel in April 2005 and appointed Secretary in May 2005. Prior to joining the Company, Mr. Hearity served as outside counsel for the Company and several other major wireline and wireless telecommunications firms from 1996 to 2003. Mr. Hearity served as counsel for the NYNEX Corporation from 1984 to 1996. Mr. Hearity graduated with honors and received a B.A. degree in History and a J.D. degree from the University of Iowa.

Michael J. Lovett, 44, *Executive Vice President and Chief Operating Officer.* Mr. Lovett was promoted to his current position in April 2005. Prior to that, he served as Executive Vice President, Operations and Customer Care from September 2004 through March 2005, and as Senior Vice President, Midwest Division Operations and as Senior Vice President of Operations Support, since joining the Company in August 2003 until September 2004. Mr. Lovett was Chief Operating Officer of Voyant Technologies, Inc., a voice conferencing hardware/ software solutions provider, from December 2001 to August 2003. From November 2000 to December 2001, he was Executive Vice President of Operations for OneSecure, Inc., a startup company delivering management/monitoring of firewalls and virtual private networks. Prior to that, Mr. Lovett was Regional Vice President at AT&T from June 1999 to November 2000 where he was responsible for operations. Mr. Lovett was Senior Vice President at Jones Intercable from October 1989 to June 1999 where he was responsible for operations in nine states. Mr. Lovett began his career in cable television at Centel Corporation where he held a number of positions.

Paul E. Martin, 44, *Senior Vice President, Interim Chief Financial Officer, Principal Accounting Officer and Corporate Controller.* Mr. Martin has been employed by the Company since March 2000, when he joined the Company as Vice President and Corporate Controller. In April 2002, Mr. Martin was promoted to Senior Vice President, Principal Accounting Officer and Corporate Controller, in August 2004 was named Interim co-Chief Financial Officer and in April 2005 was named Interim Chief Financial Officer. Prior to joining the Company, Mr. Martin was Vice President and Controller for Operations and Logistics for Fort James Corporation, a manufacturer of paper products. From 1995 to February 1999, Mr. Martin was Chief Financial Officer of Rawlings Sporting Goods Company, Inc. Mr. Martin received a B.S. degree with honors in Accounting from the University of Missouri St. Louis.

Lynne F. Ramsey, 47, *Senior Vice President, Human Resources.* Ms. Ramsey joined the Company s Human Resources group in March 2001 and served as Corporate Vice President, Human Resources. She was promoted to her current position in July 2004. Before joining the Company, Ms. Ramsey was Executive Vice President of Human Resources for Broadband Infrastructure Group from March 2000 through November 2000. From 1994 to 1999, Ms. Ramsey served in Human Resources for Firstar Bank (previously Mercantile Bank of St. Louis) most recently as Senior Vice President. She served as Vice President of Human Resources for United Postal Savings where she worked from 1982 through 1994, when it was acquired by Mercantile Bank of St. Louis. Ms. Ramsey received a bachelor s degree in Education from Maryville College and a master s degree in Human Resources Management from Washington University.

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Report of the Compensation Committee

The following report does not constitute soliciting materials and is not considered filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless we state otherwise.

The Compensation Committee of the Board of Directors is responsible for reviewing and approving the annual salaries and other compensation of the executive officers of the Company and its subsidiaries and providing assistance and recommendations with respect to compensation plans. Until April 2004, when Mr. Savoy resigned from the board, the Compensation Committee of the Company was comprised of Messrs. Allen, Savoy and Nathanson. In 2004, Ms. Peretsman and Mr. Merritt served as the Option Plan Committee that administered the 1999 Charter Communications Option Plan and the Charter Communications, Inc. 2001 Stock Incentive Plan until Mr. Lillis replaced Ms. Peretsman on the Option Plan Committee in July 2004. The Option Plan Committee and the Compensation Committee merged in February 2005. The Compensation Committee currently is comprised of Messrs. Allen, Merritt and Nathanson.

Compensation Philosophy

In order to attract and retain well qualified executives, which the Compensation Committee believes is crucial to the Company s success, the Compensation Committee s approach is to compensate executives commensurate with their experience, expertise and performance and to be competitive with the cable, telecommunications, and other related industries. This compensation consists of a base salary, an annual cash bonus, and long-term stock-based incentives. The annual cash bonus and long-term stock-based incentives are intended to align executive compensation with our business strategies, values and management initiatives, both short- and long-term. Through this incentive compensation, we place a substantial portion of executive compensation at risk, and dependent upon the financial performance of the Company over the relevant periods. This rewards executives for performance that enhances the Company s financial strength and shareholder value.

Annual Cash Bonuses

The Company s annual cash bonus program is tied to performance targets (primarily short-term financial performance goals) reflected in the Company s business plans for the fiscal year. Executive officer bonus payments are generally targeted for between 50-100% of base salary if performance goals are achieved and could reach twice that amount if the goals are exceeded. Our final determination takes into consideration the recommendations of our President and Chief Executive Officer. The 2004 bonus plan established targets for growth in revenue and operating cash flow and achieving efficiencies in capital expenditures. Cash bonus targets in the 2004 bonus plan were heavily weighted to revenue and, as a result, bonus payments for 2004 were less than the targeted amounts.

The Company s annual cash bonus program for 2005 has also established targets for growth in revenue and operating cash flow and achieving efficiencies in capital expenditures. Unlike 2004, however, the 2005 program also includes a customer satisfaction target. Bonus payments for executive officers are again generally targeted for between 50-100% of base salary and could reach 150% of that amount if the goals are exceeded.

The Compensation Committee also authorized an Excellence Award for Officers designed as a special one-time plan to augment the 2005 cash bonus program. Bonus payments for the Excellence Award are targeted at 50% of a participants bonus opportunity, and payments are achieved only in the event established targets in the annual cash bonus program are achieved or exceeded. The Compensation Committee may also authorize or recommend to the Board of Directors the payment of discretionary bonuses based upon an assessment of an executive s contributions, the Company s performance and such other factors as the Compensation Committee deems relevant.

Stock-Based Incentives

The Compensation Committee believes that stock ownership by key executives provides a valuable and important incentive for their continued diligence, and helps align their interests with those of the Company s stockholders. To facilitate these objectives, in 2004, stock options were granted to certain executives (as well as other employees).

During 2003, the Compensation Committee conducted a comprehensive review of the Company s equity compensation practices with the assistance of a nationally known compensation consultant. As a result of such review, in October 2003, the Compensation Committee approved a new Charter Long-Term Incentive Program. The new program is directed to the Company s key managers, which currently total approximately 500 individuals. Under the new program, eligible individuals receive annual grants with a targeted economic value. The approximate economic values of the target awards are established with the assistance of our consultant based on periodic market surveys of executive and management compensation packages of comparable companies. We currently expect that approximately half of the annual awards will be in the form of stock options and the other half will be in the form of performance units. The stock options vest one-fourth on each of the first four anniversaries of the grant date. The performance units are converted to shares of the Company s Class A common stock if, after three calendar years, certain revenue growth and unlevered free cash flow growth targets are achieved. The final payout of the performance shares at the end of the three years can range from zero to 200% of the performance unit award depending upon actual Company performance relative to the targets established by the Compensation Committee at the time of the award.

The 2005 grant levels for plan participants are based on targeted economic value, in addition to a requirement to remain within a pre-approved run rate (the total number of shares granted to employees as a percentage of total outstanding shares). Approximately 60% of the awards are in the form of stock options, and 40% are in the form of performance units. Performance units in the 2005 grant are tied to the achievement of certain revenue growth and unlevered free cash flow growth targets for 2005 only (rather than a three year performance term), with a conversion to shares of Class A common stock after three calendar years if certain 2005 targets are achieved. The Company presently intends to return to a three year performance term for future grants of performance units. This stock-based compensation approach blends two components intended to align executive incentives with value creation. The earning of the performance units is directly tied to specific financial metrics that we believe are critical, at this point in time, for driving the value of the Company. The value of the options is tied to the trading price of the stock and thus tied to stockholder value. In addition, by limiting the group of eligible participants to key managers and executives, we target the group of employees who can best influence results and for which the Company s stock-based compensation can most cost effectively produce the intended incentive and retention effect.

Exchange Offer

At the Company s 2003 annual stockholders meeting, stockholders approved an amendment to our stock incentive plan authorizing the Company to reprice outstanding options with an exercise price above market value, including exchanges of options to reduce the exercise price. Accordingly, in conjunction with our comprehensive review of equity-based compensation, in January 2004, we offered 10,500 employees holding outstanding options (vested and unvested) with an exercise price in excess of $10 per share the right to exchange these options for shares of restricted Charter Class A common stock, according to certain exchange ratios, depending on the exercise price applicable to the options. The shares of restricted stock vest in three equal installments on each of the three anniversaries following the exchange. Further, for the senior and executive vice presidents who participated in the exchange, one-half of the restricted shares received will vest at the end of the three-year period only if the revenue and unlevered free cash flow targets established by the Compensation Committee are achieved. The exchange offer also provided that the Company would pay $5.00 per share in cash instead of issuing restricted shares to those employees who would receive less than 400 shares of restricted stock in the exchange. Participation in the exchange was voluntary and non-employee members of the board of directors were not eligible to participate in the exchange. We believe this exchange offer served an important goal of helping to motivate tenured employees for their contributions during a difficult period and to recognize their ongoing commitment by allowing them to exchange out of the money options for restricted shares of Class A common stock with a value closer to the market value of the Company s stock at the time of the exchange.

2005 Executive Cash Award Plan

In June 2005, the Company adopted the 2005 Executive Cash Award Plan (Plan), to provide additional incentive to, and retain the services of, certain officers of the Company and its subsidiaries, to achieve the highest level of individual performance and contribute to the success of the Company. Eligible participants are employees of the Company or any of its subsidiaries who have been recommended by the CEO and designated and approved as Plan participants by the Compensation Committee of the Company s board of directors. At the time the Plan was adopted, the interim CEO recommended and the Compensation Committee designated and approved as Plan participants the permanent President and Chief Executive Officer position (when filled), Executive Vice President positions and selected Senior Vice President positions.

The Plan provides that each participant be granted an award which represents an opportunity to receive cash payments in accordance with the Plan. An award will be credited in book entry format to a participant s account in an amount equal to 100% of a participant s base salary on the date of Plan approval in 2005 and 20% of participant s base salary in each year 2006 through 2009, based on that participant s base salary as of May 1 of the applicable year. The Plan awards will vest at the rate of 50% of the plan award balance at the end of 2007 and 100% of the plan award balance at the end of 2009. Participants will be entitled to receive payment of the vested portion of the award if the participant remains employed by the Company continuously from the date of participant s initial participation through the end of the calendar year in which his or her award becomes vested, subject to payment of pro-rated award balances to a participant who terminates due to death or disability or in the event the Company elects to terminate the Plan.

A participant s eligibility for, and right to receive, any payment under the Plan (except in the case of intervening death) is conditioned upon the participant first executing and delivering to the Company an agreement releasing and giving up all claims that participant may have against the Company and related parties arising out of or based upon any facts or conduct occurring prior to the payment date, and containing additional restrictions on post-employment use of confidential information, non-competition and non-solicitation and recruitment of customers and employees.

Section 162(*m*)

Section 162(m) of the Internal Revenue Code generally provides that certain kinds of compensation in excess of $1 million in any single year paid to the chief executive officer and the four other most highly compensated executive officers of a public company are not deductible for federal income tax purposes. However, pursuant to regulations issued by the U.S. Treasury Department, certain limited exemptions to Section 162(m) apply with respect to qualified performance-based compensation.

While the tax effect of any compensation arrangement is one factor to be considered, such effect is evaluated in light of our overall compensation philosophy. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy that all compensation must be deductible. Stock options and performance shares granted under our 2001 Stock Incentive plan are subject to the approval of the Compensation Committee. The grants qualify as performance-based compensation and, as such, are exempt from the limitation on deductions.

Outright grants of restricted stock (such as in the exchange offer described above) and certain cash payments (such as base salary and cash bonuses) are not structured to qualify as performance-based compensation and are, therefore, subject to the Section 162(m) limitation on deductions and will count against the $1 million cap.

PAUL G. ALLEN
DAVID C. MERRITT
MARC B. NATHANSON

Executive Compensation

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee or the Option Plan Committee was an officer or employee of the Company or any of its subsidiaries during 2004, except for Mr. Allen, who served as a non-employee chairman of the Compensation Committee. Also, Mr. Nathanson was an officer of certain subsidiaries of the Company prior to their acquisition by the Company in 1999 and served as Vice Chairman of the Company s board of directors, a non-executive, non-salaried position in 2004. Mr. Allen is the 100% owner and a director of Vulcan Inc. and certain of its affiliates, which employed Mr. Savoy, one of our directors until April 27, 2004, as an executive officer in the past and currently employs Mr. Conn and Ms. Patton as executive officers. Mr. Allen also was a director of and indirectly owned 98% of TechTV, of which Mr. Wangberg, one of our directors, was a director until the sale of TechTV to an unrelated third party in May 2004. Transactions between the Company and members of the Compensation Committee are more fully described in Director Compensation and in Certain Relationships and Related Transactions Other Miscellaneous Relationships.

During 2004, (1) none of our executive officers served on the compensation committee of any other company that has an executive officer currently serving on the board of directors, Compensation Committee or Option Plan Committee of the Company and (2) except for Carl Vogel who served as a director of Digeo, Inc., an entity of which Paul Allen is a director and by virtue of his position as Chairman of the board of directors of Digeo, Inc. is also a non-employee executive officer, none of our executive officers served as a director of another entity, one of whose executive officers served on the Compensation Committee or Option Plan Committee of the Company.

Code of Ethics

In January 2003, we adopted a Code of Conduct that constitutes a Code of Ethics within the meaning of federal securities regulations for our employees, including all executive officers and directors. We also established a hotline and website for reporting alleged violations of the Code of Conduct, established procedures for processing complaints and implemented educational programs to inform our employees regarding the Code of Conduct. A copy of our Code of Conduct is available on our website at *www.charter.com.*

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Summary Compensation Table

The following table sets forth information as of December 31, 2004 regarding the compensation to those executive officers listed below for services rendered for the fiscal years ended December 31, 2002, 2003 and 2004. These officers consist of the Chief Executive Officer, each of the other four most highly compensated executive officers as of December 31, 2004, and one other highly compensated executive officer who served during 2004 but was not an executive officer on December 31, 2004.

		Annual Compensation			Long-Term Compensation Award		
Name and Principal Position	Year Ended Dec. 31	Salary($)	Bonus($)	Other Annual Compensation ($)	Restricted Stock Awards($)	Securities Underlying Options(#)	All Other Compensation ($)(1)
Carl E. Vogel(2)	2004	1,038,462	500,000		4,658,000(14)	580,000	42,426(20)
Former President and	2003	1,000,000	150,000	30,345(11)		750,000	12,639(20)
Chief Executive Officer	2002	980,769	330,000	214,961(11)		1,000,000	10,255(20)
Margaret A. Bellville(3)	2004	478,366		28,309(12)	612,000(15)	200,000	204,408(21)
Former Executive Vice	2003	581,730	203,125	30,810(12)			109,139(21)
President, Chief Operating Officer	2002	9,615	150,000			500,000	
Derek Chang(4)	2004	448,077	85,700	7,255(13)	395,250(16)	135,000	5,510
Former Executive Vice President of Finance and Strategy, Interim co-Chief Financial Officer	2003	15,385			192,000(16)	350,000	
Steven A. Schumm(5)	2004	467,308	15,815(8)		862,952(17)	135,000	12,360
Former Executive Vice	2003	448,077	45,000			250,000	9,889
President and Chief Administrative Officer	2002	436,058	588,000(9)			300,000	5,255
Curtis S. Shaw(6)	2004	422,115	16,109		395,250(18)	135,000	12,592
Former Executive Vice	2003	275,782	37,500			250,000	9,411(22)
	2002	249,711	281,500(10)			100,000	3,096

President, General Counsel and Secretary							
Michael J. Lovett(7)	2004	291,346	241,888		351,570(19)	172,000	15,150(23)
Executive Vice President, Operations and Customer Care	2003	81,731	60,000			100,000	2,400(23)

(1) Except as noted in notes 20 through 23 below, these amounts consist of matching contributions under our 401(k) plan, premiums for supplemental life insurance available to executives, and long-term disability available to executives.

(2) Mr. Vogel resigned from all of his positions with the Company and its subsidiaries on January 17, 2005.

(3) Ms. Bellville became the Chief Operating Officer of the Company in December 2002 and terminated her employment, effective September 30, 2004.

(4) Mr. Chang was hired as Executive Vice President of Finance and Strategy in December 2003, and was appointed Interim co-Chief Financial Officer in August 2004. Mr. Chang resigned from all positions with the Company and its subsidiaries effective April 15, 2005.

(5) Mr. Schumm s position with the Company and its subsidiaries was eliminated, resulting in the termination of his employment on January 28, 2005.

(6) Mr. Shaw resigned from all positions with the Company and its subsidiaries effective April 15, 2005.

(7) Mr. Lovett joined the Company in August 2003 and was promoted to Executive Vice President, Chief Operating Officer in April 2005.

(8) Mr. Schumm s bonus for 2004 was determined in accordance with his separation agreement.

(9) Includes a stay bonus representing the principal and interest forgiven under employee s promissory note, amounting to $363,000 for 2002, and $225,000 awarded as a bonus for services performed in 2002.

(10) Includes a stay bonus representing the principal and interest forgiven under employee s promissory note, amounting to $181,500 for 2002, and $100,000 awarded as a bonus for services performed in 2002.

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(11) The amount shown for 2003 is related to personal use of the corporate airplane, $100,000 is attributed to personal use and commuting in the corporate airplane and $114,961 for purchase of a car.

(12) The amount shown for 2004 includes reimbursement for taxes (on a grossed up basis) paid in respect of prior reimbursements for relocation expenses. Of the amount shown for 2003, $26,010 is attributed to personal use of the corporate airplane and $4,800 for car allowance.

(13) Includes reimbursement for taxes (on a grossed up basis) paid in respect of prior reimbursements for relocation expenses.

(14) Includes 340,000 performance shares granted in January 2004 under our Long-Term Incentive Program that were to vest on the third anniversary of the grant date only if the Company were to meet certain performance criteria. Also includes 680,000 restricted shares issued in exchange for stock options held by Mr. Vogel pursuant to the February 2004 option exchange program described below, one half of which constituted performance shares which were to vest on the third anniversary of the grant date only if the Company were to meet certain performance criteria, and the other half of which were to vest over three years in equal one-third installments. At December 31, 2004, the value of all Mr. Vogel s unvested restricted stock holdings (including performance shares) was $2,310,468, based on a per share market value (closing sale price) of $2.24 for our Class A common stock. All performance shares were forfeited upon termination of employment. The remainder of the restricted shares will vest in part on the terms described below under Employment Arrangements and Related Agreements.

(15) These restricted shares consisted solely of performance shares granted under our Long-Term Incentive Program that were to have vested on the third anniversary of the grant date only if the Company were to meet certain performance criteria. At December 31, 2004, the value of all of Ms. Bellville s unvested restricted stock holdings (including performance shares) was $0, since all performance shares were previously forfeited upon the termination of employment.

(16) Restricted shares granted in 2004 represent 77,500 performance shares granted under our Long-Term Incentive Program that were to vest on the third anniversary of the grant date only if the Company were to meet certain performance criteria. Restricted shares granted in 2003 vest over four years in equal one-fourth installments. At December 31, 2004, the value of all of Mr. Chang s unvested restricted stock holdings (including performance shares) was $257,600 based on a per share market value (closing sale price) of $2.24 for our Class A common stock on December 31, 2004. All performance shares were forfeited upon termination of employment. The remainder of restricted shares will vest in part on the terms described below under Employment Arrangements and Related Agreements.

(17) Includes 77,500 performance shares granted in January 2004 under our Long-Term Incentive Program that were to vest on the third anniversary of the grant date only if the Company were to meet certain performance criteria. Also includes restricted shares issued in exchange for stock options held by the named officer pursuant to the February 2004 option exchange program described below. One half of these restricted shares constitutes performance shares which were to vest on the third anniversary of the grant date only if the Company meets certain performance criteria and the other half of which were to vest over three years in equal one-third installments. At December 31, 2004, the value of all of Mr. Schumm s unvested restricted stock holdings (including performance shares) was $417,240, based on a per share market value (closing sale price) of $2.24 for our Class A common stock on December 31, 2004. All performance shares were forfeited upon the termination of employment. The remainder of the restricted shares will vest in part on the terms described below under Employment Arrangements and Related Agreements.

(18)

These restricted shares consist solely of performance shares granted under our Long-Term Incentive Program that will vest on the third anniversary of the grant date only if the Company meets certain performance criteria. At December 31, 2004, the value of all of the named officer s unvested restricted stock holdings (including performance shares) was $173,600 based on a per share market value (closing sale price) of $2.24 for our Class A common stock on December 31, 2004. All performance shares were forfeited upon termination of employment.

(19) These restricted shares consist solely of performance shares granted under our Long-Term Incentive Program that will vest on the third anniversary of the grant date only if the Company meets certain

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performance criteria. At December 31, 2004, the value of all of Mr. Lovett s unvested restricted stock holdings (including performance shares) was $197,120, based on a per share market value (closing sale price) of $2.24 for our Class A common stock on December 31, 2004.

(20) In addition to items in note 1 above, includes (i) for 2004, $28,977 attributed to personal use of the corporate airplane, $10,000 as reimbursement for tax advisory services, (ii) for 2003, $10,000 as reimbursement for tax advisory services, and (iii) for 2002, $10,000 as reimbursement for tax advisory services.

(21) In addition to items in note 1 above, includes (i) for 2004, $183,899 for severance and accrued vacation at termination of employment, $10,299 for COBRA payments following termination, $4,650 for automobile allowance and $2,831 attributed to personal use of the corporate airplane, and (ii) for 2003, $5,000 as reimbursement for tax advisory services, $7,500 for legal services and $93,684 paid in relation to relocation expenses.

(22) In addition to items in note 1 above, includes for 2003, $2,287 attributed to personal use of the corporate airplane.

(23) In addition to items in note 1 above, includes (i) for 2004, $7,200 for automobile allowance, and $597 attributed to personal use of the corporation aircraft, and (ii) for 2003, $2,400 for automobile allowance.

2004 Option Grants

The following table shows individual grants of options made to individuals named in the Summary Compensation Table during 2004. All such grants were made under the 2001 Stock Incentive Plan and the exercise price was based upon the fair market value of the Company s Class A common stock on the respective grant dates.

Name	Number of Securities Underlying Options Granted(#)(1)	% of Total Options Granted to Employees In 2004	Exercise Price($/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation For Option Term(2) 5%($)	10%($)
Carl E. Vogel(3)	580,000	6.17%	$ 5.17	1/27/14	1,885,803	4,778,996
Margaret A. Bellville(4)	200,000	2.13%	5.17	1/27/14	650,277	1,647,930
Derek Chang(5)	135,000	1.44%	5.17	1/27/14	438,937	1,112,353
Steven A. Schumm(6)	135,000	1.44%	5.17	1/27/14	438,937	1,112,353
Curtis S. Shaw(7)	135,000	1.44%	5.17	1/27/14	438,937	1,112,353
Michael J. Lovett	77,000	0.82%	5.17	1/27/14	251,982	638,573
	12,500	0.13%	4.555	4/27/14	35,808	90,744
	82,000	0.87%	2.865	10/26/14	147,746	374,418

(1) Options are transferable under limited conditions, primarily to accommodate estate planning purposes. These options generally vest in four equal installments commencing on the first anniversary following the grant date.

(2) This column shows the hypothetical gains on the options granted based on assumed annual compound price appreciation of 5% and 10% over the full ten-year term of the options. The assumed rates of 5% and 10% appreciation are mandated by the SEC and do not represent our estimate or projection of future prices.

(3) Mr. Vogel s employment terminated on January 17, 2005. Under the terms of the separation agreement, his options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.

(4) Ms. Bellville s employment terminated on September 30, 2004. Under the terms of the separation agreement, her options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.

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(5) Mr. Chang resigned, effective April 15, 2005. Mr. Chang s agreement provided that one half of his unvested restricted shares would immediately vest, and one half of his unvested options of the initial option grant would vest if he elected to terminate his employment due to a change in our Chief Executive Officer.

(6) Mr. Schumm s employment terminated on January 28, 2005. Under the terms of the separation agreement, his options will continue to vest until April 28, 2006, and all vested options are exercisable until sixty (60) days thereafter.

(7) Mr. Shaw resigned, effective April 15, 2005. All of his options expired by June 15, 2005.

2004 Aggregated Option Exercises and Option Value

The following table sets forth, for the individuals named in the Summary Compensation Table, (i) information concerning options exercised during 2004, (ii) the number of shares of our Class A common stock underlying unexercised options at year-end 2004, and (iii) the value of unexercised in-the-money options (i.e., the positive spread between the exercise price of outstanding options and the market value of our Class A common stock) on December 31, 2004.

			Number of Securities Underlying Unexercised Options at December 31, 2004(#)		Value of Unexercised In-the Money Options at December 31, 2004($)(1)	
Name	**Shares Acquired on Exercise(#)**	**Value Realized($)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Carl E. Vogel(2)			2,499,999	3,230,001		
Margaret A. Bellville(3)			385,416	314,584	254,375	75,625
Derek Chang(4)			87,500	397,500		
Steven A. Schumm(5)			182,500	502,500		
Curtis S. Shaw(6)			438,833	420,167		
Michael J. Lovett			25,000	247,000		

(1) Based on a per share market value (closing price) of $2.24 as of December 31, 2004 for our Class A common stock.

(2) Mr. Vogel s employment terminated on January 17, 2005. Under the terms of the separation agreement, his options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.

(3) Ms. Bellville s employment terminated on September 30, 2004. Under the terms of the separation agreement, her options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.

(4) Mr. Chang resigned from all of his positions with the Company effective April 15, 2005. One-half of the remainder of his options will vest on the terms described below under Employment Arrangements and Related Agreements.

(5)

Mr. Schumm s employment terminated on January 28, 2005. Under the terms of the separation agreement, his options will continue to vest until April 28, 2006, and all vested options are exercisable until sixty (60) days thereafter.

(6) Mr. Shaw resigned from all of his positions with the Company effective April 15, 2005. All of his options expired by June 15, 2005.

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Long-Term Incentive Plans Awards in Last Fiscal Year

Name	Number of Shares, Units or Other Rights(#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans Threshold (#)	Target (#)	Maximum (#)
Carl Vogel	340,000	3 year performance cycle			
		3 year vesting	238,000	340,000	680,000
Margaret Bellville	120,000	3 year performance cycle			
		3 year vesting	84,000	120,000	240,000
Derek Chang	77,500	3 year performance cycle			
		3 year vesting	54,250	77,500	155,000
Steven Schumm	77,500	3 year performance cycle			
		3 year vesting	54,250	77,500	155,000
Curtis Shaw	77,500	3 year performance cycle			
		3 year vesting	54,250	77,500	155,000
Michael Lovett	88,000	3 year performance cycle			
		3 year vesting	61,600	88,000	176,000

Option/ Stock Incentive Plans

The Plans. We have granted stock options, restricted stock and other incentive compensation under two plans the 1999 Charter Communications Option Plan and the 2001 Stock Incentive Plan. The 1999 Charter Communications Option Plan provided for the grant of options to purchase membership units in Charter Holdco to current and prospective employees and consultants of Charter Holdco and its affiliates and to our current and prospective non-employee directors. Membership units received upon exercise of any options are immediately exchanged for shares of the Company s Class A common stock on a one-for-one basis.

The 2001 Stock Incentive Plan provides for the grant of non-qualified stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock and shares of restricted stock (currently not to exceed 3,000,000 shares) as each term is defined in the 2001 Stock Incentive Plan. Employees, officers, consultants and directors of the Company and its subsidiaries and affiliates are eligible to receive grants under the 2001 Stock Incentive Plan. Generally, options expire 10 years from the grant date. Unless sooner terminated by our board of directors, the 2001 Stock Incentive Plan will terminate on February 12, 2011, and no option or award can be granted thereafter.

Together, the plans allow for the issuance of up to a total of 90,000,000 shares of our Class A common stock (or units exchangeable for our Class A common stock). Any shares covered by options that are terminated under the 1999 Charter Communications Option Plan will be transferred to the 2001 Stock Incentive Plan, and no new options will be granted under the 1999 Charter Communications Option Plan. At June 30, 2005, 1,310,020 shares had been issued under the plans upon exercise of options, 685,476 had been issued upon vesting of restricted stock granted under the plans, and 1,307,612 shares were subject to future vesting under restricted stock agreements. Of the remaining 88,034,631 shares covered by the plans, as of June 30, 2005, 26,782,312 were subject to outstanding options (33.4% of which were vested), and there were 11,506,410 performance shares granted under Charter s Long-Term Incentive Program, which will vest on the third anniversary of the date of grant conditional upon the Company s performance against certain financial targets approved by the Company s board of directors at the time of the award. As of June 30, 2005, 48,408,170 shares remained available for future grants under the plans. As of June 30, 2005, there were 5,720 participants in the plans.

The plans authorize the repricing of options, which could include reducing the exercise price per share of any outstanding option, permitting the cancellation, forfeiture or tender of outstanding options in exchange for other awards or for new options with a lower exercise price per share, or repricing or replacing any outstanding options by any other method.

Long-Term Incentive Program. In January 2004, the Compensation Committee of our board of directors approved our Long-Term Incentive Program, or LTIP, which is a program administered under the 2001 Stock Incentive Plan. Under the LTIP, employees of the Company and its subsidiaries whose pay classifications exceed a certain level are eligible to receive stock options, and more senior level employees were eligible to receive stock options and performance shares. The stock options vest 25% on each of the first four anniversaries of the date of grant. The performance shares vest on the third anniversary of the date of grant shares of Class A common stock are issued, conditional upon our performance against financial performance measures established by our management and approved by the board of directors or Compensation Committee as of the time of the award. We granted 6,899,600 performance shares in January 2004 under this program and recognized expense of $8 million in the first three quarters of 2004. However, in the fourth quarter of 2004, we reversed the entire $8 million of expense based on our assessment of the probability of achieving the financial performance measures established by management and required to be met for the performance shares to vest.

The 2001 Stock Incentive Plan must be administered by, and grants and awards to eligible individuals must be approved by, our board of directors or a committee thereof consisting solely of non-employee directors as defined in Section 16b-3 under the Securities Exchange Act of 1934, as amended. The board of directors or such committee determines the terms of each stock option grant, restricted stock grant or other award at the time of grant, including the exercise price to be paid for the shares, the vesting schedule for each option, the price, if any, to be paid by the grantee for the restricted stock, the restrictions placed on the shares, and the time or times when the restrictions will lapse. The board of directors or such committee also has the power to accelerate the vesting of any grant or extend the term thereof.

Upon a change of control of the Company, the board of directors or the administering committee can shorten the exercise period of any option, have the survivor or successor entity assume the options with appropriate adjustments, or cancel options and pay out in cash. If an optionee s or grantee s employment is terminated without cause or for good reason following a change in control (as those terms are defined in the plans), unless otherwise provided in an agreement, with respect to such optionee s or grantee s awards under the plans, all outstanding options will become immediately and fully exercisable, all outstanding stock appreciation rights will become immediately and fully exercisable, the restrictions on the outstanding restricted stock will lapse, and all of the outstanding performance shares will vest and the restrictions on all of the outstanding performance shares will lapse as if all performance objectives had been satisfied at the maximum level.

February 2004 Option Exchange. In January 2004, we offered employees of the Company and its subsidiaries the right to exchange all stock options (vested and unvested) under the 1999 Charter Communications Option Plan and 2001 Stock Incentive Plan that had an exercise price over $10 per share for shares of restricted Charter Class A common stock or, in some instances, cash. Based on a sliding exchange ratio, which varied depending on the exercise price of an employee s outstanding options, if an employee would have received more than 400 shares of restricted stock in exchange for tendered options, we issued to that employee shares of restricted stock in the exchange. If, based on the exchange ratios, an employee would have received 400 or fewer shares of restricted stock in exchange for tendered options, we instead paid to the employee cash in an amount equal to the number of shares the employee would have received multiplied by $5.00. The offer applied to options to purchase a total of 22,929,573 shares of Class A common stock, or approximately 48% of our 47,882,365 total options (vested and unvested) issued and outstanding as of December 31, 2003. Participation by employees was voluntary. Non-employee members of the board of directors of the Company or any of its subsidiaries were not eligible to participate in the exchange offer.

In the closing of the exchange offer on February 20, 2004, we accepted for cancellation eligible options to purchase approximately 18,137,664 shares of our Class A common stock. In exchange, we granted approximately 1,966,686 shares of restricted stock, including 460,777 performance shares to eligible employees of the rank of senior vice president and above, and paid a total cash amount of approximately $4 million (which amount includes applicable withholding taxes) to those employees who received cash rather than shares of restricted stock. The restricted stock was granted on February 25, 2004. Employees tendered approximately 79% of the options eligible to be exchanged under the program.

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Carl E. Vogel received 680,000 restricted shares in exchange for 3,400,000 options granted on October 8, 2001 with an exercised price of $13.68 per share. Steven A. Schumm received 108,768 restricted shares in exchanged for 25,000 options granted on February 12, 2001 with an exercised price of $23.09 per share and 140,000 options granted on September 28, 2001 with an exercised price of $11.99 per share and 782,681 options granted on February 9, 1999 with an exercised price of $20.00 per share.

The cost of the stock option exchange program was approximately $10 million, with a 2004 cash compensation expense of approximately $4 million and a non-cash compensation expense of approximately $6 million to be expensed ratably over the three-year vesting period of the restricted stock issued in the exchange.

The participation of the Named Executive Officers in this exchange offer is reflected in the following table:

Name	Date	Number of Securities Underlying Options Exchanged	Market Price of Stock at Time of Exchange ($)	Exercise Price at Time of Exchange ($)	New Exercise Price ($)	Length of Original Option Term Remaining at Date of Exchange
Carl E. Vogel Former President And Chief Executive Officer	2/25/04	3,400,000	4.37	13.68	(1)	7 years 7 months
Steven A. Schumm Former Executive Vice President and Chief Administrative Officer	2/25/04	25,000	4.37	23.09	(2)	7 years 0 months
		140,000	4.37	11.09		7 years 7 months
		782,681	4.37	20.00		4 years 11 months

(1) On February 25, 2004, in exchange for 3,400,000 options tendered, 340,000 performance shares were granted with a three year performance cycle and three year vesting were granted along with 340,000 restricted stock units with one-third of the Shares vesting on each of the first three anniversaries of the Date of Grant. On the grant date, the price of the Company s common stock was $4.37.

(2) On February 25, 2004, in exchange for 108,768 options tendered, 54,384 performance shares were granted with a three year performance cycle and three year vesting were granted along with 54,384 restricted stock units with one-third of the Shares vesting on each of the first three anniversaries of the Date of Grant. On the grant date, the price of the Company s common stock was $4.37.

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Proposal No. 2: Approval of Amendment to 2001 Stock Incentive Plan
(Item 2 on the Proxy Card)

Proposal. At this Annual Meeting, stockholders are being asked to approve an amendment to the 2001 Stock Incentive Plan. The stockholders originally approved the 2001 Stock Incentive Plan at the 2001 annual meeting and ratified an amendment to that plan at the 2003 annual meeting, increasing the number of shares authorized for issuance under the plan. The proposed amendment 1) increases the number of shares of restricted shares that may be issued under that plan from 3,000,000 to 20,000,000 shares.; 2) increases the maximum number of shares that may be subject of options and stock appreciation rights granted to an eligible individual in any one calendar year from 3,889,591 to 11,668,773; 3) increases the maximum dollar amount of cash or the fair market value of shares that any eligible individual may receive in any one calendar year in respect of performance units denominated in dollars from $15,000,000 to $45,000,000; and 4) adds a maximum number of performance shares that may be granted to an eligible individual in any one calendar year of 10,000,000 shares. The overall number of shares in the plan will not change, but the additional shares of restricted stock plus increasing the maximum awards will give the Compensation Committee continued flexibility in compensating and rewarding those eligible under the 2001 Stock Incentive Plan. The plan is described above. The amendment is attached hereto as Exhibit A.

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR ITEM 2, THE AMENDMENT TO THE 2001 INCENTIVE STOCK OPTION PLAN AS SET FORTH IN EXHIBIT A.

2005 Executive Cash Award Plan

On June 9, 2005, the Company adopted the 2005 Executive Cash Award Plan to provide additional incentive to, and retain the services of, certain officers of the Company and its subsidiaries, to achieve the highest level of individual performance and contribute to the success of the Company. Eligible participants are employees of the Company or any of its subsidiaries who have been recommended by the CEO and designated and approved as Plan participants by the Compensation Committee of the Company s board of directors. At the time the Plan was adopted, the interim CEO recommended and the Compensation Committee designated and approved as Plan participants the permanent President and Chief Executive Officer position (when filled), Executive Vice President positions and selected Senior Vice President positions.

The Plan provides that each participant be granted an award which represents an opportunity to receive cash payments in accordance with the Plan. An award will be credited in book entry format to a participant s account in an amount equal to 100% of a participant s base salary on the date of Plan approval in 2005 and 20% of participant s base salary in each year 2006 through 2009, based on that participant s base salary as of May 1 of the applicable year. The Plan awards will vest at the rate of 50% of the plan award balance at the end of 2007 and 100% of the plan award balance at the end of 2009. Participants will be entitled to receive payment of the vested portion of the award if the participant remains employed by the Company continuously from the date of the participant s initial participation through the end of the calendar year in which his or her award becomes vested, subject to payment of pro-rated award balances to a participant who terminates due to death or disability or in the event the Company elects to terminate the Plan.

A participant s eligibility for, and right to receive, any payment under the Plan (except in the case of intervening death) is conditioned upon the participant first executing and delivering to the Company an agreement releasing and giving up all claims that participant may have against the Company and related parties arising out of or based upon any facts or conduct occurring prior to the payment date, and containing additional restrictions on post-employment use of confidential information, non-competition and nonsolicitation and recruitment of customers and employees.

Employment Arrangements and Related Agreements

The Company entered into an agreement with Robert P. May, effective January 17, 2005, whereby Mr. May serves as the Company s Interim President and Chief Executive Officer (the May Executive Services Agreement). Under the May Executive Services Agreement, Mr. May receives a $1,250,000 base fee per year. If Mr. May becomes the Company s permanent President and Chief Executive Officer or is terminated without cause, Mr. May will be eligible to receive a one-time discretionary bonus up to 100% of the actual base fee paid to him for his interim service under the agreement, based on individual and company performance. Mr. May will continue to receive the compensation and reimbursement of expenses to which he is entitled in his capacity as a member of the board of directors. Mr. May can terminate the May Executive Services Agreement on thirty (30) days notice. The Company may terminate such agreement upon three (3) months notice, and the Company may elect at its discretion to pay Mr. May the base rate for such period in lieu of all or part of the notice. Subject to the approval of the board of directors or a suitable committee thereof, Mr. May will be granted options to purchase shares of the Company s Class A common stock and/or receive a grant of restricted stock pursuant to the Charter Communications, Inc. 2001 Stock Incentive Plan, the number and terms of which will be determined as soon as practicable. Mr. May serves as an independent contractor and is not entitled to any vacation or eligible to participate in any employee benefit programs of the Company. The Company will reimburse Mr. May for reasonable transportation costs from Mr. May s residence in Florida or other locations to the Company s offices and will provide temporary living quarters or reimburse expenses related thereto and will pay an additional gross up amount equal to the federal, state or local taxes required to be paid with respect to such reimbursement.

On April 1, 2005, we entered into an employment agreement with Mr. Lovett, pursuant to which he will be employed as Executive Vice President and Chief Operating Officer for a term commencing April 1, 2005 and expiring on April 1, 2008. The contract will be reviewed every 18 months thereafter and may be extended pursuant to such reviews. Under the agreement, Mr. Lovett will receive an annual base salary of $575,000 and will be eligible to receive an annual bonus targeted at 80% of his base salary under our annual cash bonus program. We will also provide Mr. Lovett with equity incentives commensurate with his position and responsibilities, as determined by the board of directors in its discretion. If his employment is terminated without cause or if he terminates his employment due to a change in control or for good reason (as defined in the agreement), we will pay Mr. Lovett an amount equal to the aggregate base salary due to Mr. Lovett during the remainder of the term, within fifteen days of termination. In addition, if we terminate his employment without cause, Mr. Lovett will be entitled to receive a pro rated bonus for the fiscal year in which he is terminated based upon financial results through the month of termination. Mr. Lovett s agreement includes a covenant not to compete for the balance of the term and for two years thereafter. The agreement further provides that Mr. Lovett is entitled to receive certain relocation expenses and to participate in any benefit plan generally afforded to, and to receive vacation and sick pay on such terms as are offered to, our other senior executive officers.

Effective April 15, 2005, the Company entered into an agreement governing the terms of the service of Mr. Paul E. Martin as Interim Chief Financial Officer. Under the terms of the agreement, Mr. Martin will receive approximately $13,700 each month for his service in the capacity of Interim Chief Financial Officer until a permanent Chief Financial Officer is employed. Under the agreement, Mr. Martin will also be eligible to receive an additional bonus opportunity of up to approximately $13,600 per month served as Interim Chief Financial Officer, payable in accordance with the Company s 2005 Executive Bonus Plan. The amounts payable to Mr. Martin under the agreement are in addition to all other amounts Mr. Martin receives for his services in his capacity as Senior Vice President, Principal Accounting Officer and Corporate Controller. In addition, Mr. Martin received an additional special bonus of $50,000 for his service as Interim co-Chief Financial Officer prior to April 15, 2005. This amount is in addition to the bonus agreed upon in 2004 for his service in that capacity through March 31, 2005.

Until his resignation effective April 15, 2005, Mr. Chang was employed under the terms contained in an offer letter effective December 2, 2003 providing for an annual base salary of $400,000 (which was increased to $450,000 per year) and eligibility for an annual incentive target of 100% of the base salary (based on a combination of personal performance goals and overall company performance). Mr. Chang was also eligible to participate in our 2001 Stock Incentive Plan. Under this plan, Mr. Chang was granted 350,000 options to purchase Class A common stock and 50,000 restricted shares on December 9, 2003. Mr. Chang was also entitled to participate in our LTIP. Mr. Chang s agreement provided that one half of his unvested restricted shares would immediately vest, and one half of his unvested options of the initial option grant would vest if he was terminated without cause or if he elected to terminate his employment due to (1) a change in our Chief

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Executive Officer, (2) a change in reporting relationship to anyone other than the Chief Executive Officer, (3) a requirement that the employee relocate, or (4) a change of control of the Company, if terminated without cause. In addition, Mr. Chang was entitled to eighteen months of full severance benefits at his current compensation rate, plus the pro rata portion of his bonus amounts within thirty days after termination because of any of these events. In light of Mr. Vogel s resignation, the Company and Mr. Chang agreed that he would have until April 15, 2005 to exercise his right to terminate his employment and receive the foregoing vesting, severance and other benefits. In addition, the Company agreed that it would pay Mr. Chang a special $150,000 bonus, in addition to any other bonuses to which he would be otherwise entitled, conditioned on Mr. Chang s continued service as Interim co-Chief Financial Officer through March 31, 2005, which was paid in April 2005.

Until his resignation in January 2005, Mr. Vogel was employed as President and Chief Executive Officer, earning a base annual salary of $1,000,000 and was eligible to receive an annual bonus of up to $500,000, a portion of which was based on personal performance goals and a portion of which was based on company performance measured against criteria established by the board with Mr. Vogel. Pursuant to his employment agreement, Mr. Vogel was granted 3,400,000 options to purchase Class A common stock and 50,000 shares of restricted stock under our 2001 Stock Incentive Plan. In the February 2004 option exchange, Mr. Vogel exchanged his 3,400,000 options for 340,000 shares of restricted stock and 340,000 performance shares. Mr. Vogel s initial 50,000 restricted shares vested 25% on the grant date, with the remainder vesting in 36 equal monthly installments beginning December 2002. The 340,000 shares of restricted stock were to vest over a three-year period, with one-third of the shares vesting on each of the first three anniversaries of the grant date. The 340,000 performance shares were to vest at the end of a three-year period if certain financial criteria were met. Mr. Vogel s agreement provided that, if Mr. Vogel is terminated without cause or if Mr. Vogel terminated the agreement for good reason, he is entitled to his aggregate base salary due during the remainder of the term and full prorated benefits and bonus for the year in which termination occurs. Mr. Vogel s agreement included a covenant not to compete for the balance of the initial term or any renewal term, but no more than one year in the event of termination without cause or by Mr. Vogel with good reason. Mr. Vogel s agreement entitled him to participate in any disability insurance, pensions or other benefit plans afforded to employees generally or to our executives, including our LTIP. Mr. Vogel was entitled to reimbursement for up to $10,000 per year for tax, legal and financial planning services. His agreement also provided for a car and associated expenses for Mr. Vogel s use. Mr. Vogel s agreement provided for automatic one-year renewals and also provided that we would cause him to be elected to our board of directors without any additional compensation.

In February 2005, the Company entered into an agreement with Mr. Vogel setting forth the terms of his resignation. Under the terms of the agreement, Mr. Vogel received in February 2005 all accrued and unpaid base salary and vacation pay through the date of resignation and a lump sum payment equal to the remainder of his base salary during 2005 (totaling $953,425). In addition, he will receive a lump sum cash payment of $500,000 at December 31, 2005, which is subject to reduction to the extent of compensation attributable to certain competitive activities.

Mr. Vogel will continue to receive certain health benefits during 2005 and COBRA premiums for such health insurance coverage for 18 months thereafter. All of his outstanding stock options, as well as his restricted stock granted in 2004 (excluding 340,000 shares of restricted stock granted as performance units , which will automatically be forfeited), will continue to vest through December 31, 2005. In addition, one-half of the remaining unvested portion of his 2001 restricted stock grant vested upon the effectiveness of the agreement, and the other half was forfeited. Mr. Vogel has 60 days after December 31, 2005 to exercise any outstanding vested stock options. Under the agreement, Mr. Vogel waived any further right to any bonus or incentive plan participation and provided certain releases of claims against the Company and its subsidiaries from any claims arising out of or based upon any facts occurring prior to the date of the agreement, but the Company will continue to provide Mr. Vogel certain indemnification rights and to include Mr. Vogel in its director and officer liability insurance for a period of six years. The Company and its subsidiaries also agreed to provide releases of certain claims against Mr. Vogel with certain exceptions reserved. Mr. Vogel has also

agreed, with limited exceptions that he will continue to be bound by the covenant not to compete, confidentiality and non-disparagement provisions contained in his 2001 employment agreement.

Ms. Bellville was employed as Executive Vice President, Chief Operating Officer. Until her resignation in September 2004, she was employed under an employment agreement entered into as of April 27, 2003, that would have terminated on September 1, 2007. Her annual base salary was $625,000 and she was eligible to receive an annual bonus in an amount to be determined by our board of directors, with a contractual minimum for 2003 of $203,125. Commencing in 2004, Ms. Bellville would have been eligible to receive a target annual bonus equal to 100% of her base salary for the applicable year at the discretion of the board of directors, 50% to be based on personal performance goals and 50% to be based on overall company performance. Under a prior offer letter dated December 3, 2002, Ms. Bellville was granted 500,000 options to purchase shares of our Class A common stock, which vested 25% on the date of the grant (December 9, 2002), with the balance to vest in 36 equal installments commencing January 2003. Ms. Bellville s employment agreement provided that if she was terminated without cause or if she terminated the agreement for good reason (including due to a change in control or if Ms. Bellville was required to report, directly or indirectly, to persons other than the Chief Executive Officer), we would pay Ms. Bellville an amount equal to the aggregate base salary due to Ms. Bellville during the remainder of the term, or renewal term and a full prorated bonus for the year in which the termination occurs, within thirty days of termination. Ms. Bellville s agreement included a covenant not to compete for the balance of the initial term or any renewal term, but no more than one year, in the event of termination without cause or by her with good reason. Her agreement further provided that she was entitled to participate in any disability insurance, pension or other benefit plan afforded to employees generally or to executives, including our LTIP. Ms. Bellville was entitled to a monthly car allowance and reimbursement for all business expenses associated with the use of such car. Ms. Bellville s agreement provided that she was entitled to the reimbursement of dues for her membership in a country club of her choice, and reimbursement for up to $5,000 per year for tax, legal and financial planning services.

On September 16, 2004, the Company entered into an agreement with Ms. Bellville governing the terms and conditions of her resignation as an officer and employee of the Company. Under the terms of this agreement, Ms. Bellville has the right to receive 65 weeks of base pay based on an annual base of $625,000, plus usual compensation for all accrued vacation and other leave time. Her options to purchase 700,000 shares of Class A common stock will continue to vest during the salary continuation period. Ms. Bellville will have 60 days after the expiration of the salary continuation period to exercise any outstanding vested options at the applicable exercise prices established at each grant date. To date, Ms. Bellville has exercised her options to purchase 350,000 shares. Ms. Bellville is entitled to receive relocation benefits under the Company s current relocation policy with respect to a move to a specified geographic area and was provided outplacement assistance for 6 months following the date of her separation from the Company. Her resignation was effective September 30, 2004. The agreement provides that the previously existing employment agreement would terminate, except for certain ongoing obligations on Ms. Bellville s part concerning confidentiality, non-solicitation and non-disparagement. The contractual restriction on her ability to solicit current Company employees does not apply to persons who, at the time of solicitation, have not worked for the Company in the prior 6 months and are not receiving severance from the Company. In addition, the non-competition provisions of her employment agreement were waived. Under the agreement, Ms. Bellville waived a right to any bonus or incentive plan and released the Company from any claims arising out of or based upon any facts occurring prior to the date of the agreement, but the Company will continue to provide Ms. Bellville certain indemnification rights for that period.

In addition to the indemnification provisions which apply to all employees under our bylaws, Mr. Vogel s and Ms. Bellville s agreements provide that we will indemnify and hold harmless each employee to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses in connection with or arising out of the performance by the applicable employee of his or her duties. Each of the above agreements also contains confidentiality and non-solicitation provisions.

Effective January 28, 2005, we eliminated the position of Chief Administrative Officer, resulting in the termination of employment of Steven A. Schumm, Executive Vice President and Chief Administrative Officer from the Company and each of our subsidiaries for which Mr. Schumm served as an officer. Pursuant to a

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Separation Agreement executed on February 8, 2005, we will continue to pay Mr. Schumm s base salary for 65 weeks at an annual rate of $450,000, and Mr. Schumm was paid a bonus of $15,815 at the time as other executives receive their bonuses. Mr. Schumm s stock options will continue to vest during the 65-week severance period, and he will have 60 days thereafter to exercise any vested options.

Thomas A. Cullen resigned, effective April 30, 2005, from his position as Executive Vice President of Advanced Services and Business Development of the Company and each of the Company s subsidiaries for which Mr. Cullen served as an officer. Pursuant to a Separation Agreement and Release executed on March 15, 2005, the Company will continue to pay Mr. Cullen s base salary for 65 weeks following the termination of his employment at a rate of $5,769 per week, and Mr. Cullen will be paid a one time payment of $10,347 to cover COBRA payments. Mr. Cullen s stock options will continue to vest during the 65-week severance period, and he will have 60 days thereafter to exercise any vested options.

We have established separation guidelines which generally apply to all employees in situations where management determines that an employee is entitled to severance benefits. Severance benefits are granted solely in management s discretion and are not an employee entitlement or guaranteed benefit. The guidelines provide that persons employed at the level of Senior Vice President may be eligible to receive between six and fifteen months of severance benefits and persons employed at the level of Executive Vice President may be eligible to receive between nine and eighteen months of severance benefits in the event of separation under certain circumstances generally including elimination of a position, work unit or general staff reduction. Separation benefits are contingent upon the signing of a separation agreement containing certain provisions including a release of all claims against us. Severance amounts paid under these guidelines are distinct and separate from any one-time, special or enhanced severance programs that may be approved by us from time to time.

Our senior executives are eligible to receive bonuses according to our 2005 Executive Bonus Plan. Under this plan, our executive officers and certain other management and professional employees are eligible to receive an annual bonus. Each participating employee would receive his or her target bonus if the Company (or such employee s division) meets specified performance measures for revenues, operating cash flow, free cash flow and customer satisfaction.

Limitation of Directors Liability and Indemnification Matters

Our certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. The Delaware General Corporation Law provides that a corporation may eliminate or limit the personal liability of a director for monetary damages for breach of fiduciary duty as a director, except for liability for:

(1) any breach of the director s duty of loyalty to the corporation and its shareholders;

(2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

(3) unlawful payments of dividends or unlawful stock purchases or redemptions; or

(4) any transaction from which the director derived an improper personal benefit.

Our bylaws provide that we will indemnify all persons whom we may indemnify pursuant thereto to the fullest extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We have reimbursed certain of our current and former directors, officers and employees in connection with their defense in certain legal actions. See Certain Relationships and Related Transactions Other Miscellaneous Relationships Indemnification Advances.

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of the Company s Class A common stock as of June 30, 2005 by:

each current director and director nominees of the Company;

the current chief executive officer and individuals named in the Summary Compensation Table;

all persons currently serving as directors and officers of the Company, as a group; and

each person known by us to own beneficially 5% or more of our outstanding Class A common stock as of June 30, 2005.

With respect to the percentage of voting power set forth in the following table:

each holder of Class A common stock is entitled to one vote per share; and

each holder of Class B common stock is entitled to (i) ten votes per share of Class B common stock held by such holder and its affiliates and (ii) ten votes per share of Class B Common Stock for which membership units in Charter Holdco held by such holder and its affiliates are exchangeable.

The 50,000 shares of Class B common stock owned by Mr. Allen represents 100% of the outstanding Class B shares.

Name and Address of Beneficial Owner	Number of Class A Shares (Voting and Investment Power)(1)	Unvested Restricted Class A Shares (Voting Power Only)(2)	Class A Shares Receivable on Exercise of Vested Options or Other Convertible Securities(3)	Number of Class B Shares Owned	Class B Shares Issuable upon Exchange or Conversion of Units(4)	% of Class A Shares (Voting and Investment Power)(4)(5)	% of Voting Power (5)(6)
Paul G. Allen(7)	29,126,423		10,000	50,000	339,132,031	53.78%	91.53%
Charter Investment, Inc.(8)					222,818,858	39.19%	
Vulcan Cable III Inc.(9)					116,313,173	25.17%	
Robert P. May		119,685				*	
John H. Tory	30,005		40,000			*	
Marc B. Nathanson	425,705		50,000			*	
David C. Merritt	25,705					*	
Jo Allen Patton	10,977	40,323				*	
W. Lance Conn		19,231				*	
Jonathan L. Dolgen		19,685				*	
Larry W. Wangberg	28,705		40,000			*	
Nathaniel A. Davis	0					*	
Michael J. Lovett	7,500		72,500			*	

All current directors, director nominees and executive officers as a group (17 persons)	29,666,247	221,901	883,625	50,000	339,132,031	53.95%	91.55%
Carl E. Vogel(10)	208,126	226,666	932,500			*	
Margaret A. Bellville(11)			168,749			*	
Derek Chang(12)	41,250					*	
Curtis S. Shaw(12)	5,000					*	
Steven A. Schumm(13)	30,568	36,256	276,250			*	
Amaranth L.L.C.(14)			21,322,312			5.81%	
Scott A. Bommer(15)	18,237,744					5.27%	
Glenview Capital Management, LLC(16)	19,903,500					5.76%	
Glenview Capital GP, LLC(16)	19,903,500					5.76%	
Lawrence M. Robbins(16)	19,903,500					5.76%	
Steelhead Partners (17)	24,835,077					7.18%	
J-K Navigator Fund, L.P.(17)	18,447,759					5.34%	
James Michael Johnston(17)	24,835,077					7.18%	
Brian Katz Klein(17)	24,835,077					7.18%	

* Less than 1%.

(1) Includes shares for which the named person has sole voting and investment power; or shared voting and investment power with a spouse. Does not include shares that may be acquired through exercise of options.

(2) Includes unvested shares of restricted stock issued under the Charter Communications, Inc. 2001 Stock Incentive Plan (including those issued in the February 2004 option exchange for those eligible employees who elected to participate), as to which the applicable director or employee has sole voting power but not investment power. Excludes certain performance units granted under the Charter 2001 Stock Incentive Plan with respect to which shares will not be issued until the third anniversary of the grant date and then only if the Company meets certain performance criteria (and which consequently do not provide the holder with any voting rights).

(3) Includes shares of Class A common stock issuable upon exercise of options that have vested or will vest on or before September 27, 2005 under the 1999 Charter Communications Option Plan and the 2001 Stock Incentive Plan.

(4) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. The beneficial owners at June 30, 2005 of Class B common stock, Charter Holdco membership units and convertible senior notes of the Company are deemed to be beneficial owners of an equal number of shares of Class A common stock because such holdings are either convertible into Class A shares (in the case of Class B shares and convertible senior notes) or exchangeable (directly or indirectly) for Class A shares (in the case of the membership units) on a one-for-one basis. Unless otherwise noted, the named holders have sole investment and voting power with respect to the shares listed as beneficially owned. An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII, LLC membership interests following the consummation of the Bresnan put transaction on June 6, 2003. See Certain Relationships and Related Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter Communications, Inc. and Its Subsidiaries Equity Put Rights CC VIII.

(5) The calculation of this percentage assumes for each person that:

345,694,905 shares of Class A common stock are issued and outstanding as of the Record Date;

50,000 shares of Class B common stock held by Mr. Allen have been converted into shares of Class A common stock;

the acquisition by such person of all shares of Class A common stock that such person or affiliates of such person has the right to acquire upon exchange of membership units in subsidiaries or conversion of Series A Convertible Redeemable Preferred Stock or 5.875% or 4.75% convertible senior notes;

the acquisition by such person of all shares that may be acquired upon exercise of options to purchase shares or exchangeable membership units that have vested or will vest by September 27, 2005; and

that none of the other listed persons or entities has received any shares of Class A common stock that are issuable to any of such persons pursuant to the exercise of options or otherwise.

A person is deemed to have the right to acquire shares of Class A common stock with respect to options vested under the 1999 Charter Communications Option Plan. When vested, these options are exercisable for membership units of Charter Holdco, which are immediately exchanged on a one-for-one basis for shares of the Company s Class A common stock. A person is also deemed to have the right to acquire shares of Class A common stock issuable upon the exercise of vested options under the 2001 Stock Incentive Plan.

(6) The calculation of this percentage assumes that Mr. Allen s equity interests are retained in the form that maximizes voting power (i.e., the 50,000 shares of Class B common stock held by Mr. Allen have not been converted into shares of Class A common stock; that the membership units of Charter Holdco owned by each of

Vulcan Cable III Inc. and Charter Investment, Inc. have not been exchanged for shares of Class A common stock).

(7) The total listed includes:
222,818,858 membership units in Charter Holdco held by Charter Investment, Inc.; and
116,313,173 membership units in Charter Holdco held by Vulcan Cable III Inc.
The listed total excludes 24,273,943 shares of Class A common stock issuable upon exchange of units of Charter Holdco, which may be issuable to Charter Investment, Inc. (which is owned by Mr. Allen) as a consequence of the closing of his purchase of the membership interests in CC VIII, LLC that were put to Mr. Allen and were purchased by him on June 6, 2003. An issue has arisen regarding the ultimate ownership of such CC VIII, LLC membership interests following the consummation of such put transaction. See Certain Relationships and Related Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter Communications, Inc. and Its Subsidiaries Equity Put Rights CC VIII. The address of this person is: 505 Fifth Avenue South, Suite 900, Seattle, WA 98104.

(8) Includes 222,818,858 membership units in Charter Holdco, which are exchangeable for shares of Class B common stock on a one-for-one basis, which are convertible to shares of Class A common stock on a one-for-one basis. The address of this person is: Charter Plaza, 12405 Powerscourt Drive, St. Louis, MO 63131.

(9) Includes 116,313,173 membership units in Charter Holdco, which are exchangeable for shares of Class B common stock on a one-for-one basis, which are convertible to shares of Class A common stock on a one-for-one basis. The address of this person is: 505 Fifth Avenue South, Suite 900, Seattle, WA 98104.

(10) Mr. Vogel terminated his employment effective on January 17, 2005. His stock options and restricted stock shown in this table continue to vest through December 31, 2005, and his options will be exercisable for another 60 days thereafter.

(11) Ms. Bellville resigned from the Company effective September 30, 2004. Under the terms of her separation agreement, her options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.

(12) Mr. Chang and Mr. Shaw resigned effective April 15, 2005.

(13) Includes 1,000 shares for which Mr. Schumm has shared investment and voting power. Mr. Schumm s employment was terminated effective January 28, 2005. His stock options and restricted stock shown in this table continue to vest for 65 weeks following his termination, and his options will be exercisable for another 60 days thereafter.

(14) The equity ownership reported in this table is based upon holder s Schedule 13G filed with the SEC February 2, 2005. The address of this person is: c/o Amaranth Advisors L.L.C., One American Lane, Greenwich, Connecticut 06831.

(15) The equity ownership reported in this table is based upon the holder s Schedule 13G filed with the SEC March 28, 2005. The address of this person is: 712 Fifth Avenue, 42nd Floor, New York, New York 10019. Mr. Bommer is the managing member of SAB Capital Advisors, L.L.C., which serves as general partner of SAB Capital Partners, L.P. and SAB Capital Partners II, L.P. (which in turn collectively hold 10,124,695 shares of Class A common stock). Mr. Bommer is also the managing member of SAB Capital Management, L.L.C., which serves as general partner of SAB Overseas Capital Management, L.P. (which in turn serves as investment manager to and has investment discretion over the securities held by a holder of 8,113,049 shares of Class A common stock).

(16) The equity ownership reported in this table is based upon the holder s Schedule 13G filed with the SEC June 3, 2005. The address of the principal business office of the reporting person is 399 Park Avenue, Floor 39, New York, New York 10022. The shares shown consist of: (A) 1,669,400 shares held for the account of Glenview

Capital Partners; (B) 5,991,000 shares held for the account of Glenview Capital Master Fund; and (C) 12,243,100 shares held for the account of Glenview Institutional Partners, Glenview Capital Management serves as investment manager to each of Glenview Capital Partners, Glenview Institutional Partners, and Glenview Capital Master Fund. Glenview Capital GP is the general partner of Glenview Capital Partners and Glenview Institutional Partners. Glenview Capital GP

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also serves as the sponsor of the Glenview Capital Master Fund. Mr. Robbins is the Chief Executive Officer of Glenview Capital Management and Glenview Capital GP.

(17) The equity ownership reported in this table is based upon the holder s Schedule 13G filed with the SEC May 23, 2005. The business address of the reporting person is 1301 First Avenue, Suite 201, Seattle, WA 98101. Steelhead Partners, LLC acts as general partner of J-K Navigator Fund, L.P., and J. Michael Johnston and Brian K. Klein act as the member-managers of Steelhead Partners, LLC. Accordingly, shares shown as beneficially held by Steelhead Partners, LLC, Mr. Johnston and Mr. Klein include shares beneficially held by J-K Navigator Fund, L.P.

Securities Authorized for Issuance under Equity Compensation Plans

The following information is provided as of December 31, 2004 with respect to equity compensation plans:

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders	24,834,513(1)	$ 6.57	54,701,158
Equity compensation plans not approved by security holders	475,653(2)	$ 10.39	
TOTAL	25,310,166	$ 6.64	54,701,158

(1) This total does not include 2,076,860 shares issued pursuant to restricted stock grants made under our 2001 Stock Incentive Plan, which were subject to vesting based on continued employment or 6,899,600 performance shares issued under our LTIP plan, which are subject to vesting upon the Company s achievement of certain performance criteria during a three-year performance cycle ending on December 31, 2007.

(2) Includes shares of Class A common stock to be issued upon exercise of options granted pursuant to an individual compensation agreement with a consultant. In 2003, we have agreed to exchange 186,385 of these options for 18,638 shares of Class A common stock, and that exchange is scheduled to be consummated in 2005.

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Performance Graph

The graph below shows the cumulative total return on our Class A common stock for the period from December 31, 1999 through December 31, 2004, in comparison to the cumulative total return on Standard & Poor s 500 Index and a peer group consisting of the four national cable operators that are most comparable to us in terms of size and nature of operations. The Company s peer group (the New Peer Group) consists of Cablevision Systems Corporation, Comcast Corporation, Insight Communications, Inc. and Mediacom Communications Corp. Prior to this year, the peer group included Cox Communications, Inc. which went private in 2004 and was replaced in the peer group by Insight Communications, Inc. The Old Peer Group consisting of Cablevision Systems Corporation, Comcast Corporation and Mediacom Communications, Corp. is shown for comparative purposes due to the change in the peer group. The results shown assume that $100 was invested on December 31, 1999 and that all dividends were reinvested. These indices are included for comparative purposes only and do not necessarily reflect management s opinion that such indices are an appropriate measure of the relative performance of the stock involved, and are not intended to forecast or be indicative of future performance of the Class A common stock.

Comparison of 5 Year Cumulative Total Return*
Among Charter Communications, Inc., the S&P 500 Index,
a New Peer Group and Old Peer Group

* $100 invested on 12/31/99 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Certain Relationships and Related Transactions

The following sets forth certain transactions in which we are involved and in which the directors, executive officers and affiliates of the Company have or may have a material interest. The transactions fall generally into three broad categories:

Transactions in which Mr. Allen has an interest that arise directly out of Mr. Allen s investment in the Company and Charter Holdco. A large number of the transactions described below arise out of Mr. Allen s direct and indirect (through Charter Investment, Inc., or the Vulcan entities, each of which Mr. Allen controls) investment in the Company and its subsidiaries, as well as commitments made as consideration for the investments themselves.

Transactions with third party providers of products, services and content in which Mr. Allen has or had a material interest. Mr. Allen has had numerous investments in the areas of technology and media. We have a number of commercial relationships with third parties in which Mr. Allen has or had an interest.

Other Miscellaneous Transactions. We have a limited number of transactions in which certain of the officers, directors and principal stockholders of the Company and its subsidiaries, other than Mr. Allen, have an interest.

A number of our debt instruments and those of our subsidiaries require delivery of fairness opinions for transactions with Mr. Allen or his affiliates involving more than $50 million. Such fairness opinions have been obtained whenever required. All of our transactions with Mr. Allen or his affiliates have been considered for approval either by the board of directors of the Company or a committee of the board of directors. All of our transactions with Mr. Allen or his affiliates have been deemed by the board of directors or a committee of the board of directors to be in our best interest. Related party transactions are approved by our Audit Committee in compliance with the listing requirements applicable to NASDAQ National Market listed companies. Except where noted below, we do not believe that these transactions present any unusual risks for us that would not be present in any similar commercial transaction.

The chart below summarizes certain information with respect to these transactions. Additional information regarding these transactions is provided following the chart.

Transaction	**Interested Related Party**	**Description of Transaction**
Intercompany Management Arrangements	Paul G. Allen	Subsidiaries of Charter Holdco paid the Company approximately $79 million, $84 million, $90 million and $30 million for management services rendered in 2002, 2003 and 2004 and the three months ended March 31, 2005, respectively.
Mutual Services Agreement	Paul G. Allen	The Company paid Charter Holdco approximately $70 million, $73 million, $74 million and $20 million for services rendered in 2002, 2003 and 2004 and the three months ended March 31, 2005, respectively.
Previous Management Agreement	Paul G. Allen	No fees were paid in 2002, 2003, 2004 or the three months ended March 31, 2005, although total management fees accrued and payable to Charter Investment, Inc., exclusive of interest, were approximately $14 million at December 31, 2002, 2003 and 2004 and March 31, 2005.
Tax Provisions of Charter Holdco s Operating Agreement	Paul G. Allen	In 2002, the operating agreement of Charter Holdco allocated certain of our tax losses to entities controlled by Paul Allen.
Channel Access Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton	At Vulcan Ventures request, we will provide Vulcan Ventures with exclusive rights for carriage on eight of our digital cable channels as partial consideration for a 1999 capital contribution of approximately $1.3 billion.

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Transaction	Interested Related Party	Description of Transaction
Equity Put Rights	Paul G. Allen	Certain sellers of cable systems that we acquired were granted, or previously had the right, as described below, to put to Paul Allen equity in us (in the case of Rifkin and Falcon), Charter Holdco (in the case of Rifkin) and CC VIII, LLC (in the case of Bresnan) issued to such sellers in connection with such acquisitions.
Previous Funding Commitment of Vulcan Inc.	Paul G. Allen W. Lance Conn Jo Allen Patton	Pursuant to a commitment letter dated April 14, 2003, Vulcan Inc., which is an affiliate of Paul Allen, agreed to lend, under certain circumstances, or cause an affiliate to lend to Charter Holdings or any of its subsidiaries a total amount of up to $300 million, which amount included a subfacility of up to $100 million for the issuance of letters of credit. In November 2003, the commitment was terminated. We incurred expenses to Vulcan Inc. totaling $5 million in connection with the commitment prior to termination.
Mirror Securities		To comply with the organizational documents of the Company and Charter Holdco, Charter Holdco issued certain mirror securities to the Company, redeemed certain other mirror securities, and paid interest and dividends on outstanding mirror notes and preferred units.
High Speed Access Corp. Asset Purchase Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton	In February 2002, our subsidiary purchased certain assets of High Speed Access for $78 million, plus the delivery of 37,000 shares of High Speed Access Series D preferred stock and certain warrants. In connection with the transaction, High Speed Access also purchased 38,000 shares of its Series D preferred stock from Vulcan Ventures for approximately $8 million, and all of Vulcan Ventures shares of High Speed Access common stock.
High Speed Access Corp.	Paul G. Allen	In January 2002, we granted to High Speed Access a royalty free right to use intellectual property purchased by Charter Communications Holding Company, LLC, received approximately $4 million in management fees and approximately $17 million in revenues and paid approximately $2 million under agreements that have terminated.

Transaction	Interested Related Party	Description of Transaction
TechTV Carriage Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton William D. Savoy Larry W. Wangberg	We recorded approximately $4 million, $1 million, $5 million and $0.3 million from TechTV under the affiliation agreement in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively, related to launch incentives as a reduction of programming expense. We paid TechTV approximately $0.2 million, $80,600, $2 million and $0.5 million in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively.
Oxygen Media Corporation Carriage Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton	We paid Oxygen Media approximately $6 million, $9 million, $13 million and $3 million under a carriage agreement in exchange for programming in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively. We recorded approximately $2 million, $1 million, $1 million and $0.1 million in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively, from Oxygen Media related to launch incentives as a reduction of programming expense. We received 1 million shares of Oxygen Preferred Stock with a liquidation preference of $33.10 per share in March 2005. We recognized approximately $6 million, $9 million, $13 million and $1 million as a reduction of programming expense in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively, in recognition of the guaranteed value of the investment.
Portland Trail Blazers Carriage Agreement	Paul G. Allen	We paid approximately $1 million for rights to carry the cable broadcast of certain Trail Blazers basketball games in 2002, approximately $135,200 in 2003, approximately $96,100 in 2004 and approximately $22,300 for the three months ended March 31, 2005.
Action Sports Cable Network Carriage Agreement	Paul G. Allen	We paid approximately $1 million for rights to carry the programming of Action Sports Cable Network in 2002.
Click2learn, Inc. Software License Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton	We paid approximately $250,000, $57,100, $0 and $0 under the Software License Agreement in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively.

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Transaction	Interested Related Party	Description of Transaction
Digeo, Inc. Broadband Carriage Agreement	Paul G. Allen William D. Savoy Carl E. Vogel Jo Allen Patton	We paid Digeo approximately $3 million, $4 million, $3 million and $2 million for customized development of the i-channels and the local content tool kit in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively. We entered into a license agreement in 2004 for the Digeo software that runs DVR units purchased from a third party. We paid approximately $474,400 and $920,300 in license and maintenance fees in 2004 and 2005. In 2004 we executed a purchase agreement for the purchase of up to 70,000 DVR units and a related software license agreement, both subject to satisfaction of certain conditions.
Viacom Networks	Jonathan L. Dolgen	We are party to certain affiliation agreements with networks of Viacom, pursuant to which Viacom provides the Company with programming for distribution via our cable systems. For the years ended December 31, 2002, 2003 and 2004 and for the three months ended March 31, 2005, the Company paid Viacom approximately $177 million, $188 million, $194 million and $50 million, respectively, for programming, and the Company recorded as receivables approximately $5 million, $5 million, $8 million and $0 from Viacom for launch incentives and marketing support for the years ended December 31, 2002, 2003 and 2004 and for the three months ended March 31, 2005, respectively.
ADC Telecommunications Inc.	Larry W. Wangberg	We paid $759,600, $60,100, $344,800 and $112,800 to purchase certain access/network equipment in 2002, 2003, 2004 and for the three months ended March 31, 2005, respectively.
HDNet and HDNet Movies Network	Mark Cuban	Charter Holdco is party to an agreement to carry two around-the- clock, high-definition networks, HDNet and HDNet Movies. We paid HDNet and HDNet Movies approximately $21,900, $609,100 and $447,400 in 2003 and 2004 and for the three months ended March 31, 2005.
Affiliate leases and agreements	Marc B. Nathanson	We paid approximately $76,000, $16,600, $0 and $0 in 2002, 2003 and 2004 and for the three months ended March 31, 2005, respectively, to companies controlled by Mr. Nathanson under a warehouse lease agreement.
Carriage fees	David C. Merritt	We paid approximately $1 million, $1 million, $1 million and $298,300 in 2002, 2003, 2004 and for the three months ended March 31, 2005 to carry

The Outdoor Channel. Mr. Merritt is a director of an affiliate of this channel.

Transaction	Interested Related Party	Description of Transaction
Payment for relatives services	Carl E. Vogel	Since June 2003, Mr. Vogel s brother-in-law has been an employee of Charter Holdco and has received a salary commensurate with his position in the engineering department.
Radio advertising	Marc B. Nathanson	We believe that, through a third party advertising agency, we have paid approximately $113,200, $79,700 and $49,700 in 2002, 2003 and 2004, respectively, to Mapleton Communications, an affiliate of Mapleton Investments, LLC.
Enstar Limited Partnership Systems Purchase and Management Services	Company officers who were appointed by a subsidiary (as general partner) to serve as officers of Enstar limited partnerships	Certain of our subsidiaries purchased certain assets of the Enstar Limited Partnerships for approximately $63 million in 2002. We also earned approximately $1 million, $469,300, $0 and $0 in 2002, 2003, 2004 and for the three months ended March 31, 2005, respectively, by providing management services to the Enstar Limited Partnerships.
Indemnification Advances	Directors and current and former officers named in certain legal proceedings	The Company reimbursed certain of its current and former directors and executive officers a total of approximately $3 million, $8 million, $3 million and $0 for costs incurred in connection with litigation matters in 2002, 2003 and 2004 and for the three months ended March 31, 2005, respectively.

The following sets forth additional information regarding the transactions summarized above.

Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter Communications, Inc. and Its Subsidiaries

As noted above, a number of our related party transactions arise out of Mr. Allen s investment in the Company and its subsidiaries. Some of these transactions are with Charter Investment, Inc. and Vulcan Ventures (both owned 100% by Mr. Allen), the Company (controlled by Mr. Allen) and Charter Holdco (approximately 47% owned by us and 53% owned by other affiliates of Mr. Allen).

Intercompany Management Arrangements

The Company is a party to management arrangements with Charter Holdco and certain of its subsidiaries. Under these agreements, the Company provides management services for the cable systems owned or operated by its subsidiaries. These management agreements provide for reimbursement to the Company for all costs and expenses incurred by it for activities relating to the ownership and operation of the managed cable systems, including overhead, administration and salary expense.

The total amount paid by Charter Holdco and all of its subsidiaries is limited to the amount necessary to reimburse the Company for all of its expenses, costs, losses, liabilities and damages paid or incurred by it in connection with the performance of its services under the various management agreements and in connection with its corporate overhead, administration, salary expense and similar items. The expenses subject to reimbursement include fees the Company is obligated to pay under the mutual services agreement with Charter Investment, Inc. Payment of management fees by the Company s operating subsidiaries is subject to certain restrictions under the credit facilities and indentures of such subsidiaries and the indentures governing the Charter Holdings public debt. If any portion of the management fee due and payable is not paid, it is deferred by the Company and accrued as a liability of such subsidiaries. Any deferred amount of the management fee will bear interest at the rate of 10% per year, compounded annually, from the date it was due

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and payable until the date it is paid. For the years ended December 31, 2002, 2003 and 2004 and for the three months ended March 31, 2005, the subsidiaries of Charter Holdco paid approximately $79 million, $84 million, $90 million and $30 million, respectively, in management fees to the Company.

Mutual Services Agreement

The Company, Charter Holdco and Charter Investment, Inc. are parties to a mutual services agreement whereby each party shall provide rights and services to the other parties as may be reasonably requested for the management of the entities involved and their subsidiaries, including the cable systems owned by their subsidiaries all on a cost-reimbursement basis. The officers and employees of each party are available to the other parties to provide these rights and services, and all expenses and costs incurred in providing these rights and services are paid by the Company. Each of the parties will indemnify and hold harmless the other parties and their directors, officers and employees from and against any and all claims that may be made against any of them in connection with the mutual services agreement except due to its or their gross negligence or willful misconduct. The mutual services agreement expires on November 12, 2009, and may be terminated at any time by any party upon thirty days written notice to the other. For the years ended December 31, 2002, 2003 and 2004 and for the three months ended March 31, 2005, the Company paid approximately $70 million, $73 million, $74 million and $20 million, respectively, to Charter Holdco for services rendered pursuant to the mutual services agreement. All such amounts are reimbursable to the Company pursuant to a management arrangement with our subsidiaries. See Intercompany Management Arrangements. The accounts and balances related to these services eliminate in consolidation. Charter Investment, Inc. no longer provides services pursuant to this agreement.

Previous Management Agreement with Charter Investment, Inc.

Prior to November 12, 1999, Charter Investment, Inc. provided management and consulting services to our operating subsidiaries for a fee equal to 3.5% of the gross revenues of the systems then owned, plus reimbursement of expenses. The balance of management fees payable under the previous management agreement was accrued with payment at the discretion of Charter Investment, Inc., with interest payable on unpaid amounts. For the years ended December 31, 2002, 2003 and 2004, and the three months ended March 31, 2005, the Company s subsidiaries did not pay any fees to Charter Investment, Inc. to reduce management fees payable. As of December 31, 2002, 2003 and 2004 and March 31, 2005, total management fees payable by our subsidiaries to Charter Investment, Inc. were approximately $14 million, exclusive of any interest that may be charged, and are included in Deferred management fees related party on our consolidated balance sheet.

Charter Communications Holding Company, LLC Limited Liability Agreement Taxes

The limited liability company agreement of Charter Holdco contains special provisions regarding the allocation of tax losses and profits among its members Vulcan Cable III Inc., Charter Investment, Inc. and us. In some situations, these provisions may cause us to pay more tax than would otherwise be due if Charter Holdco had allocated profits and losses among its members based generally on the number of common membership units.

Vulcan Ventures Channel Access Agreement

Vulcan Ventures, an entity controlled by Mr. Allen, the Company, Charter Investment, Inc. and Charter Holdco are parties to an agreement dated September 21, 1999 granting to Vulcan Ventures the right to use up to eight of our digital cable channels as partial consideration for a prior capital contribution of $1.325 billion. Specifically, at Vulcan Ventures request, we will provide Vulcan Ventures with exclusive rights for carriage of up to eight digital cable television programming services or channels on each of the digital cable systems with local and to the extent available, national control of the digital product owned, operated, controlled or managed by the Company or its subsidiaries now or in the future of 550 megahertz or more. If the system offers digital services but has less than 550 megahertz of capacity, then the programming services will be equitably reduced. Upon request of Vulcan Ventures, we will attempt to reach a comprehensive programming agreement pursuant to which it will pay the programmer, if possible, a fee per digital video customer. If such fee arrangement is not achieved, then we and the programmer shall enter into a standard programming agreement. The initial term of the channel access agreement was 10 years, and the term extends by one additional year (such that the remaining term continues to be 10 years) on each anniversary date of the agreement unless either party provides the other with notice to the contrary at least 60 days prior to such anniversary date. To date, Vulcan Ventures has not requested to use any of these channels. However, in the future it is possible that Vulcan Ventures could require us to carry programming that is less profitable to us than the programming that we would otherwise carry and our results would suffer accordingly.

Equity Put Rights

CC VIII. As part of the acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, CC VIII, the Company s indirect limited liability company subsidiary, issued, after adjustments, 24,273,943 Class A preferred membership units (collectively, the CC VIII interest) with a value and an initial capital account of approximately $630 million to certain sellers affiliated with AT&T Broadband, subsequently owned by Comcast Corporation (the Comcast sellers). While held by the Comcast sellers, the CC VIII interest was entitled to a 2% priority return on its initial capital account and such priority return was entitled to preferential distributions from available cash and upon liquidation of CC VIII. While held by the Comcast sellers, the CC VIII interest generally did not share in the profits and losses of CC VIII. Mr. Allen granted the Comcast sellers the right to sell to him the CC VIII interest for approximately $630 million plus 4.5% interest annually from February 2000 (the Comcast put right). In April 2002, the Comcast sellers exercised the Comcast put right in full, and this transaction was consummated on June 6, 2003.

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$52

$52

Sensitivity: -/+ $10 per MWh market price change

$49-$59

$46-$59

$44-$58

$45-$59

$44-$60

Entergy Wholesale Commodities Non-Nuclear Portfolio

	2014	2015	2016	2017	2018
Energy					
Percent of planned generation under contract (a):					
Cost-based contracts (k)	43%	38%	36%	33%	34%
Firm LD (d)	8%	7%	7%	6%	7%
Total	51%	45%	43%	39%	41%
Planned generation (TWh) (f) (l)	5	5	6	6	6
Capacity					
Percent of capacity sold forward (h):					

Cost-based contracts (k)	24%	24%	24%	26%	26%
Bundled capacity and energy contracts (i)	8%	8%	8%	8%	8%
Capacity contracts (j)	52%	53%	53%	56%	24%
Total	84%	85%	85%	90%	58%
Planned net MW in operation (l)	1,052	1,052	1,052	977	977

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(a) Percent of planned generation output sold or purchased forward under contracts, forward physical contracts, forward financial contracts, or options that mitigate price uncertainty that may require regulatory approval or approval of transmission rights. Positions that are no longer classified as hedges are netted in the planned generation under contract.
(b) Transaction under which power is supplied from a specific generation asset; if the asset is not operating, seller is generally not liable to buyer for any damages.
(c) 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.
(d) 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, defaulting party must compensate the other party as specified in the contract, a portion of which may be capped through the use of risk management products.
(e) Transactions for the purchase of energy, generally to offset a firm LD transaction.
(f) Amount of output expected to be generated by Entergy Wholesale Commodities resources considering plant operating characteristics, outage schedules, and expected market conditions that affect dispatch.
(g) Assumes NRC license renewals for plants whose current licenses expire within five years. Assumes shutdown of Vermont Yankee in the fourth quarter 2014 and uninterrupted normal operation at remaining plants. NRC license renewal applications are in process for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations) and Indian Point 3 (December 2015). For a discussion regarding the shutdown of the Vermont Yankee plant, see "Impairment of Long-Lived Assets" in Note 11 to the financial statements herein. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" herein and in the Form10-K.
(h) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
(i) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
(j) A contract for the sale of an installed capacity product in a regional market.
(k) Contracts priced in accordance with cost-based rates, a ratemaking concept used for the design and development of rate schedules to ensure that the filed rate schedules recover only the cost of providing the service; these contracts are on owned non-utility resources located within Entergy's Utility service area and were executed prior to receiving market-based rate authority under MISO. The percentage sold assumes completion of the necessary transmission upgrades required for the approved transmission rights.
(l) Non-nuclear planned generation and net MW in operation include purchases from affiliated and non-affiliated counterparties under long-term contracts and exclude energy and capacity from Entergy Wholesale Commodities' wind investment. The decrease in planned net MW in operation beginning in 2017 is due to the expiration of a non-affiliated 75 MW contact.
(m) Includes expectations for the new New York ISO Lower Hudson Valley capacity zone starting in May 2014.

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, 2014 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of $148 million for the remainder of 2014. A negative $10 per MWh change in the annual average energy price in the markets based on March 31, 2014 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of ($142) million for the remainder of 2014.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary is required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of collateral to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At March 31, 2014, based on power prices at that time, Entergy had liquidity exposure of $264 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and $73 million of posted cash collateral. As of March 31, 2014, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by $148 million for a $1 per MMBtu increase in gas prices in both the short-and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of March 31, 2014, Entergy would have been required to provide approximately $114 million of additional cash or letters of credit under some of the agreements.

As of March 31, 2014, substantially all of the counterparties or their guarantors for 100% of the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2018 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.

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 and trust fund investments, qualified pension and other postretirement benefits, and other contingencies. Following is an update to that discussion.

Nuclear Decommissioning Costs

In the first quarter 2014, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a $43.6 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

New Accounting Pronouncements

The accounting standard-setting process, including projects between the FASB and the International Accounting Standards Board (IASB) to converge U.S. GAAP and International Financial Reporting Standards, is ongoing and the FASB and the IASB are each currently working on several projects that have not yet resulted in final pronouncements. Final pronouncements that result from these projects could have a material effect on Entergy's future net income, financial position, or cash flows.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands, Except Share Data)	
OPERATING REVENUES		
Electric	$2,226,463	$1,949,280
Natural gas	78,220	53,321
Competitive businesses	904,160	606,273
TOTAL	3,208,843	2,608,874
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	543,829	510,333
Purchased power	574,627	373,129
Nuclear refueling outage expenses	59,544	60,719
Other operation and maintenance	737,980	754,258
Decommissioning	65,799	59,104
Taxes other than income taxes	154,468	151,095
Depreciation and amortization	328,724	300,876
Other regulatory charges	3,995	5,315
TOTAL	2,468,966	2,214,829
OPERATING INCOME	739,877	394,045
OTHER INCOME		
Allowance for equity funds used during construction	15,129	12,751
Interest and investment income	35,248	38,306
Miscellaneous - net	(11,704)	(13,623)
TOTAL	38,673	37,434
INTEREST EXPENSE		
Interest expense	162,551	153,149
Allowance for borrowed funds used during construction	(7,020)	(5,188)
TOTAL	155,531	147,961
INCOME BEFORE INCOME TAXES	623,019	283,518
Income taxes	216,966	116,536
CONSOLIDATED NET INCOME	406,053	166,982
Preferred dividend requirements of subsidiaries	4,879	5,582
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	$401,174	$161,400
Earnings per average common share:		
Basic	$2.24	$0.91
Diluted	$2.24	$0.90
Dividends declared per common share	$0.83	$0.83
Basic average number of common shares outstanding	178,797,829	178,027,961
Diluted average number of common shares outstanding	179,055,967	178,413,287

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, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
Net Income	$406,053	$166,982
Other comprehensive income (loss)		
Cash flow hedges net unrealized gain (loss)		
(net of tax expense (benefit) of $7,225 and ($41,135))	13,754	(75,975)
Pension and other postretirement liabilities		
(net of tax expense of $17,761 and $5,869)	(12,696)	9,795
Net unrealized investment gains		
(net of tax expense of $5,748 and $54,311)	22,989	56,377
Foreign currency translation		
(net of tax expense (benefit) of $40 and ($416))	75	(772)
Other comprehensive income (loss)	24,122	(10,575)
Comprehensive Income	430,175	156,407
Preferred dividend requirements of subsidiaries	4,879	5,582
Comprehensive Income Attributable to Entergy Corporation	$425,296	$150,825

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, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$406,053	$166,982
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	516,442	472,933
Deferred income taxes, investment tax credits, and non-current taxes accrued	234,102	98,671
Changes in working capital:		
Receivables	49,107	(29,845)
Fuel inventory	15,940	(5,147)
Accounts payable	32,870	(40,861)
Prepaid taxes and taxes accrued	(79,829)	(35,648)
Interest accrued	(24,802)	(30,570)
Deferred fuel costs	(161,189)	(2,149)
Other working capital accounts	(115,060)	(151,958)
Changes in provisions for estimated losses	3,319	(245,972)
Changes in other regulatory assets	18,627	167,634
Changes in other regulatory liabilities	19,634	147,492
Changes in pensions and other postretirement liabilities	(46,174)	32,696
Other	(101,883)	(269)
Net cash flow provided by operating activities	767,157	543,989
INVESTING ACTIVITIES		
Construction/capital expenditures	(483,350)	(631,857)
Allowance for equity funds used during construction	15,883	13,672
Nuclear fuel purchases	(142,672)	(145,168)
Proceeds from sale of assets	10,100	—
Insurance proceeds received for property damages	28,226	—
Changes in securitization account	(2,219)	1,601
NYPA value sharing payment	(72,000)	(71,736)
Payments to storm reserve escrow account	(1,897)	(2,219)
Receipts from storm reserve escrow account	—	252,482
Decrease (increase) in other investments	18,093	(44,298)
Proceeds from nuclear decommissioning trust fund sales	536,515	398,010
Investment in nuclear decommissioning trust funds	(562,278)	(432,247)
Net cash flow used in investing activities	(655,599)	(661,760)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	753,244	564,717
Treasury stock	35,538	8,102
Retirement of long-term debt	(735,794)	(849,860)
Changes in credit borrowings and commercial paper - net	157,959	277,886
Dividends paid:		
Common stock	(148,275)	(147,902)
Preferred stock	(4,873)	(5,582)
Net cash flow provided by (used in) financing activities	57,799	(152,639)
Effect of exchange rates on cash and cash equivalents	—	772
Net increase (decrease) in cash and cash equivalents	169,357	(269,638)
Cash and cash equivalents at beginning of period	739,126	532,569
Cash and cash equivalents at end of period	$908,483	$262,931
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$181,112	$179,119
Income taxes	$4,196	$12,341

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$108,053	$129,979
Temporary cash investments	800,430	609,147
Total cash and cash equivalents	908,483	739,126
Accounts receivable:		
Customer	701,534	670,641
Allowance for doubtful accounts	(34,064)	(34,311)
Other	184,623	195,028
Accrued unbilled revenues	276,099	340,828
Total accounts receivable	1,128,192	1,172,186
Deferred fuel costs	241,372	116,379
Accumulated deferred income taxes	64,889	175,073
Fuel inventory - at average cost	193,018	208,958
Materials and supplies - at average cost	926,256	915,006
Deferred nuclear refueling outage costs	306,355	192,474
Prepayments and other	424,751	410,489
TOTAL	4,193,316	3,929,691
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	39,370	40,350
Decommissioning trust funds	4,991,062	4,903,144
Non-utility property - at cost (less accumulated depreciation)	199,251	199,375
Other	167,569	210,616
TOTAL	5,397,252	5,353,485
PROPERTY, PLANT AND EQUIPMENT		
Electric	43,180,962	42,935,712
Property under capital lease	940,996	941,299
Natural gas	368,094	366,365
Construction work in progress	1,645,580	1,514,857
Nuclear fuel	1,563,851	1,566,904
TOTAL PROPERTY, PLANT AND EQUIPMENT	47,699,483	47,325,137
Less - accumulated depreciation and amortization	19,690,826	19,443,493
PROPERTY, PLANT AND EQUIPMENT - NET	28,008,657	27,881,644
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	847,868	849,718
Other regulatory assets (includes securitization property of $796,806 as of March 31, 2014 and $822,218 as of December 31, 2013)	3,876,586	3,893,363
Deferred fuel costs	172,202	172,202
Goodwill	377,172	377,172
Accumulated deferred income taxes	42,500	62,011
Other	961,216	887,160

TOTAL	6,277,544	6,241,626
TOTAL ASSETS	$43,876,769	$43,406,446

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$422,666	$457,095
Notes payable and commercial paper	1,204,846	1,046,887
Accounts payable	1,145,591	1,173,313
Customer deposits	372,723	370,997
Taxes accrued	111,264	191,093
Accumulated deferred income taxes	28,382	28,307
Interest accrued	156,195	180,997
Deferred fuel costs	21,435	57,631
Obligations under capital leases	2,368	2,323
Pension and other postretirement liabilities	57,109	67,419
Other	394,882	484,510
TOTAL	3,917,461	4,060,572
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	8,876,125	8,724,635
Accumulated deferred investment tax credits	260,714	263,765
Obligations under capital leases	31,608	32,218
Other regulatory liabilities	1,315,589	1,295,955
Decommissioning and asset retirement cost liabilities	4,040,099	3,933,416
Accumulated provisions	118,741	115,139
Pension and other postretirement liabilities	2,284,840	2,320,704
Long-term debt (includes securitization bonds of $860,501 as of March 31, 2014 and $883,013 as of December 31, 2013)	12,198,641	12,139,149
Other	579,763	583,667
TOTAL	29,706,120	29,408,648
Commitments and Contingencies		
Subsidiaries’ preferred stock without sinking fund	210,760	210,760
EQUITY		
Common Shareholders’ Equity:		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2014 and in 2013	2,548	2,548
Paid-in capital	5,350,632	5,368,131
Retained earnings	10,077,952	9,825,053
Accumulated other comprehensive loss	(5,202)	(29,324)
Less - treasury stock, at cost (75,608,733 shares in 2014 and 76,381,936 shares in 2013)	5,477,502	5,533,942
Total common shareholders’ equity	9,948,428	9,632,466
’Subsidiaries’ preferred stock without sinking fund	94,000	94,000
TOTAL	10,042,428	9,726,466
TOTAL LIABILITIES AND EQUITY	$43,876,769	$43,406,446

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

		Common Shareholders' Equity					
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(In Thousands)						
Balance at December 31, 2012	$94,000	$2,548	($5,574,819)	$5,357,852	$9,704,591	($293,083)	$9,291,089
Consolidated net income (a)	5,582	—	—	—	161,400	—	166,982
Other comprehensive loss	—	—	—	—	—	(10,575)	(10,575)
Common stock issuances related to stock-based compensation plans	—	—	20,949	(7,967)	—	—	12,982
Common stock dividends declared	—	—	—	—	(147,820)	—	(147,820)
Preferred dividend requirements of subsidiaries (a)	(5,582)	—	—	—	—	—	(5,582)
Balance at March 31, 2013	$94,000	$2,548	($5,553,870)	$5,349,885	$9,718,171	($303,658)	$9,307,076
Balance at December 31, 2013	$94,000	$2,548	($5,533,942)	$5,368,131	$9,825,053	($29,324)	$9,726,466
Consolidated net income (a)	4,879	—	—	—	401,174	—	406,053
Other comprehensive income	—	—	—	—	—	24,122	24,122
Common stock issuances related to stock-based compensation plans	—	—	56,440	(17,499)	—	—	38,941
Common stock dividends declared	—	—	—	—	(148,275)	—	(148,275)
Preferred dividend requirements of subsidiaries (a)	(4,879)	—	—	—	—	—	(4,879)
Balance at March 31, 2014	$94,000	$2,548	($5,477,502)	$5,350,632	$10,077,952	($5,202)	$10,042,428

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2014 and 2013 include $3.2 million and $3.9 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.

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ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

Description	Three Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$904	$751	$153	20
Commercial	577	523	54	10
Industrial	555	544	11	2
Governmental	53	52	1	2
Total retail	2,089	1,870	219	12
Sales for resale	119	52	67	129
Other	18	27	(9)	(33)
Total	$2,226	$1,949	$277	14
Utility Billed Electric Energy Sales (GWh):				
Residential	10,027	8,344	1,683	20
Commercial	6,800	6,421	379	6
Industrial	10,113	9,868	245	2
Governmental	584	584	—	—
Total retail	27,524	25,217	2,307	9
Sales for resale	2,234	630	1,604	255
Total	29,758	25,847	3,911	15
Entergy Wholesale Commodities:				
Operating Revenues	$912	$614	$298	49
Billed Electric Energy Sales (GWh)	10,014	10,387	(373)	(4)

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ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy and the Registrant Subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition, except as otherwise discussed in the Form 10-K or in this report. Entergy discusses regulatory proceedings in Note 2 to the financial statements in the Form 10-K and herein and discusses tax proceedings in Note 3 to the financial statements in the Form 10-K and Note 10 to the financial statements herein.

ANO Damage and Outage

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was $95 million as of March 31, 2014. In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014, the APSC approved Entergy Arkansas's request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available. Entergy Arkansas is assessing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants, including ANO. NEIL has notified Entergy that it believes that a $50 million course of construction sublimit applies to any loss associated with the lifting apparatus failure and stator drop at ANO. Entergy has responded that it disagrees with NEIL's position and is evaluating its options for enforcing its rights under the policy. On July 12, 2013, Entergy Arkansas filed a complaint in the Circuit Court in Pope County, Arkansas against the owner of the heavy-lifting apparatus that collapsed, an engineering firm, a general contractor, and certain individuals asserting claims of breach of contract, negligence, and gross negligence in connection with their responsibility for the stator drop. During the first quarter of 2014, Entergy Arkansas collected $33 million from NEIL and is pursuing additional recoveries due under the policy.

Baxter Wilson Plant Event

On September 11, 2013, Entergy Mississippi's Baxter Wilson (Unit 1) power plant experienced a significant unplanned outage event. Entergy Mississippi completed the process of assessing the nature and extent of the damage to the unit and repairs are in progress. The current estimate of costs to return the unit to service is in the range of $45 million to $60 million. This estimate may change as restorative activities occur. The costs necessary to return the plant to service are expected to be incurred into late 2014. Entergy Mississippi believes that the damage is covered by its property insurance policy, subject to a $20 million deductible. In December 2013, Entergy Mississippi made a filing with the MPSC requesting approval for Entergy Mississippi to defer and accumulate the costs incurred in connection with Baxter Wilson repair activities, net of applicable insurance proceeds, with such costs to be recoverable in a manner to be determined by the MPSC. The MPSC has not acted on Entergy Mississippi’s request.

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Entergy Corporation and Subsidiaries
Notes to Financial Statements

Nuclear Insurance

See Note 8 to the financial statements in the Form 10-K for information on nuclear liability and property insurance associated with Entergy's nuclear power plants.

Conventional Property Insurance

See Note 8 to the financial statements in the Form 10-K for information on Entergy's non-nuclear property insurance program.

Employment Litigation

See Note 8 to the financial statements in the Form 10-K for information on Entergy's employment and labor-related proceedings.

Asbestos Litigation (Entergy Gulf States Louisiana, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)

See Note 8 to the financial statements in the Form 10-K for information regarding asbestos litigation at Entergy Gulf States Louisiana, Entergy Louisiana, Entergy New Orleans, and Entergy Texas.

NOTE 2. RATE AND REGULATORY MATTERS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Regulatory Assets

See Note 2 to the financial statements in the Form 10-K for information regarding regulatory assets in the Utility business presented on the balance sheets of Entergy and the Registrant Subsidiaries.

Retail Rate Proceedings

See Note 2 to the financial statements in the Form 10-K for detailed information regarding retail rate proceedings involving the Utility operating companies. The following are updates to that information.

Filings with the LPSC

Retail Rates - Gas (Entergy Gulf States Louisiana)

In January 2014, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2013. The filing showed an earned return on common equity of 5.47%, which results in a $1.5 million rate increase. In April 2014 the LPSC Staff issued a report indicating "that Entergy Gulf States Louisiana has properly determined its earnings for the test year ended September 30, 2013." The $1.5 million rate increase was implemented effective with the first billing cycle of April 2014.

Filings with the City Council (Entergy Louisiana)

In March 2013, Entergy Louisiana filed a rate case for the Algiers area, which is in New Orleans and is regulated by the City Council. Entergy Louisiana is requesting a rate increase of $13 million over three years, including a 10.4%

return on common equity and a formula rate plan mechanism identical to its LPSC request made in February 2013. In January 2014, the City Council Advisors filed direct testimony recommending a rate increase of $5.56 million over

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three years, including an 8.13% return on common equity. New rates are currently expected to become effective in second quarter 2014. The procedural schedule calls for the hearing on the merits to commence on May 20, 2014.

Filings with the PUCT (Entergy Texas)

2013 Rate Case

In September 2013, Entergy Texas filed a rate case requesting a $38.6 million base rate increase reflecting a 10.4% return on common equity based on an adjusted test year ending March 31, 2013. The rate case also proposed (1) a rough production cost equalization adjustment rider recovering Entergy Texas's payment to Entergy New Orleans to achieve rough production cost equalization based on calendar year 2012 production costs and (2) a rate case expense rider recovering the cost of the 2013 rate case and certain costs associated with previous rate cases. The rate case filing also included a request to reconcile $0.9 billion of fuel and purchased power costs and fuel revenues covering the period July 2011 through March 2013. The fuel reconciliation also reflects special circumstances fuel cost recovery of approximately $22 million of purchased power capacity costs. In January 2014 the PUCT staff filed direct testimony recommending a retail rate reduction of $0.3 million and a 9.2% return on common equity. In March 2014, Entergy Texas filed an Agreed Motion for Interim Rates. The motion explained that the parties to this proceeding have agreed that Entergy Texas should be allowed to implement new rates reflecting an $18.5 million base rate increase, effective for usage on and after April 1, 2014, as well as recovery of charges for rough production cost equalization and rate case expenses. In March 2014, the State Office of Administrative Hearings, the body assigned to hear the case, approved the motion. In April 2014, Entergy Texas filed a unanimous stipulation in this case. Among other things, the stipulation provides for an $18.5 million base rate increase, recovery over three years of rough production cost equalization charges and rate case expenses (the same as the interim rates currently in effect), and states a 9.8% return on common equity. In addition, the stipulation finalizes the fuel and purchased power reconciliation covering the period July 2011 through March 2013, with the parties stipulating an immaterial fuel disallowance. No special circumstances recovery of purchased power costs was allowed. In April 2014, the State Office of Administrative Hearings remanded the case back to the PUCT for final processing. A memorandum filed in this matter by the PUCT's ALJ indicates that the PUCT will consider this matter at its open meeting currently scheduled for May 16, 2014.

System Agreement Cost Equalization Proceedings

See Note 2 to the financial statements in the Form 10-K for a discussion of the proceedings regarding the System Agreement, including the FERC's October 2011 order and Entergy's December 2011 compliance filing in response to that order. In February 2014 the FERC issued a rehearing order addressing its October 2011 order. The FERC denied the LPSC's request for rehearing on the issues of whether the bandwidth remedy should be made effective earlier than June 1, 2005, and whether refunds should be ordered for the 20-month refund effective period. The FERC granted the LPSC's rehearing request on the issue of interest on the bandwidth payments/receipts for the June - December 2005 period, requiring that interest be accrued from June 1, 2006 until the date those bandwidth payments/receipts are made. Also in February 2014 the FERC issued an order rejecting the December 2011 compliance filing that calculated the bandwidth payments/receipts for the June - December 2005 period. The FERC order requires a new compliance filing that calculates the bandwidth payments/receipts for the June - December 2005 period based on monthly data for the seven individual months and that includes interest pursuant to the February 2014 rehearing order. Entergy has sought rehearing of the February 2014 orders with respect to the FERC's determinations regarding interest.

In April 2014, Entergy filed with the FERC a compliance filing that provides the payments and receipts among the Utility operating companies pursuant to the FERC's February 2014 orders. The filing shows the following net payments and receipts, including interest, among the Utility operating companies:

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	Payments (Receipts) (In Millions)
Entergy Arkansas	$67
Entergy Gulf States Louisiana	($33)
Entergy Louisiana	$—
Entergy Mississippi	($11)
Entergy New Orleans	$2
Entergy Texas	($25)

Storm Cost Recovery Filings with Retail Regulators

Entergy New Orleans

As discussed in the Form 10-K, total restoration costs for the repair and replacement of Entergy New Orleans's electric facilities damaged by Hurricane Isaac were $47.3 million. Entergy New Orleans withdrew $17.4 million from the storm reserve escrow account to partially offset these costs. In February 2014, Entergy New Orleans made a filing with the City Council seeking certification of the Hurricane Isaac costs.

NOTE 3. EQUITY (Entergy Corporation, Entergy Gulf States Louisiana, and Entergy Louisiana)

Common Stock

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share calculations included on the consolidated income statements:

	For the Three Months Ended March 31,					
	2014			2013		
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	$/share	Income	Shares	$/share
Net income attributable to Entergy Corporation	$401.2	178.8	$2.24	$161.4	178.0	$0.91
Average dilutive effect of:						
Stock options		—	—		0.1	—
Other equity plans		0.3	—		0.3	(0.01)
Diluted earnings per share	$401.2	179.1	$2.24	$161.4	178.4	$0.90

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 9.0 million and 8.9 million for the three months ended March 31, 2014 and 2013, respectively.

Entergy's stock options and other equity compensation plans are discussed in Note 5 herein and in Note 12 to the financial statements in the Form 10-K.

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Treasury Stock

During the three months ended March 31, 2014, Entergy Corporation issued 773,203 shares of its previously repurchased common stock to satisfy stock option exercises, vesting of shares of restricted stock, and other stock-based awards. Entergy Corporation did not repurchase any of its common stock during the three months ended March 31, 2014.

Retained Earnings

On April 17, 2014, Entergy Corporation's Board of Directors declared a common stock dividend of $0.83 per share, payable on June 2, 2014 to holders of record as of May 15, 2014.

Comprehensive Income

Accumulated other comprehensive loss is included in the equity section of the balance sheets of Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana. The following table presents changes in accumulated other comprehensive loss for Entergy for the three months ended March 31, 2014 by component:

	Cash flow hedges net unrealized loss (In Thousands)	Pension and other postretirement liabilities	Net unrealized investment gains	Foreign currency translation	Total Accumulated Other Comprehensive Loss
Beginning balance, December 31, 2013	($81,777)	($288,223)	$337,256	$3,420	($29,324)
Other comprehensive income before reclassifications	140,052	—	24,723	75	164,850
Amounts reclassified from accumulated other comprehensive loss	(126,298)	(12,696)	(1,734)	—	(140,728)
Net other comprehensive income (loss) for the period	13,754	(12,696)	22,989	75	24,122
Ending balance, March 31, 2014	($68,023)	($300,919)	$360,245	$3,495	($5,202)

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The following table presents changes in accumulated other comprehensive loss for Entergy for the three months ended March 31, 2013 by component:

	Cash flow hedges net unrealized gain	Pension and other postretirement liabilities	Net unrealized investment gains	Foreign currency translation	Total Accumulated Other Comprehensive Loss
	(In Thousands)				
Beginning balance, December 31, 2012	$79,905	($590,712)	$214,547	$3,177	($293,083)
Other comprehensive income (loss) before reclassifications	(77,561)	—	57,372	(772)	(20,961)
Amounts reclassified from accumulated other comprehensive loss	1,586	9,795	(995)	—	10,386
Net other comprehensive income (loss) for the period	(75,975)	9,795	56,377	(772)	(10,575)
Ending balance, March 31, 2013	$3,930	($580,917)	$270,924	$2,405	($303,658)

The following table presents changes in accumulated other comprehensive loss for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended March 31, 2014:

	Pension and Other Postretirement Liabilities	
	Entergy Gulf States Louisiana	Entergy Louisiana
	(In Thousands)	
Beginning balance December 31, 2013	($28,202)	($9,635)
Amounts reclassified from accumulated other comprehensive income (loss)	122	(302)
Net other comprehensive income (loss) for the period	122	(302)
Ending balance, March 31, 2014	($28,080)	($9,937)

The following table presents changes in accumulated other comprehensive loss for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended March 31, 2013:

	Pension and Other Postretirement Liabilities	
	Entergy Gulf States Louisiana	Entergy Louisiana
	(In Thousands)	
Beginning balance, December 31, 2012	($65,229)	($46,132)
Amounts reclassified from accumulated other comprehensive income	955	678
Net other comprehensive income for the period	955	678
Ending balance, March 31, 2013	($64,274)	($45,454)

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Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy for the three months ended March 31, 2014 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Cash flow hedges net unrealized loss		
Power contracts	$194,603	Competitive business operating revenues
Interest rate swaps	(298)	Miscellaneous - net
Total realized gains on cash flow hedges	194,305	
	(68,007)	Income taxes
Total realized gains on cash flow hedges (net of tax)	$126,298	
Pension and other postretirement liabilities		
Amortization of prior-service costs	$5,078	(a)
Amortization of loss	(8,981)	(a)
Settlement loss	(1,162)	(a)
Total amortization	(5,065)	
	17,761	Income taxes
Total amortization (net of tax)	$12,696	
Net unrealized investment gains		
Realized gain	$3,400	Interest and investment income
	(1,666)	Income taxes
Total realized investment gain (net of tax)	$1,734	
Total reclassifications for the period (net of tax)	$140,728	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

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Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy for the three months ended March 31, 2013 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Cash flow hedges net unrealized loss		
Power contracts	($2,117)	Competitive business operating revenues
Interest rate swaps	(405)	Miscellaneous - net
Total realized losses on cash flow hedges	(2,522)	
	936	Income taxes
Total realized losses on cash flow hedges (net of tax)	($1,586)	
Pension and other postretirement liabilities		
Amortization of prior-service costs	$2,384	(a)
Amortization of loss	(18,048)	(a)
Total amortization	(15,664)	
	5,869	Income taxes
Total amortization (net of tax)	($9,795)	
Net unrealized investment gains		
Realized gain	$1,951	Interest and investment income
	(956)	Income taxes
Total realized investment gain (net of tax)	$995	
Total reclassifications for the period (net of tax)	($10,386)	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

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Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended March 31, 2014 are as follows:

	Amounts reclassified from AOCI Entergy Gulf States Louisiana (In Thousands)	Entergy Louisiana	Income Statement Location
Pension and other postretirement liabilities			
Amortization of prior-service costs	$559	$844	(a)
Amortization of loss	(782)	(378)	(a)
Total amortization	(223)	466	
	101	(164)	Income tax expense (benefit)
Total amortization (net of tax)	(122)	302	
Total reclassifications for the period (net of tax)	($122)	$302	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended March 31, 2013 are as follows:

	Amounts reclassified from AOCI Entergy Gulf States Louisiana (In Thousands)	Entergy Louisiana	Income Statement Location
Pension and other postretirement liabilities			
Amortization of prior-service costs	$206	$62	(a)
Amortization of loss	(1,947)	(1,287)	(a)
Total amortization	(1,741)	(1,225)	
	786	547	Income taxes
Total amortization (net of tax)	(955)	(678)	
Total reclassifications for the period (net of tax)	($955)	($678)	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in March 2019. Entergy Corporation also has the ability to issue letters of credit against 50% of the total borrowing capacity of the credit facility. The commitment fee is currently 0.275% of the undrawn commitment

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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, 2014 was 1.93% 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, 2014.

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$115	$9	$3,376

Entergy Corporation's facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. Entergy is in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy Corporation 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 maturity date may occur.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to $1.5 billion. At March 31, 2014, Entergy Corporation had $1,059 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2014 was 0.91%.

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of March 31, 2014 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of March 31, 2014
Entergy Arkansas	April 2014	$20 million (b)	1.73%	$—
Entergy Arkansas	March 2019	$150 million (c)	1.65%	$—
Entergy Gulf States Louisiana	March 2019	$150 million (d)	1.40%	$—
Entergy Louisiana	March 2019	$200 million (e)	1.40%	$—
Entergy Mississippi	May 2014	$37.5 million (f)	1.90%	$—
Entergy Mississippi	May 2014	$35 million (f)	1.90%	$—
Entergy Mississippi	May 2014	$20 million (f)	1.90%	$—
Entergy New Orleans	November 2014	$25 million	1.63%	$—
Entergy Texas	March 2019	$150 million (g)	1.65%	$—

(a) The interest rate is the rate as of March 31, 2014 that would most likely apply to outstanding borrowings under the facility.

(b) Borrowings under the Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable. In April 2014, Entergy Arkansas renewed its credit facility through April 2015.

(c) The credit facility allows Entergy Arkansas to issue letters of credit against 50% of the borrowing capacity of the facility. As of March 31, 2014, $1 million in letters of credit were outstanding.

(d) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of March 31, 2014, $26 million in letters of credit were outstanding.

(e) The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of March 31, 2014, $23 million in letters of credit were outstanding.

(f) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable. Prior to expiration on May 31, 2014, Entergy Mississippi expects to renew all of its credit facilities.

(g) The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility. As of March 31, 2014, $36.3 million in letters of credit were outstanding.

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The commitment fees on the credit facilities range from 0.125% to 0.275% of the undrawn commitment amount. Each of the credit facilities requires the Registrant Subsidiary borrower to maintain a debt ratio of 65% or less of its total capitalization. Each Registrant Subsidiary is in compliance with this covenant.

In addition, Entergy Mississippi and Entergy New Orleans each entered into an uncommitted letter of credit facility in 2013 as a means to post collateral to support its obligations related to MISO. As of March 31, 2014, a $25 million letter of credit was outstanding under Entergy Mississippi's letter of credit facility and an $8.5 million letter of credit was outstanding under Entergy New Orleans's letter of credit facility. As of March 31, 2014, the letter of credit fee on outstanding letters of credit under the Entergy Mississippi and Entergy New Orleans letter of credit facilities was 1.50%.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through October 31, 2015. In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short term borrowings combined may not exceed the FERC-authorized limits. The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of March 31, 2014 (aggregating both money pool and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	$250	$—
Entergy Gulf States Louisiana	$200	$—
Entergy Louisiana	$250	$—
Entergy Mississippi	$175	$—
Entergy New Orleans	$100	$—
Entergy Texas	$200	$39
System Energy	$200	$—

Variable Interest Entities (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy)

See Note 18 to the financial statements in the Form 10-K for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). The nuclear fuel company variable interest entities have credit facilities and also issue commercial paper to finance the acquisition and ownership of nuclear fuel as follows as of March 31, 2014:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of March 31, 2014
		(Dollars in Millions)		
Entergy Arkansas VIE	June 2016	$85	1.57%	$62.5
Entergy Gulf States Louisiana VIE	June 2016	$100	1.25%	$0.3
Entergy Louisiana VIE	June 2016	$90	1.50%	$31.7
System Energy VIE	June 2016	$125	1.64%	$52.7

(a)

Includes letter of credit fees and bank fronting fees on commercial paper issuances by the nuclear fuel company variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy. The nuclear fuel

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company variable interest entity for Entergy Gulf States Louisiana does not issue commercial paper, but borrows directly on its bank credit facility.

Amounts outstanding on the Entergy Gulf States Louisiana nuclear fuel company variable interest entity's credit facility, if any, are included in long-term debt on its balance sheet and commercial paper outstanding for the other nuclear fuel company variable interest entities is classified as a current liability on the respective balance sheets. The commitment fees on the credit facilities are 0.10% of the undrawn commitment amount for the Entergy Louisiana and Entergy Gulf States Louisiana VIEs and 0.125% of the undrawn commitment amount for the Entergy Arkansas and System Energy VIEs. Each credit facility requires the respective lessee of nuclear fuel (Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, or Entergy Corporation as guarantor for System Energy) to maintain a consolidated debt ratio of 70% or less of its total capitalization.

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of March 31, 2014 as follows:

Company	Description	Amount
Entergy Arkansas VIE	5.69% Series I due July 2014	$70 million
Entergy Arkansas VIE	3.23% Series J due July 2016	$55 million
Entergy Arkansas VIE	2.62% Series K due December 2017	$60 million
Entergy Gulf States Louisiana VIE	3.25% Series Q due July 2017	$75 million
Entergy Gulf States Louisiana VIE	3.38% Series R due August 2020	$70 million
Entergy Louisiana VIE	5.69% Series E due July 2014	$50 million
Entergy Louisiana VIE	3.30% Series F due March 2016	$20 million
Entergy Louisiana VIE	3.25% Series G due July 2017	$25 million
Entergy Louisiana VIE	3.92% Series H due February 2021	$40 million
System Energy VIE	5.33% Series G due April 2015	$60 million
System Energy VIE	4.02% Series H due February 2017	$50 million
System Energy VIE	3.78% Series I due October 2018	$85 million

In accordance with regulatory treatment, interest on the nuclear fuel company variable interest entities' credit facilities, commercial paper, and long-term notes payable is reported in fuel expense.

Debt Issuances and Redemptions

(Entergy Arkansas)

In March 2014, Entergy Arkansas issued $375 million of 3.70% Series first mortgage bonds due June 2024. Entergy Arkansas used the proceeds to pay, in March 2014, its $250 million term loan and, in April 2014, its $115 million 5.0% Series first mortgage bonds due July 2018 and for general corporate purposes.

(Entergy Mississippi)

In March 2014, Entergy Mississippi issued $100 million of 3.75% Series first mortgage bonds due July 2024. Entergy Mississippi used the proceeds to pay in April 2014, prior to maturity, its $95 million 4.95% Series first mortgage bonds due June 2018 and for general corporate purposes.

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Fair Value

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of March 31, 2014 are as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a) (b)
	(In Thousands)	
Entergy	$12,621,307	$12,666,156
Entergy Arkansas	$2,530,596	$2,329,749
Entergy Gulf States Louisiana	$1,513,024	$1,628,264
Entergy Louisiana	$3,242,584	$3,211,101
Entergy Mississippi	$1,153,675	$1,186,913
Entergy New Orleans	$225,943	$221,758
Entergy Texas	$1,534,531	$1,703,937
System Energy	$710,721	$675,260

(a) The values exclude lease obligations of $132 million at Entergy Louisiana and $51 million at System Energy, long-term DOE obligations of $181 million at Entergy Arkansas, and the note payable to NYPA of $96 million at Entergy, and include debt due within one year.

(b) Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 8 to the financial statements and are based on prices derived from inputs such as benchmark yields and reported trades.

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of December 31, 2013 were as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a) (b)
	(In Thousands)	
Entergy	$12,596,244	$12,439,785
Entergy Arkansas	$2,405,802	$2,142,527
Entergy Gulf States Louisiana	$1,527,465	$1,631,308
Entergy Louisiana	$3,219,516	$3,148,877
Entergy Mississippi	$1,053,670	$1,067,006
Entergy New Orleans	$225,944	$217,692
Entergy Texas	$1,556,939	$1,726,623
System Energy	$757,436	$664,890

(a) The values exclude lease obligations of $149 million at Entergy Louisiana and $97 million at System Energy, long-term DOE obligations of $181 million at Entergy Arkansas, and the note payable to NYPA of $95 million at Entergy, and include debt due within one year.

(b) Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 8 to the financial statements and are based on prices derived from inputs such as benchmark yields and reported trades.

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NOTE 5. STOCK-BASED COMPENSATION (Entergy Corporation)

Entergy grants stock awards, which are described more fully in Note 12 to the financial statements in the Form 10-K. Awards under Entergy's plans generally vest over three years.

Stock Options

Entergy granted 611,700 stock options during the first quarter 2014 with a weighted-average fair value of $8.71 per option. At March 31, 2014, there are 9,557,667 stock options outstanding with a weighted-average exercise price of $80.32. The intrinsic value, which has no effect on net income, of the outstanding stock options is calculated by the difference in the weighted average exercise price of the stock options granted and Entergy Corporation's common stock price as of March 31, 2014. Because Entergy's stock price at March 31, 2014 is less than the weighted average exercise price, the aggregate intrinsic value of the stock options outstanding as of March 31, 2014 is zero. The intrinsic value of "in the money" stock options is $3.6 million as of March 31, 2014.

The following table includes financial information for stock options for the three months ended March 31, 2014 and 2013:

	2014	2013
	(In Millions)	
Compensation expense included in Entergy's net income	$1.3	$1.3
Tax benefit recognized in Entergy's net income	$0.5	$0.5
Compensation cost capitalized as part of fixed assets and inventory	$0.2	$0.2

Other Equity Plans

In January 2014 the Board approved and Entergy granted 352,600 restricted stock awards and 226,792 long-term incentive awards under the 2011 Equity Ownership and Long-term Cash Incentive Plan. The restricted stock awards were made effective as of January 30, 2014 and were valued at $63.17 per share, which was the closing price of Entergy's common stock on that date. One-third of the restricted stock awards will vest upon each anniversary of the grant date. The long-term incentive awards are granted in the form of performance units, which are equal to the cash value of shares of Entergy Corporation at the end of the performance period, which is the last day of the year. The performance units were made effective as of January 30, 2014 and were valued at $67.16 per share. Entergy considers various factors, primarily market conditions, in determining the value of the performance units. Shares of the restricted stock awards have the same dividend and voting rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period. Shares of the performance units have the same dividend rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period.

The following table includes financial information for other equity plans for the three months ended March 31, 2014 and 2013:

	2014	2013
	(In Millions)	
Compensation expense included in Entergy's net income	$7.4	$5.9
Tax benefit recognized in Entergy's net income	$2.9	$2.3
Compensation cost capitalized as part of fixed assets and inventory	$1.1	$0.7

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Entergy Corporation and Subsidiaries
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NOTE 6. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Components of Qualified Net Pension Cost

Entergy's qualified pension cost, including amounts capitalized, for the first quarters of 2014 and 2013, included the following components:

	2014	2013
	(In Thousands)	
Service cost - benefits earned during the period	$35,109	$44,051
Interest cost on projected benefit obligation	72,519	65,266
Expected return on assets	(90,366)	(81,748)
Amortization of prior service cost	400	567
Amortization of loss	36,274	54,951
Net pension costs	$53,936	$83,087

The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for their employees for the first quarters of 2014 and 2013, included the following components:

2014	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$5,023	$2,881	$3,546	$1,523	$666	$1,285	$1,446
Interest cost on projected benefit obligation	14,884	7,278	9,467	4,318	2,041	4,437	3,390
Expected return on assets	(18,305)	(9,488)	(11,449)	(5,698)	(2,505)	(5,931)	(4,155)
Amortization of loss	8,989	3,981	6,131	2,354	1,449	2,339	2,375
Net pension cost	$10,591	$4,652	$7,695	$2,497	$1,651	$2,130	$3,056

2013	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$6,371	$3,599	$4,334	$1,842	$832	$1,637	$1,836
Interest cost on projected benefit obligation	13,550	6,657	8,644	3,930	1,849	4,055	3,016
Expected return on assets	(16,717)	(8,734)	(10,454)	(5,279)	(2,270)	(5,566)	(4,299)
Amortization of prior service cost	6	2	21	2	—	2	3
Amortization of loss	12,544	5,933	8,727	3,344	2,011	3,373	2,429

Net pension cost	$15,754	$7,457	$11,272	$3,839	$2,422	$3,501	$2,985

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Non-Qualified Net Pension Cost

Entergy recognized $10.0 million and $5.5 million in pension cost for its non-qualified pension plans in the first quarters of 2014 and 2013, respectively. Reflected in the pension cost for non-qualified pension plans in the first quarter 2014 is a $5.5 million settlement charge recognized in March 2014 related to the payment of lump sum benefits out of the plan.

The Registrant Subsidiaries recognized the following pension cost for their employees for their non-qualified pension plans in the first quarter of 2014 and 2013:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)					
Non-qualified pension cost three months ended March 31, 2014	$161	$33	$1	$48	$23	$125
Non-qualified pension cost three months ended March 31, 2013	$103	$38	$3	$47	$23	$149

Reflected in Entergy Arkansas’s and Entergy Texas’s non-qualified pension costs in the first quarter 2014 are $51 thousand and $6 thousand, respectively, in settlement charges recognized in March 2014 related to the payment of lump sum benefits out of the plan.

Components of Net Other Postretirement Benefit Cost

Entergy’s other postretirement benefit cost, including amounts capitalized, for the first quarters of 2014 and 2013, included the following components:

	2014	2013
	(In Thousands)	
Service cost - benefits earned during the period	$10,873	$18,917
Interest cost on accumulated postretirement benefit obligation (APBO)	17,960	19,766
Expected return on assets	(11,197)	(9,950)
Amortization of prior service credit	(7,898)	(3,334)
Amortization of loss	2,786	11,304
Net other postretirement benefit cost	$12,524	$36,703

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The Registrant Subsidiaries' other postretirement benefit cost, including amounts capitalized, for their employees for the first quarters of 2014 and 2013, included the following components:

2014	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$1,489	$1,224	$1,130	$475	$217	$595	$515
Interest cost on APBO	3,065	2,095	2,066	914	701	1,413	653
Expected return on assets	(4,784)	—	—	(1,443)	(1,119)	(2,590)	(932)
Amortization of prior service credit	(610)	(559)	(844)	(229)	(177)	(325)	(206)
Amortization of loss	317	303	378	37	14	200	111
Net other postretirement benefit cost	($523)	$3,063	$2,730	($246)	($364)	($707)	$141

2013	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$2,414	$2,001	$2,172	$819	$447	$950	$907
Interest cost on APBO	3,360	2,226	2,349	1,074	785	1,515	729
Expected return on assets	(4,149)	—	—	(1,317)	(1,014)	(2,321)	(825)
Amortization of prior service credit	(133)	(206)	(62)	(35)	10	(107)	(16)
Amortization of loss	2,041	1,174	1,287	662	396	976	479
Net other postretirement benefit cost	$3,533	$5,195	$5,746	$1,203	$624	$1,013	$1,274

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Reclassification out of Accumulated Other Comprehensive Income

Entergy and the Registrant Subsidiaries reclassified the following costs out of accumulated other comprehensive income (before taxes and including amounts capitalized) for the first quarter 2014:

	Qualified Pension Costs (In Thousands)	Other Postretirement Costs	Non-Qualified Pension Costs	Total
Entergy				
Amortization of prior service cost	($389)	$5,571	($104)	$5,078
Amortization of loss	(6,734)	(1,673)	(574)	(8,981)
Settlement loss	—	—	(1,162)	(1,162)
	($7,123)	$3,898	($1,840)	($5,065)
Entergy Gulf States Louisiana				
Amortization of prior service cost	$—	$559	$—	$559
Amortization of loss	(478)	(303)	(1)	(782)
	($478)	$256	($1)	($223)
Entergy Louisiana				
Amortization of prior service cost	$—	$844	$—	$844
Amortization of loss	—	(378)	—	(378)
	$—	$466	$—	$466

Entergy and the Registrant Subsidiaries reclassified the following costs out of accumulated other comprehensive income (before taxes and including amounts capitalized) for the first quarter 2013:

	Qualified Pension Costs (In Thousands)	Other Postretirement Costs	Non-Qualified Pension Costs	Total
Entergy				
Amortization of prior service cost	($502)	$3,007	($121)	$2,384
Amortization of loss	(11,845)	(5,486)	(717)	(18,048)
	($12,347)	($2,479)	($838)	($15,664)
Entergy Gulf States Louisiana				
Amortization of prior service cost	$—	$206	$—	$206
Amortization of loss	(771)	(1,174)	(2)	(1,947)
	($771)	($968)	($2)	($1,741)
Entergy Louisiana				
Amortization of prior service cost	$—	$62	$—	$62
Amortization of loss	—	(1,287)	—	(1,287)
	$—	($1,225)	$—	($1,225)

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Employer Contributions

Based on current assumptions, Entergy expects to contribute $400 million to its qualified pension plans in 2014. As of March 31, 2014, Entergy had contributed $58.3 million to its pension plans. Based on current assumptions, the Registrant Subsidiaries expect to contribute the following to qualified pension plans for their employees in 2014:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Expected 2014 pension contributions	$93,999	$31,119	$53,047	$21,540	$10,495	$18,302	$21,388
Pension contributions made through March 2014	$13,653	$4,418	$7,808	$3,119	$1,540	$2,610	$3,130
Remaining estimated pension contributions to be made in 2014	$80,346	$26,701	$45,239	$18,421	$8,955	$15,692	$18,258

NOTE 7. BUSINESS SEGMENT INFORMATION (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy Corporation

Entergy's reportable segments as of March 31, 2014 are Utility and Entergy Wholesale Commodities. Utility includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and natural gas utility service in portions of Louisiana. Entergy Wholesale Commodities includes the ownership and operation of six nuclear power plants located in the northern United States and the sale of the electric power produced by those plants to wholesale customers. Entergy Wholesale Commodities also includes the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity.

Entergy's segment financial information for the first quarters of 2014 and 2013 is as follows:

	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Entergy
	(In Thousands)				
2014					
Operating revenues	$2,304,704	$912,122	$761	($8,744)	$3,208,843
Income taxes	$115,064	$118,877	($16,975)	$—	$216,966
Consolidated net income (loss)	$205,440	$242,470	($15,462)	($26,395)	$406,053
2013					
Operating revenues	$2,003,441	$613,733	$1,000	($9,300)	$2,608,874
Income taxes	$71,075	$56,936	($11,475)	$—	$116,536
Consolidated net income (loss)	$127,835	$82,114	($16,572)	($26,395)	$166,982

Businesses marked with * are sometimes referred to as the "competitive businesses." Eliminations are primarily intersegment activity. Almost all of Entergy's goodwill is related to the Utility segment.

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Registrant Subsidiaries

Each of the Registrant Subsidiaries has one reportable segment, which is an integrated utility business, except for System Energy, which is an electricity generation business. Each of the Registrant Subsidiaries' operations is managed on an integrated basis by that company because of the substantial effect of cost-based rates and regulatory oversight on the business process, cost structures, and operating results.

NOTE 8. RISK MANAGEMENT AND FAIR VALUES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Market Risk

In the normal course of business, Entergy is exposed to a number of market risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular commodity or instrument. All financial and commodity-related instruments, including derivatives, are subject to market risk including commodity price risk, equity price, and interest rate risk. Entergy uses derivatives primarily to mitigate commodity price risk, particularly power price and fuel price risk.

The Utility has limited exposure to the effects of market risk because it operates primarily under cost-based rate regulation. To the extent approved by their retail regulators, the Utility operating companies use derivative instruments to hedge the exposure to price volatility inherent in their purchased power, fuel, and gas purchased for resale costs that are recovered from customers.

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 and capacity in the day ahead or spot markets. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price falls, the combination of instruments is expected to settle in gains that offset lower revenue from generation, which results in a more predictable cash flow.

Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Hedging instruments and volumes are chosen based on ability to mitigate risk associated with future energy and capacity prices; however, other considerations are factored into hedge product and volume decisions including corporate liquidity, corporate credit ratings, counterparty credit risk, hedging costs, firm settlement risk, and product availability in the marketplace. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

Derivatives

Some derivative instruments are classified as cash flow hedges due to their financial settlement provisions while others are classified as normal purchase/normal sale transactions due to their physical settlement provisions. Normal purchase/normal sale risk management tools include power purchase and sales agreements, fuel purchase agreements, capacity contracts, and tolling agreements. Financially-settled cash flow hedges can include

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natural gas and electricity swaps and options and interest rate swaps. Entergy may enter into financially-settled swap and option contracts to manage market risk that may or may not be designated as hedging instruments.

Entergy enters into derivatives only to manage natural risks inherent in its physical or financial assets or liabilities. The maximum length of time over which Entergy is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at March 31, 2014 is approximately 2.75 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 75% for the remainder of 2014, of which approximately 45% is sold under financial derivatives and the remainder under normal purchase/normal sale contracts. Total planned generation for the remainder of 2014 is 30 TWh.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy New Orleans) and Entergy Mississippi through the purchase of short-term natural gas swaps that financially settle against NYMEX futures. These swaps are marked-to-market through fuel expense with offsetting regulatory assets or liabilities. All benefits or costs of the program are recorded in fuel costs. The notional volumes of these swaps are based on a portion of projected annual exposure to gas for electric generation and projected winter purchases for gas distribution at Entergy Gulf States Louisiana and Entergy New Orleans. The total volume of natural gas swaps outstanding as of March 31, 2014 is 42,490,000 MMBtu for Entergy, 16,070,000 MMBtu for Entergy Gulf States Louisiana, 19,180,000 MMBtu for Entergy Louisiana, and 7,240,000 MMBtu for Entergy Mississippi. Credit support for these natural gas swaps is covered by master agreements that do not require collateralization based on mark-to-market value, but do carry adequate assurance language that may lead to collateralization requests.

In connection with joining MISO, Entergy received a direct allocation of FTRs in November 2013. FTRs are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Entergy's customer load. They are not designated as hedging instruments. Entergy initially records FTRs at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period prior to settlement. Unrealized gains or losses on FTRs held by Entergy Wholesale Commodities are included in operating revenues. The Utility operating companies recognize regulatory liabilities or assets for unrealized gains or losses on FTRs. The total volume of FTRs outstanding as of March 31, 2014 is 15,554 GWh for Entergy, including 3,540 GWh for Entergy Arkansas, 2,613 GWh for Entergy Gulf States Louisiana, 3,998 GWh for Entergy Louisiana, 2,319 GWh for Entergy Mississippi, 523 GWh for Entergy New Orleans, and 2,423 GWh for Entergy Texas. Credit support for FTRs held by the Utility operating companies is covered by cash or letters of credit issued by each Utility operating company as required by MISO. Credit support for FTRs held by Entergy Wholesale Commodities is covered by cash. As of March 31, 2014, Entergy Arkansas posted $1 million in cash collateral.

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The fair values of Entergy's derivative instruments in the consolidated balance sheet as of March 31, 2014 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting arrangements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Offset (b)	Net (c) (d)	Business
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$107	($102)	$5	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$7	($2)	$5	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$178	($125)	$53	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$23	($3)	$20	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$100	($86)	$14	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$1	($1)	$—	Entergy Wholesale Commodities
Natural gas swaps	Prepayments and other	$8	$—	$8	Utility
FTRs	Prepayments and other	$26	($1)	$25	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities(current portion)	$100	($63)	$37	Entergy Wholesale Commodities

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The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2013 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting arrangements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Offset (b)	Net (c) (d)	Business
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$118	($99)	$19	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$17	($17)	$—	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$197	($131)	$66	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$46	($17)	$29	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$177	($122)	$55	Entergy Wholesale Commodities
Natural gas swaps	Prepayments and other	$6	$—	$6	Utility
FTRs	Prepayments and other	$36	($2)	$34	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$201	($89)	$112	Entergy Wholesale Commodities

(a) Represents the gross amounts of recognized assets/liabilities
(b) Represents the netting of fair value balances with the same counterparty
(c) Represents the net amounts of assets /liabilities presented on the Entergy Consolidated Balance Sheets
(d) Excludes cash collateral in the amounts of $65 million posted as of March 31, 2014 and $47 million posted and $4 million held as of December 31, 2013

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The effect of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the three months ended March 31, 2014 and 2013 are as follows:

Instrument	Amount of loss recognized in other comprehensive income (In Millions)	Income Statement location	Amount of loss reclassified from AOCI into income (In Millions)
2014			
Electricity swaps and options	($174)	Competitive businesses operating revenues	($195)
2013			
Electricity swaps and options	($120)	Competitive businesses operating revenues	($2)

Electricity over-the-counter instruments that financially settle against day-ahead power pool prices are used to manage price exposure for Entergy Wholesale Commodities generation. Unrealized gains or losses recorded in other comprehensive income result from hedging power output at the Entergy Wholesale Commodities power plants. The related gains or losses from hedging power are included in operating revenues when realized. Gains (losses) totaling approximately ($195) million and ($2) million were realized on the maturity of cash flow hedges, before taxes (benefit) of ($68) million and ($1) million, for the three months ended March 31, 2014 and 2013, respectively. The change in fair value of Entergy's cash flow hedges due to ineffectiveness during the three months ended March 31, 2014 and 2013 was $1 million and ($1.3) million, respectively. The ineffective portion of cash flow hedges is recorded in competitive businesses operating revenues.

Based on market prices as of March 31, 2014, unrealized losses recorded in AOCI on cash flow hedges relating to power sales totaled $98 million of net unrealized losses. Approximately $74 million is expected to be reclassified from AOCI to operating revenues in the next twelve months. The actual amount reclassified from AOCI, however, could vary due to future changes in market prices.

Certain of the agreements to sell the power produced by Entergy Wholesale Commodities power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations when the current market prices exceed the contracted power prices. The primary form of collateral to satisfy these requirements is an Entergy Corporation guarantee. As of March 31, 2014, derivative contracts with nine counterparties were in a liability position (approximately $98 million total) and, in addition to the corporate guarantee, $64 million in cash collateral was required to be posted. As of March 31, 2013, derivative contracts with six counterparties were in a liability position (approximately $25 million total), but were significantly below the amount of the guarantee provided under the contract and no cash collateral was required. If the Entergy Corporation credit rating falls below investment grade, the effect of the corporate guarantee is typically ignored and Entergy would have to post collateral equal to the estimated outstanding liability under the contract at the applicable date.

Entergy may effectively liquidate a cash flow hedge instrument by entering into a contract offsetting the original hedge, and then de-designating the original hedge in this situation. Gains or losses accumulated in other comprehensive income prior to de-designation continue to be deferred in other comprehensive income until they are included in income as the original hedged transaction occurs. From the point of de-designation, the gains or losses on the original hedge and the offsetting contract are recorded as assets or liabilities on the balance sheet and offset as they flow through to earnings.

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The effect of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the three months ended March 31, 2014 and 2013 is as follows:

Instrument	Amount of gain recognized in AOCI	Income Statement location	Amount of gain (loss) recorded in the income statement
2014	(In Millions)		(In Millions)
Natural gas swaps	—	Fuel, fuel-related expenses, and gas purchased for resale	$17
FTRs	—	Purchased power expense	$46
Electricity swaps and options de-designated as hedged items	$22	Competitive business operating revenues	$21
2013			
Natural gas swaps	—	Fuel, fuel-related expenses, and gas purchased for resale	($20)
Electricity swaps and options de-designated as hedged items	$1	Competitive business operating revenues	($1)

Due to regulatory treatment, the natural gas swaps are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps are settled are recovered or refunded through fuel cost recovery mechanisms.

Due to regulatory treatment, the changes in the estimated fair value of FTRs are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the FTRs are settled are recovered or refunded through fuel cost recovery mechanisms.

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of March 31, 2014 are as follows:

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Registrant
Assets:			
Natural gas swaps	Gas hedge contracts	$3.0	Entergy Gulf States Louisiana
Natural gas swaps	Gas hedge contracts	$3.7	Entergy Louisiana
Natural gas swaps	Prepayments and other	$1.4	Entergy Mississippi
FTRs	Prepayments and other	$2.7	Entergy Arkansas
FTRs	Prepayments and other	$5.4	Entergy Gulf States Louisiana
FTRs	Prepayments and other	$3.0	Entergy Louisiana
FTRs	Prepayments and other	$4.8	Entergy Mississippi
FTRs	Prepayments and other	$1.0	Entergy New Orleans
FTRs	Prepayments and other	$7.4	Entergy Texas

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The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2013 are as follows:

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Registrant
Assets:			
Natural gas swaps	Gas hedge contracts	$2.2	Entergy Gulf States Louisiana
Natural gas swaps	Gas hedge contracts	$2.9	Entergy Louisiana
Natural gas swaps	Prepayments and other	$0.7	Entergy Mississippi
Natural gas swaps	Prepayments and other	$0.1	Entergy New Orleans
FTRs	Prepayments and other	$6.7	Entergy Gulf States Louisiana
FTRs	Prepayments and other	$5.7	Entergy Louisiana
FTRs	Prepayments and other	$1.0	Entergy Mississippi
FTRs	Prepayments and other	$2.0	Entergy New Orleans
FTRs	Prepayments and other	$18.4	Entergy Texas

(a) Excludes cash collateral in the amount of $1 million posted by Entergy Arkansas as of March 31, 2014. As of December 31, 2013, no cash collateral was required to be posted.

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The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the three months ended March 31, 2014 and 2013 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement (In Millions)	Registrant
2014			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$6.8	Entergy Gulf States Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$8.0	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$1.6	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$0.7	Entergy New Orleans
FTRs	Purchased power expense	$5.1	Entergy Arkansas
FTRs	Purchased power expense	$9.1	Entergy Gulf States Louisiana
FTRs	Purchased power expense	$8.0	Entergy Louisiana
FTRs	Purchased power expense	$7.8	Entergy Mississippi
FTRs	Purchased power expense	$2.9	Entergy New Orleans
FTRs	Purchased power expense	$12.8	Entergy Texas
2013			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	($6.2)	Entergy Gulf States Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	($8.3)	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	($5.4)	Entergy Mississippi

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments other than those instruments held by the Entergy Wholesale Commodities business are reflected in future rates and therefore do not affect net income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

Accounting standards define fair value as an exit price, or the price that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between knowledgeable market participants at the date of measurement. Entergy and the Registrant Subsidiaries use assumptions or market input data that market participants would use in pricing assets or liabilities at fair value. The inputs can be readily observable, corroborated by market data, or generally unobservable. Entergy and the Registrant Subsidiaries endeavor to use the best available information to determine fair value.

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy establishes the highest priority for unadjusted market quotes in an active market for the identical asset or liability and the lowest priority for unobservable inputs. The three levels of the fair value hierarchy are:

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- Level 1 - Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of individually owned common stocks, cash equivalents (temporary cash investments, securitization recovery trust account, and escrow accounts), debt instruments, and gas hedge contracts. Cash equivalents includes all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at the date of purchase.

- Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden by Entergy if it is believed such would be more reflective of fair value. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 consists primarily of individually-owned debt instruments or shares in common trusts. Common trust funds are stated at estimated fair value based on the fair market value of the underlying investments.

- Level 3 - Level 3 inputs are pricing inputs that are generally less observable or unobservable from objective sources. These inputs are used with internally developed methodologies to produce management's best estimate of fair value for the asset or liability. Level 3 consists primarily of FTRs and derivative power contracts used as cash flow hedges of power sales at merchant power plants.

The values for power contract assets or liabilities are based on both observable inputs including public market prices and interest rates, and unobservable inputs such as implied volatilities, unit contingent discounts, expected basis differences, and credit adjusted counterparty interest rates. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Entergy Wholesale Commodities Risk Control Group and the Entergy Wholesale Commodities Accounting Policy and External Reporting group. The primary functions of the Entergy Wholesale Commodities Risk Control Group include: gathering, validating and reporting market data, providing market risk analyses and valuations in support of Entergy Wholesale Commodities' commercial transactions, developing and administering protocols for the management of market risks, and implementing and maintaining controls around changes to market data in the energy trading and risk management system. The Risk Control group is also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Entergy Wholesale Commodities Accounting Policy and External Reporting group performs functions related to market and counterparty settlements, revenue reporting and analysis and financial accounting. The Entergy Wholesale Commodities Risk Control Group reports to the Vice President, Treasury while the Entergy Wholesale Commodities Accounting Policy and External Reporting group reports to the Vice President, Accounting Policy and External Reporting.

The amounts reflected as the fair value of electricity swaps are based on the estimated amount that the contracts are in-the-money at the balance sheet date (treated as an asset) or out-of-the-money at the balance sheet date (treated as a liability) and would equal the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts include cash flow hedges that swap fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values are based on the mark-to-market comparison between the fixed contract prices and the floating prices determined each period from quoted forward power market prices. The differences between the fixed price in the swap contract and these market-related prices multiplied by the volume specified in the contract and discounted at the counterparties' credit adjusted risk free rate are recorded as derivative contract assets or liabilities. For contracts that have unit contingent terms, a further discount is applied based on the historical relationship between contract and market prices for similar contract terms.

The amounts reflected as the fair values of electricity options are valued based on a Black Scholes model, and are calculated at the end of each month for accounting purposes. Inputs to the valuation include end of day forward market prices for the period when the transactions will settle, implied volatilities based on market volatilities provided by a third party data aggregator, and US Treasury rates for a risk-free return rate. As described further below, prices and implied volatilities are reviewed and can be adjusted if it is determined that there is a better representation of fair value.

On a daily basis, Entergy Wholesale Commodities Risk Control Group calculated the mark-to-market for electricity swaps and options. Entergy Wholesale Commodities Risk Control Group also validated forward market prices by comparing them to other sources of forward market prices or to settlement prices of actual market transactions. Significant differences were analyzed and potentially adjusted based on these other sources of forward market prices or settlement prices of actual market transactions. Implied volatilities used to value options were also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available, and used multiple sources of market implied volatilities. Moreover, on at least a monthly basis, the Office of Corporate Risk Oversight confirmed the mark-to-market calculations and prepared price scenarios and credit downgrade scenario analysis. The scenario analysis was communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis was completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities's portfolio. In particular, the credit, liquidity, and financial metrics impacts were calculated for this analysis. This analysis was communicated to senior management within Entergy and Entergy Wholesale Commodities.

The values of FTRs are based on unobservable inputs, including estimates of future congestion costs in MISO between applicable sink and source pricing nodes based on prices published by MISO. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Entergy Wholesale Commodities Risk Control Group for the unregulated business and by the System Planning and Operations Risk Control Group for the Utility operating companies. Entergy's Accounting Policy group reviews these valuations for reasonableness, with the assistance of others within the organization with knowledge of the various inputs and assumptions used in the valuation. The System Planning and Operations Risk Control Group reports to the Vice President, Treasury. The Accounting Policy group reports to the Vice President, Accounting Policy and External Reporting.

The following tables set forth, by level within the fair value hierarchy, Entergy's assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2014 and December 31, 2013. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

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2014	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$800	$—		$—	$800
Decommissioning trust funds (a):					
Equity securities	417	2,644	(b)	—	3,061
Debt securities	763	1,167		—	1,930
Power contracts	—	—		24	24
Securitization recovery trust account	48	—		—	48
Escrow accounts	117	—		—	117
Gas hedge contracts	8	—		—	8
FTRs	—	—		25	25
	$2,153	$3,811		$49	$6,013
Liabilities:					
Power contracts	$—	$—		$110	$110

2013	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$609	$—		$—	$609
Decommissioning trust funds (a):					
Equity securities	472	2,601	(b)	—	3,073
Debt securities	783	1,047		—	1,830
Power contracts	—	—		74	74
Securitization recovery trust account	46	—		—	46
Escrow accounts	115	—		—	115
Gas hedge contracts	6	—		—	6
FTRs	—	—		34	34
	$2,031	$3,648		$108	$5,787
Liabilities:					
Power contracts	$—	$—		$207	$207

(a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements herein for additional information on the investment portfolios.

(b) Commingled equity funds may be redeemed bi-monthly.

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The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2014 and 2013:

	2014	2013
	(In Millions)	
Balance as of January 1,	($98)	$178
Realized losses included in earnings	(31)	(14)
Unrealized gains included in earnings	53	5
Unrealized losses included in OCI	(222)	(119)
Unrealized gains included as a regulatory asset/liability	37	—
Purchases	5	—
Settlements	195	2
Balance as of March 31,	($61)	$52

The following table sets forth a description of the types of transactions classified as Level 3 in the fair value hierarchy and significant unobservable inputs to each which cause that classification, as of March 31, 2014:

Transaction Type	Fair Value as of March 31, 2014	Significant Unobservable Inputs	Range from Average %	Effect on Fair Value
	(In Millions)			(In Millions)
Electricity swaps	($96)	Unit contingent discount	+/- 3%	($3)
Electricity options	$10	Implied volatility	+/- 53%	$35

The following table sets forth an analysis of each of the types of unobservable inputs impacting the fair value of items classified as Level 3 within the fair value hierarchy, and the sensitivity to changes to those inputs:

Significant Unobservable Input	Transaction Type	Position	Change to Input	Effect on Fair Value
Unit contingent discount	Electricity swaps	Sell	Increase (Decrease)	Decrease (Increase)
Implied volatility	Electricity options	Sell	Increase (Decrease)	Increase (Decrease)
Implied volatility	Electricity options	Buy	Increase (Decrease)	Increase (Decrease)

The following table sets forth, by level within the fair value hierarchy, the Registrant Subsidiaries' assets that are accounted for at fair value on a recurring basis as of March 31, 2014 and December 31, 2013. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

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Entergy Arkansas

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$216.1	$—	$—	$216.1
Decommissioning trust funds (a):				
Equity securities	3.7	457.1	—	460.8
Debt securities	50.8	209.9	—	260.7
Securitization recovery trust account	8.1	—	—	8.1
Escrow accounts	26.0	—	—	26.0
FTRs	—	—	2.7	2.7
	$304.7	$667.0	$2.7	$974.4

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$122.8	$—	$—	$122.8
Decommissioning trust funds (a):				
Equity securities	13.6	449.7	—	463.3
Debt securities	58.6	189.0	—	247.6
Securitization recovery trust account	3.8	—	—	3.8
Escrow accounts	26.0	—	—	26.0
	$224.8	$638.7	$—	$863.5

Entergy Gulf States Louisiana

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$15.0	$—	$—	$15.0
Decommissioning trust funds (a):				
Equity securities	11.0	348.9	—	359.9
Debt securities	73.1	153.2	—	226.3
Escrow accounts	21.5	—	—	21.5
Gas hedge contracts	3.0	—	—	3.0
FTRs	—	—	5.4	5.4
	$123.6	$502.1	$5.4	$631.1

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2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$13.8	$—	$—	$13.8
Decommissioning trust funds (a):				
Equity securities	27.6	343.2	—	370.8
Debt securities	71.7	131.2	—	202.9
Escrow accounts	21.5	—	—	21.5
Gas hedge contracts	2.2	—	—	2.2
FTRs	—	—	6.7	6.7
	$136.8	$474.4	$6.7	$617.9

Entergy Louisiana

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$72.0	$—	$—	$72.0
Decommissioning trust funds (a):				
Equity securities	11.1	213.9	—	225.0
Debt securities	60.3	68.3	—	128.6
Securitization recovery trust account	10.2	—	—	10.2
Gas hedge contracts	3.7	—	—	3.7
FTRs	—	—	3.0	3.0
	$157.3	$282.2	$3.0	$442.5

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$123.6	$—	$—	$123.6
Decommissioning trust funds (a):				
Equity securities	13.5	210.7	—	224.2
Debt securities	61.7	61.4	—	123.1
Securitization recovery trust account	4.5	—	—	4.5
Gas hedge contacts	2.9	—	—	2.9
FTRs	—	—	5.7	5.7
	$206.2	$272.1	$5.7	$484.0

Entergy Mississippi

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$70.3	$—	$—	$70.3
Escrow accounts	51.8	—	—	51.8
Gas hedge contracts	1.4	—	—	1.4
FTRs	—	—	4.8	4.8
	$123.5	$—	$4.8	$128.3

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2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Escrow accounts	$51.8	$—	$—	$51.8
Gas hedge contracts	0.7	—	—	0.7
FTRs	—	—	1.0	1.0
	$52.5	$—	$1.0	$53.5

Entergy New Orleans

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$24.7	$—	$—	$24.7
Escrow accounts	12.4	—	—	12.4
FTRs	—	—	1.0	1.0
	$37.1	$—	$1.0	$38.1

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$33.2	$—	$—	$33.2
Escrow accounts	10.5	—	—	10.5
Gas hedge contracts	0.1	—	—	0.1
FTRs	—	—	2.0	2.0
	$43.8	$—	$2.0	$45.8

Entergy Texas

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Securitization recovery trust account	$29.7	$—	$—	$29.7
FTRs	—	—	7.4	7.4
	$29.7	$—	$7.4	$37.1

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$44.1	$—	$—	$44.1
Securitization recovery trust account	37.5	—	—	37.5
FTRs	—	—	18.4	18.4
	$81.6	$—	$18.4	$100.0

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System Energy

2014	Level 1 (In Millions)	Level 2	Level 3	Total
Assets:				
Temporary cash investments	$83.1	$—	$—	$83.1
Decommissioning trust funds (a):				
Equity securities	1.2	384.7	—	385.9
Debt securities	155.1	78.3	—	233.4
	$239.4	$463.0	$—	$702.4

2013	Level 1 (In Millions)	Level 2	Level 3	Total
Assets:				
Temporary cash investments	$64.6	$—	$—	$64.6
Decommissioning trust funds (a):				
Equity securities	2.2	377.8	—	380.0
Debt securities	152.9	71.0	—	223.9
	$219.7	$448.8	$—	$668.5

(a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements herein for additional information on the investment portfolios.

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2014.

	Entergy Arkansas	Entergy Gulf States Louisiana (In Millions)	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
Balance as of January 1,	$—	$6.7	$5.7	$1.0	$2.0	$18.4
Unrealized gains included as a regulatory liability/asset	7.8	7.7	5.3	11.6	2.0	1.8
Settlements	(5.1)	(9.0)	(8.0)	(7.8)	(3.0)	(12.8)
Balance as of March 31,	$2.7	$5.4	$3.0	$4.8	$1.0	$7.4

NOTE 9. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy)

Entergy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The NRC requires Entergy subsidiaries to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1 and 2, Vermont Yankee, and Palisades (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and FitzPatrick). The funds are invested primarily in equity securities, fixed-rate debt securities, and cash and cash equivalents.

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Entergy records decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated portion of River Bend, Entergy Gulf States Louisiana has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. Decommissioning trust funds for Pilgrim, Indian Point 1 and 2, Vermont Yankee, and Palisades do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. Generally, Entergy records realized gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

The securities held as of March 31, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$3,061	$1,290	$1
Debt Securities	1,930	55	15
Total	$4,991	$1,345	$16

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2013			
Equity Securities	$3,073	$1,260	$—
Debt Securities	1,830	47	29
Total	$4,903	$1,307	$29

Deferred taxes on unrealized gains/(losses) are recorded in other comprehensive income for the decommissioning trusts which do not meet the criteria for regulatory accounting treatment as described above. Unrealized gains/(losses) above are reported before deferred taxes of $335 million and $329 million as of March 31, 2014 and December 31, 2013, respectively. The amortized cost of debt securities was $1,895 million as of March 31, 2014 and $1,843 million as of December 31, 2013. As of March 31, 2014, the debt securities have an average coupon rate of approximately 3.36%, an average duration of approximately 5.13 years, and an average maturity of approximately 7.60 years. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index or the Russell 3000 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2014:

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	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$5	$1	$627	$10
More than 12 months	—	—	82	5
Total	$5	$1	$709	$15

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$892	$24
More than 12 months	—	—	60	5
Total	$—	$—	$952	$29

The unrealized losses in excess of twelve months on equity securities above relate to Entergy’s Utility operating companies and System Energy.

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$95	$83
1 year - 5 years	787	752
5 years - 10 years	637	620
10 years - 15 years	168	169
15 years - 20 years	51	52
20 years+	192	154
Total	$1,930	$1,830

During the three months ended March 31, 2014 and 2013, proceeds from the dispositions of securities amounted to $537 million and $398 million, respectively. During the three months ended March 31, 2014 and 2013, gross gains of $6 million and $6 million, respectively, and gross losses of $2 million and $2 million, respectively, were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

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Entergy Arkansas

Entergy Arkansas holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of March 31, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$460.8	$218.6	$—
Debt Securities	260.7	5.7	2.9
Total	$721.5	$224.3	$2.9
2013			
Equity Securities	$463.3	$214.0	$—
Debt Securities	247.6	5.3	5.2
Total	$710.9	$219.3	$5.2

The amortized cost of debt securities was $259 million as of March 31, 2014 and $248.9 million as of December 31, 2013. As of March 31, 2014, the debt securities have an average coupon rate of approximately 2.78%, an average duration of approximately 4.89 years, and an average maturity of approximately 5.60 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$0.1	$—	$115.4	$1.8
More than 12 months	—	—	21.9	1.1
Total	$0.1	$—	$137.3	$2.9

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$153.2	$4.8
More than 12 months	—	—	6.9	0.4
Total	$—	$—	$160.1	$5.2

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$8.1	$8.1
1 year - 5 years	125.5	110.9
5 years - 10 years	116.4	118.0
10 years - 15 years	3.3	3.9
15 years - 20 years	1.0	0.9
20 years+	6.4	5.8
Total	$260.7	$247.6

During the three months ended March 31, 2014 and 2013, proceeds from the dispositions of securities amounted to $45.3 million and $56.1 million, respectively. During the three months ended March 31, 2014 and 2013, gross gains of $0.1 million and $1.4 million, respectively, and gross losses of $0.2 million and $0.1 million, respectively were reclassified out of other regulatory liabilities/assets into earnings.

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Entergy Gulf States Louisiana

Entergy Gulf States Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of March 31, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$359.9	$145.4	$—
Debt Securities	226.3	8.8	1.8
Total	$586.2	$154.2	$1.8
2013			
Equity Securities	$370.8	$141.8	$—
Debt Securities	202.9	7.4	3.5
Total	$573.7	$149.2	$3.5

The amortized cost of debt securities was $219.5 million as of March 31, 2014 and $199.1 million as of December 31, 2013. As of March 31, 2014, the debt securities have an average coupon rate of approximately 4.42%, an average duration of approximately 5.53 years, and an average maturity of approximately 8.08 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$70.1	$1.4
More than 12 months	—	—	5.7	0.4
Total	$—	$—	$75.8	$1.8

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The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$91.9	$3.1
More than 12 months	—	—	4.6	0.4
Total	$—	$—	$96.5	$3.5

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$7.8	$7.9
1 year - 5 years	52.7	51.2
5 years - 10 years	91.2	75.5
10 years - 15 years	59.6	55.8
15 years - 20 years	4.6	4.6
20 years+	10.4	7.9
Total	$226.3	$202.9

During the three months ended March 31, 2014 and 2013, proceeds from the dispositions of securities amounted to $30.3 million and $23.3 million, respectively. During the three months ended March 31, 2014 and 2013, gross gains of $0.2 million and $1.1 million, respectively, and gross losses of $0.2 million and $1.7 thousand, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

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Entergy Louisiana

Entergy Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of March 31, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$225.0	$98.3	$—
Debt Securities	128.6	5.2	1.2
Total	$353.6	$103.5	$1.2
2013			
Equity Securities	$224.2	$96.1	$—
Debt Securities	123.1	4.7	1.9
Total	$347.3	$100.8	$1.9

The amortized cost of debt securities was $124.7 million as of March 31, 2014 and $120.6 million as of December 31, 2013. As of March 31, 2014, the debt securities have an average coupon rate of approximately 3.06%, an average duration of approximately 4.86 years, and an average maturity of approximately 7.83 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$35.7	$1.0
More than 12 months	—	—	2.1	0.2
Total	$—	$—	$37.8	$1.2

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The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$38.3	$1.7
More than 12 months	—	—	1.7	0.2
Total	$—	$—	$40.0	$1.9

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$8.7	$14.8
1 year - 5 years	44.9	41.9
5 years - 10 years	44.4	37.0
10 years - 15 years	6.5	6.6
15 years - 20 years	6.7	6.2
20 years+	17.4	16.6
Total	$128.6	$123.1

During the three months ended March 31, 2014 and 2013, proceeds from the dispositions of securities amounted to $18.1 million and $3.6 million, respectively. During the three months ended March 31, 2014 and 2013, gross gains of $0.2 million and $0.04 million, respectively, and gross losses of $3.9 thousand and $0.01 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

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System Energy

System Energy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of March 31, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$385.9	$154.8	$—
Debt Securities	233.4	3.5	0.7
Total	$619.3	$158.3	$0.7
2013			
Equity Securities	$380.0	$150.8	$—
Debt Securities	223.9	3.5	1.8
Total	$603.9	$154.3	$1.8

The amortized cost of debt securities was $230.5 million as of March 31, 2014 and $223.4 million as of December 31, 2013. As of March 31, 2014, the debt securities have an average coupon rate of approximately 1.98%, an average duration of approximately 4.38 years, and an average maturity of approximately 6.11 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor’s 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$0.1	$—	$88.3	$0.6
More than 12 months	—	—	1.4	0.1
Total	$0.1	$—	$89.7	$0.7

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The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$121.7	$1.7
More than 12 months	—	—	0.9	0.1
Total	$—	$—	$122.6	$1.8

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$8.8	$5.5
1 year - 5 years	157.8	144.9
5 years - 10 years	39.8	44.3
10 years - 15 years	3.5	9.3
15 years - 20 years	1.3	1.6
20 years+	22.2	18.3
Total	$233.4	$223.9

During the three months ended March 31, 2014 and 2013, proceeds from the dispositions of securities amounted to $130.3 million and $25.6 million, respectively. During the three months ended March 31, 2014 and 2013, gross gains of $1.0 million and $0.02 million, respectively, and gross losses of $0.3 million and $0.07 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

Other-than-temporary impairments and unrealized gains and losses

Entergy, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy evaluate unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the three months ended March 31, 2014 and 2013. The assessment of whether an investment in an equity security has suffered an other-than-temporary impairment continues to be based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Entergy did not record material charges to other income in the three months ended March 31, 2014 and 2013, respectively, resulting from the recognition of the other-than-temporary impairment of certain equity securities held in its decommissioning trust funds.

NOTE 10. INCOME TAXES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Income Tax Litigation, Income Tax Audits, and Other Tax Matters in Note 3 to the financial statements in the Form 10-K for a discussion of income tax proceedings, income tax audits, and other income tax matters involving Entergy. Following is an update to that disclosure.

On March 31, 2014, New York enacted budget legislation that substantially modifies various aspects of New York tax law. The most significant effect of the legislation on Entergy is the adoption of full water's-edge unitary combined reporting, meaning that all of Entergy's domestic entities will be included in New York's combined filing group. The effect of the tax law change resulted in a deferred state income tax reduction of approximately $21.5 million.

NOTE 11. PROPERTY, PLANT, AND EQUIPMENT (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Construction Expenditures in Accounts Payable

Construction expenditures included in accounts payable at March 31, 2014 are $149.5 million for Entergy, $40.1 million for Entergy Arkansas, $19.9 million for Entergy Gulf States Louisiana, $14.5 million for Entergy Louisiana, $6.1 million for Entergy Mississippi, $9.8 million for Entergy Texas, and $15.6 million for System Energy. Construction expenditures included in accounts payable at December 31, 2013 are $166 million for Entergy, $61.9 million for Entergy Arkansas, $13.1 million for Entergy Gulf States Louisiana, $31.1 million for Entergy Louisiana, $2.8 million for Entergy Mississippi, $1.7 million for Entergy New Orleans, $10.9 million for Entergy Texas, and $6.7 million for System Energy.

Impairment of Long-Lived Assets

See "Impairment of Long-Lived Assets" in Note 1 to the financial statements in the Form 10-K for a discussion of the periodic reviews that Entergy performs whenever events or changes in circumstances indicate that the recoverability of long-lived assets is uncertain. Following are updates to that discussion regarding the Vermont Yankee nuclear power plant.

As discussed in the Form 10-K, in December 2013, Entergy and Vermont entered into a settlement agreement, with an accompanying memorandum of understanding that was filed with the Vermont Public Service Board (VPSB), under which Vermont agreed to support Entergy's request to operate Vermont Yankee until the end of 2014. The settlement agreement provided for Entergy to make $10 million in economic transition payments, $5 million in clean energy development support, and a transitional $5 million payment to Vermont. Entergy will also set aside a new $25 million fund to ensure the Vermont Yankee site is restored after decommissioning. These terms were contingent upon the VPSB issuing by March 31, 2014 a Certificate of Public Good authorizing Vermont Yankee's operation through 2014, and otherwise conforming to the terms of the settlement agreement. The settlement agreement also provides for the dismissal or discontinuation of other litigation between Entergy and Vermont; in the case of Entergy's appeal of the VPSB's March and November 2012 orders, such dismissal is contingent upon the VPSB's issuance of such a Certificate of Public Good. On March 28, 2014, the VPSB approved the memorandum of understanding and issued a Certificate of Public Good authorizing Vermont Yankee to operate until December 31, 2014. In May 2014 the VPSB denied a motion that had been filed by one of the intervenors to amend its approval order.

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NOTE 12. VARIABLE INTEREST ENTITIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 18 to the financial statements in the Form 10-K for a discussion of variable interest entities. See Note 4 to the financial statements herein for details of the nuclear fuel companies' credit facility and commercial paper borrowings and long-term debt.

Entergy Louisiana and System Energy are each considered to hold a variable interest in the lessors from which they lease, respectively, undivided interests representing approximately 9.3% of the Waterford 3 and 11.5% of the Grand Gulf nuclear plants. Entergy Louisiana and System Energy are the lessees under these arrangements, which are described in more detail in Note 10 to the financial statements in the Form 10-K. Entergy Louisiana made payments on its lease, including interest, of $22.7 million and $18.5 million in the three months ended March 31, 2014 and 2013, respectively. System Energy made payments on its lease, including interest, of $51.6 million and $46.8 million in the three months ended March 31, 2014 and 2013, respectively.

NOTE 13. ASSET RETIREMENT OBLIGATIONS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 9 to the financial statements in the Form 10-K for a discussion of asset retirement obligations. Following is an update to that discussion.

In the first quarter 2014, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a $43.6 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

In the opinion of the management of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy, the accompanying unaudited financial statements contain all adjustments (consisting primarily of normal recurring accruals and reclassification of previously reported amounts to conform to current classifications) necessary for a fair statement of the results for the interim periods presented. Entergy's business is subject to seasonal fluctuations, however, with peak periods occurring typically during the first and third quarters. The results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

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Part I, Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2014, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually "Registrant" and collectively the "Registrants") management, including their respective Principal Executive Officers (PEO) and Principal Financial Officers (PFO). The evaluations assessed the effectiveness of the Registrants' disclosure controls and procedures. Based on the evaluations, each PEO and PFO has concluded that, as to the Registrant or Registrants for which they serve as PEO or PFO, the Registrant's or Registrants' disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant's or Registrants' disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant's or Registrants' management, including their respective PEOs and PFOs, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrants' management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended March 31, 2014 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased by $13.7 million primarily due to higher net revenue, lower other operation and maintenance expenses, lower nuclear refueling outage expenses, and a lower effective income tax rate.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the first quarter 2014 to the first quarter 2013:

	Amount (In Millions)
2013 net revenue	$288.9
Volume/weather	8.4
Retail electric price	6.9
Reserve equalization	4.9
Net wholesale revenue	(7.9)
Other	3.2
2014 net revenue	$304.4

The volume/weather variance is primarily due to an increase of 452 GWh, or 9%, in billed electricity usage primarily in the residential and commercial sectors due to the effect of more favorable weather as compared to the same period in prior year, partially offset by a decrease in industrial usage primarily in the petroleum refining industry and the pulp and paper industry.

The retail electric price variance is primarily due to an increase in the energy efficiency rider, as approved by the APSC, effective July 2013. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have minimal effect on net income. This increase was partially offset by the effect of the APSC's order in the 2013 rate case, including a MISO rider to provide customers credits in rates for transmission revenue received through MISO offset by an annual base rate increase effective January 2014. See Note 2 to the financial statements in the Form 10-K for further discussion of the rate case.

The reserve equalization variance is primarily due to the absence of reserve equalization expenses as compared to the same period in 2013 resulting from Entergy Arkansas's exit from the System Agreement.

The net wholesale variance is primarily due to lower margins on co-owner contracts.

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Gross operating revenues and fuel and purchased power expenses

Gross operating revenues decreased primarily due to:

- a decrease of $29.7 million in rider revenues due to the absence of System Agreement production cost equalization revenue as compared to the same period in 2013. These revenues are offset in deferred fuel expenses. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the FERC orders in the System Agreement production cost equalization proceedings;
- a decrease of $19.6 million in gross wholesale revenues due to decreased sales to municipal customers and affiliated customers as a result of contract changes, partially offset by higher wholesale revenue due to higher average price; and
- a decrease of $18.8 million in fuel cost recovery revenues as a result of lower fuel rates.

The decrease was partially offset by:

- the increase in volume/weather, as discussed above;
- an increase of $7.8 million in rider revenues due to increases in the energy efficiency rider effective July 2013, as discussed above; and
- an increase of $5.4 million in rider revenues primarily due to an increase in the Grand Gulf rate effective January 2014.

Fuel and purchased power expenses decreased primarily due to a decrease in the recovery from customers of deferred fuel costs due to lower fuel rates and System Agreement production cost equalization payments in 2013. This decrease was partially offset by an increase in the average market prices of natural gas and purchased power.

Other Income Statement Variances

Nuclear refueling outage expenses decreased primarily due to deferring the start of the ANO 2 spring 2014 outage.

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $6 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and headcount reductions. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $4.3 million related to a true-up to the 2013 energy efficiency filing for fixed costs to be collected from customers in 2014; and
- a decrease of $3.4 million in fossil-fueled generation expenses primarily due to lower plant outage costs in 2014.

The decrease was partially offset by:

- an increase of $6.2 million in energy efficiency costs. These costs are recovered through the energy efficiency rider and have a minimal effect on net income;
- an increase of $3.4 million primarily due to an increase in storm damage accruals effective January 2014, as approved by the APSC; and
- an increase of $1.8 million due to administration fees in 2014 related to participation in the MISO RTO.

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Income Taxes

The effective income tax rate was 42.8% for the first quarter 2014. The difference in the effective income tax rate for the first quarter 2014 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items.

The effective income tax rate was 48.1% for the first quarter 2013. The difference in the effective income tax rate for the first quarter 2013 versus the federal statutory rate of 35% was due to state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions, partially offset by book and tax differences related to the allowance for equity funds used during construction.

ANO Damage and Outage

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage and Outage" in the Form 10-K for a discussion of the ANO stator incident. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was $95 million as of March 31, 2014. In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014, the APSC approved Entergy Arkansas's request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available. Entergy Arkansas is assessing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants, including ANO. NEIL has notified Entergy that it believes that a $50 million course of construction sublimit applies to any loss associated with the lifting apparatus failure and stator drop at ANO. Entergy has responded that it disagrees with NEIL's position and is evaluating its options for enforcing its rights under the policy. On July 12, 2013, Entergy Arkansas filed a complaint in the Circuit Court in Pope County, Arkansas against the owner of the heavy-lifting apparatus that collapsed, an engineering firm, a general contractor, and certain individuals asserting claims of breach of contract, negligence, and gross negligence in connection with their responsibility for the stator drop. During the first quarter of 2014, Entergy Arkansas collected $33 million from NEIL and is pursuing additional recoveries due under the policy.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014		2013	
	(In Thousands)			
Cash and cash equivalents at beginning of period	$127,022		$34,533	
Cash flow provided by (used in):				
Operating activities	80,524		173,391	
Investing activities	(169,864	)	(159,889	)
Financing activities	182,835		(33,113	)
Net increase (decrease) in cash and cash equivalents	93,495		(19,611	)

Cash and cash equivalents at end of period	$220,517	$14,922

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Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

Operating Activities

Net cash flow provided by operating activities decreased $92.9 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to:

- a decrease in the recovery of fuel and purchased power costs; and
- $13.7 million in pension contributions in 2014. 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.

The decrease was partially offset by:

- $8.8 million in insurance proceeds received in the first quarter 2014 for property damages related to the generator stator incident at ANO, as discussed above; and
- a decrease of $6.4 million in interest paid in 2014 as compared to the same period in prior year.

Investing Activities

Net cash flow used in investing activities increased $10 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to:

- an increase in transmission construction expenditures due to higher reliability work performed in 2014; and
- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

The increase was partially offset by:

- $24.2 million in insurance proceeds received in the first quarter 2014 for property damages related to the generator stator incident at ANO, as discussed above;
- a decrease in nuclear construction expenditures due to higher scope of various nuclear projects in 2013; and
- money pool activity.

Increases in Entergy Arkansas's receivable from the money pool are a use of cash flow, and Entergy Arkansas's receivable from the money pool increased by $29.9 million for the three months ended March 31, 2014 compared to increasing by $33.4 million for the three months ended March 31, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy Arkansas's financing activities provided $182.8 million of cash for the three months ended March 31, 2014 compared to using $33.1 million of cash for the three months ended March 31, 2013 primarily due to:

- the issuance of $375 million of 3.70% Series first mortgage bonds in March 2014;
- the net borrowings of $62.5 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2014 compared to net repayments of $15.4 million in 2013; and
- common stock dividends of $15 million paid in 2013.

The increase was partially offset by the repayment, prior to maturity, of a $250 million term loan in March 2014.

See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

Capital Structure

Entergy Arkansas’s capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy Arkansas as of March 31, 2014 is primarily due to an increase in long-term debt as a result of the issuance of $375 million of 3.70% Series first mortgage bonds in March 2014, partially offset by repayment of Entergy Arkansas’s $250 million term loan.

	March 31, 2014		December 31, 2013	
Debt to capital	58.2	%	56.7	%
Effect of excluding the securitization bonds	(0.9	%)	(0.9	%)
Debt to capital, excluding securitization bonds (a)	57.3	%	55.8	%
Effect of subtracting cash	(2.2	%)	(1.4	%)
Net debt to net capital, excluding securitization bonds (a)	55.1	%	54.4	%

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Arkansas.

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas 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 Arkansas’s financial condition because the securitization bonds are non-recourse to Entergy Arkansas, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Arkansas 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 Arkansas’s financial condition because net debt indicates Entergy Arkansas’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Arkansas’s uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Arkansas’s receivables from the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
(In Thousands)			
$47,407	$17,531	$41,478	$8,035

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Arkansas has a credit facility in the amount of $150 million scheduled to expire in March 2019. In April 2014, Entergy Arkansas renewed its $20 million credit facility through April 2015. As of March 31, 2014, there were no cash borrowings and $1 million of letters of credit outstanding under the credit facilities. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of $85 million scheduled to expire in June 2016. As of March 31, 2014, $62.5 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the Entergy Arkansas nuclear fuel company variable interest entity. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facility.

In March 2014, Entergy Arkansas issued $375 million of 3.70% Series first mortgage bonds due June 2024. Entergy Arkansas used the proceeds to pay, in March 2014, its $250 million term loan and, in April 2014, its $115 million 5.0% Series first mortgage bonds due July 2018 and for general corporate purposes.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel cost recovery.

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

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 Arkansas’s accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits. Following is an update to that discussion.

Nuclear Decommissioning Costs

In the first quarter 2014, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a $43.6 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$514,981	$542,392
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	92,153	147,773
Purchased power	118,848	106,314
Nuclear refueling outage expenses	8,677	11,540
Other operation and maintenance	138,545	141,620
Decommissioning	11,186	10,517
Taxes other than income taxes	21,908	23,252
Depreciation and amortization	57,721	58,636
Other regulatory credits - net	(417)	(574)
TOTAL	448,621	499,078
OPERATING INCOME	66,360	43,314
OTHER INCOME		
Allowance for equity funds used during construction	1,753	2,226
Interest and investment income	4,017	5,775
Miscellaneous - net	(364)	(1,165)
TOTAL	5,406	6,836
INTEREST EXPENSE		
Interest expense	22,833	22,579
Allowance for borrowed funds used during construction	(638)	(776)
TOTAL	22,195	21,803
INCOME BEFORE INCOME TAXES	49,571	28,347
Income taxes	21,201	13,628
NET INCOME	28,370	14,719
Preferred dividend requirements	1,718	1,718
EARNINGS APPLICABLE TO COMMON STOCK	$26,652	$13,001

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$28,370	$14,719
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	95,346	92,988
Deferred income taxes, investment tax credits, and non-current taxes accrued	59,118	24,215
Changes in assets and liabilities:		
Receivables	(2,984)	2,124
Fuel inventory	9,648	5,103
Accounts payable	(24,908)	(9,139)
Prepaid taxes and taxes accrued	(23,229)	(6,164)
Interest accrued	(3,476)	(10,117)
Deferred fuel costs	(19,638)	43,740
Other working capital accounts	(55,519)	(2,572)
Provisions for estimated losses	(321)	95
Other regulatory assets	(17,558)	16,763
Pension and other postretirement liabilities	(16,342)	(1,327)
Other assets and liabilities	52,017	2,963
Net cash flow provided by operating activities	80,524	173,391
INVESTING ACTIVITIES		
Construction expenditures	(140,439)	(126,629)
Allowance for equity funds used during construction	2,507	3,147
Nuclear fuel purchases	(95,644)	(32,561)
Proceeds from sale of nuclear fuel	76,808	36,478
Proceeds from nuclear decommissioning trust fund sales	45,317	56,118
Investment in nuclear decommissioning trust funds	(47,603)	(59,540)
Changes in money pool receivable - net	(29,876)	(33,443)
Changes in securitization account	(4,290)	(3,459)
Insurance proceeds	24,156	—
Other	(800)	—
Net cash flow used in investing activities	(169,864)	(159,889)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	372,063	98,660
Retirement of long-term debt	(250,003)	(99,703)
Changes in short-term borrowings - net	62,493	(15,352)
Dividends paid:		
Common stock	—	(15,000)
Preferred stock	(1,718)	(1,718)
Net cash flow provided by (used in) financing activities	182,835	(33,113)
Net increase (decrease) in cash and cash equivalents	93,495	(19,611)
Cash and cash equivalents at beginning of period	127,022	34,533
Cash and cash equivalents at end of period	$220,517	$14,922
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest - net of amount capitalized	$24,977	$31,358
Income taxes	$1,620	$4,107

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$4,417	$4,181
Temporary cash investments	216,100	122,841
Total cash and cash equivalents	220,517	127,022
Securitization recovery trust account	8,125	3,835
Accounts receivable:		
Customer	108,358	102,328
Allowance for doubtful accounts	(30,399)	(30,113)
Associated companies	102,133	68,875
Other	102,484	94,256
Accrued unbilled revenues	70,968	82,298
Total accounts receivable	353,544	317,644
Accumulated deferred income taxes	20,157	33,556
Deferred fuel costs	88,334	68,696
Fuel inventory - at average cost	31,856	41,504
Materials and supplies - at average cost	160,070	152,429
Deferred nuclear refueling outage costs	24,362	31,135
System agreement cost equalization	97,511	30,000
Prepaid taxes	13,250	—
Prepayments and other	32,266	58,911
TOTAL	1,049,992	864,732
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	721,534	710,913
Non-utility property - at cost (less accumulated depreciation)	1,663	1,664
Other	29,181	29,181
TOTAL	752,378	741,758
UTILITY PLANT		
Electric	8,873,709	8,798,458
Property under capital lease	1,040	1,064
Construction work in progress	229,577	209,036
Nuclear fuel	262,240	321,901
TOTAL UTILITY PLANT	9,366,566	9,330,459
Less - accumulated depreciation and amortization	4,050,647	4,034,880
UTILITY PLANT - NET	5,315,919	5,295,579
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	72,272	73,864
Other regulatory assets (includes securitization property of $77,014 as of March 31, 2014 and $80,963 as of December 31, 2013)	1,033,542	1,014,392
Other	49,942	44,565
TOTAL	1,155,756	1,132,821

TOTAL ASSETS	$8,274,045	$8,034,890

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$70,000	$70,000
Short-term borrowings	62,493	—
Accounts payable:		
Associated companies	140,008	149,802
Other	187,057	228,160
Customer deposits	87,487	86,512
Taxes accrued	—	9,979
Accumulated deferred income taxes	12,425	9,231
Interest accrued	18,560	22,036
Other	48,195	55,656
TOTAL	626,225	631,376
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,940,835	1,906,562
Accumulated deferred investment tax credits	38,461	38,958
Other regulatory liabilities	232,442	219,370
Decommissioning	778,512	723,771
Accumulated provisions	5,425	5,746
Pension and other postretirement liabilities	302,874	319,211
Long-term debt (includes securitization bonds of $88,962 as of March 31, 2014 and $88,961 as of December 31, 2013)	2,460,596	2,335,802
Other	25,955	18,026
TOTAL	5,785,100	5,567,446
Commitments and Contingencies		
Preferred stock without sinking fund	116,350	116,350
COMMON EQUITY		
Common stock, $0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2014 and 2013	470	470
Paid-in capital	588,471	588,471
Retained earnings	1,157,429	1,130,777
TOTAL	1,746,370	1,719,718
TOTAL LIABILITIES AND EQUITY	$8,274,045	$8,034,890

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Common Equity			
	Common Stock	Paid-in Capital	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2012	$470	$588,444	$990,702	$1,579,616
Net income	—	—	14,719	14,719
Common stock dividends	—	—	(15,000)	(15,000)
Preferred stock dividends	—	—	(1,718)	(1,718)
Balance at March 31, 2013	$470	$588,444	$988,703	$1,577,617
Balance at December 31, 2013	$470	$588,471	$1,130,777	$1,719,718
Net income	—	—	28,370	28,370
Preferred stock dividends	—	—	(1,718)	(1,718)
Balance at March 31, 2014	$470	$588,471	$1,157,429	$1,746,370

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

Description	2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$206	$201	$5	2
Commercial	102	109	(7)	(6)
Industrial	84	99	(15)	(15)
Governmental	4	5	(1)	(20)
Total retail	396	414	(18)	(4)
Sales for resale:				
Associated companies	31	106	(75)	(71)
Non-associated companies	73	18	55	306
Other	15	4	11	275
Total	$515	$542	($27)	(5)
Billed Electric Energy Sales (GWh):				
Residential	2,581	2,175	406	19
Commercial	1,433	1,355	78	6
Industrial	1,523	1,555	(32)	(2)
Governmental	57	57	—	—
Total retail	5,594	5,142	452	9
Sales for resale:				
Associated companies	462	2,690	(2,228)	(83)
Non-associated companies	1,752	185	1,567	847
Total	7,808	8,017	(209)	(3)

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ENTERGY GULF STATES LOUISIANA, L.L.C.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased $19.3 million primarily due to higher net revenue.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the first quarter 2014 to the first quarter 2013:

	Amount (In Millions)
2013 net revenue	$209.6
Volume/weather	20.4
Retail electric price	2.8
Net gas revenue	1.9
Other	3.6
2014 net revenue	$238.3

The volume/weather variance is primarily due to an increase of 494 GWh, or 11%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales. The increase was also driven by higher industrial usage primarily in the chemicals industry.

The retail electric price variance is primarily due to an increase in affiliate purchased power capacity costs that are recovered through base rates set in the annual formula rate plan mechanism. Entergy Gulf States Louisiana's formula rate plan is discussed in Note 2 to the financial statements in the Form 10-K.

The net gas revenue variance is primarily due to the effect of more favorable weather primarily in the residential and commercial sectors as compared to the same period in prior year.

Gross operating revenues, fuel and purchased power expenses, and other regulatory charges (credits)

Gross operating revenues increased primarily due to:

- an increase of $43.8 million in fuel cost recovery revenues primarily due to higher fuel rates;
- the increase related to volume/weather, as discussed above;
- an increase of $16.9 million in gross wholesale revenues primarily due to sales in the MISO market and an increase in sales to affiliated customers; and
- an increase of $11.1 million in natural gas fuel cost recovery revenues primarily due to higher fuel rates.

See Note 2 to the financial statements in the Form 10-K for additional discussion of Entergy Gulf States Louisiana's fuel and purchased power recovery mechanism.

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Fuel and purchased power expenses increased primarily due to an increase in the average market price of purchased power and increased demand.

Other regulatory credits increased primarily due to the deferral, as approved by the LPSC, of non-fuel MISO-related charges. The deferral of non-fuel MISO-related charges is partially offset in operation and maintenance expenses. See Note 2 to the financial statements in the Form 10-K for further discussion of the recovery of non-fuel MISO-related charges.

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $3 million in compensation and benefits costs primarily due an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and headcount reductions. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $2.4 million in nuclear generation expenses primarily due to lower nuclear labor costs; and
- a decrease of $1.8 million in fossil-fueled generation expenses primarily due to a reduced scope of work done during plant outages as compared to the prior year.

The decrease was partially offset by an increase of $1.7 million due to administration fees in 2014 related to participation in the MISO RTO.

Taxes other than income taxes increased primarily due to an increase in local franchise taxes resulting from higher residential and commercial revenues as compared to the prior year. Franchise taxes have no effect on net income as these taxes are recovered through the franchise tax rider.

Income Taxes

The effective income tax rate was 36.4% for the first quarter 2014. The difference in the effective income tax rate for the first quarter 2014 versus the federal statutory rate of 35% was primarily due to state income taxes and the provision for uncertain tax positions, partially offset by book and tax differences related to the non-taxable income distributions earned on preferred membership interests.

The effective income tax rate was 36% for the first quarter 2013. The difference in the effective income tax rate for the first quarter 2013 versus the federal statutory rate of 35% was primarily due to the provision for uncertain tax positions and state income taxes, partially offset by book and tax differences related to the non-taxable income distributions earned on preferred membership interests.

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Entergy Gulf States Louisiana, L.L.C.
Management's Financial Discussion and Analysis

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$15,581	$35,686
Cash flow provided by (used in):		
Operating activities	76,528	86,639
Investing activities	(28,782)	(119,776)
Financing activities	(48,168)	1,360
Net decrease in cash and cash equivalents	(422)	(31,777)
Cash and cash equivalents at end of period	$15,159	$3,909

Operating Activities

Net cash flow provided by operating activities decreased $10.1 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to:

- a decrease in the recovery of fuel and purchased power costs;
- the timing of payments to vendors; and
- $4.4 million in pension contributions in 2014. 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.

The decrease was partially offset by lower nuclear refueling outage spending at River Bend. River Bend had a refueling outage in 2013 and did not have one in 2014.

Investing Activities

Net cash flow used in investing activities decreased $91 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle, partially offset by the withdrawal of $65.5 million from the storm reserve escrow account in 2013.

Financing Activities

Entergy Gulf States Louisiana's financing activities used $48.2 million of cash for the three months ended March 31, 2014 compared to providing $1.4 million of cash for the three months ended March 31, 2013 primarily due to:

- the issuance of $70 million of 3.38% Series R notes by the nuclear fuel company variable interest entity in February 2013;
-

payments of $14.5 million on credit borrowings for the three months ended March 31, 2014 compared to an increase of $50 million in credit borrowings for the three months ended March 31, 2013 against the nuclear fuel company variable interest entity credit facility; and

- a decrease of $86.6 million in common equity distributions.

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Entergy Gulf States Louisiana, L.L.C.
Management's Financial Discussion and Analysis

See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

Capital Structure

Entergy Gulf States Louisiana’s capitalization is balanced between equity and debt, as shown in the following table.

	March 31, 2014		December 31, 2013	
Debt to capital	50.7	%	51.1	%
Effect of subtracting cash	(0.3	%)	(0.2	%)
Net debt to net capital	50.4	%	50.9	%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Gulf States Louisiana uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Gulf States Louisiana’s financial condition. Entergy Gulf States Louisiana 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 Gulf States Louisiana’s financial condition because net debt indicates Entergy Gulf States Louisiana’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Gulf States Louisiana’s uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Gulf States Louisiana’s receivables from or (payables to) the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
(In Thousands)			
$3,265	$1,925	($8,736)	($7,074)

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Gulf States Louisiana has a credit facility in the amount of $150 million scheduled to expire in March 2019. The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of March 31, 2014, there were no cash borrowings and $26 million of letters of credit outstanding under the credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facility.

The Entergy Gulf States Louisiana nuclear fuel company variable interest entity has a credit facility in the amount of $100 million scheduled to expire in June 2016. As of March 31, 2014, $0.3 million was outstanding on the variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the variable interest entity credit facility.

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Entergy Gulf States Louisiana, L.L.C.
Management's Financial Discussion and Analysis

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel-cost recovery. The following is an update to that discussion.

Retail Rates - Gas

In January 2014, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2013. The filing showed an earned return on common equity of 5.47% which results in a $1.5 million rate increase. In April 2014 the LPSC Staff issued a report indicating "that Entergy Gulf States Louisiana has properly determined its earnings for the test year ended September 30, 2013." The $1.5 million rate increase was implemented effective with the first billing cycle of April 2014.

Industrial and Commercial Customers

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Industrial and Commercial Customers" in the Form 10-K for a discussion of industrial and commercial customers.

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Nuclear Matters

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

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 Gulf States Louisiana’s accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$481,422	$399,137
Natural gas	31,873	20,818
TOTAL	513,295	419,955
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	59,205	47,838
Purchased power	219,708	162,077
Nuclear refueling outage expenses	5,273	4,326
Other operation and maintenance	87,097	92,722
Decommissioning	4,121	3,892
Taxes other than income taxes	21,009	19,238
Depreciation and amortization	38,242	37,372
Other regulatory charges (credits) - net	(3,936)	407
TOTAL	430,719	367,872
OPERATING INCOME	82,576	52,083
OTHER INCOME		
Allowance for equity funds used during construction	1,646	1,650
Interest and investment income	10,057	10,855
Miscellaneous - net	(1,718)	(2,640)
TOTAL	9,985	9,865
INTEREST EXPENSE		
Interest expense	20,278	20,199
Allowance for borrowed funds used during construction	(761)	(691)
TOTAL	19,517	19,508
INCOME BEFORE INCOME TAXES	73,044	42,440
Income taxes	26,572	15,275
NET INCOME	46,472	27,165
Preferred distribution requirements and other	206	206
EARNINGS APPLICABLE TO COMMON EQUITY	$46,266	$26,959

See Notes to Financial Statements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
Net Income	$46,472	$27,165
Other comprehensive income		
Pension and other postretirement liabilities (net of tax expense of $101 and $786)	122	955
Other comprehensive income	122	955
Comprehensive Income	$46,594	$28,120

See Notes to Financial Statements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$46,472	$27,165
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	58,109	51,283
Deferred income taxes, investment tax credits, and non-current taxes accrued	28,882	27,177
Changes in working capital:		
Receivables	(53,949)	(38,252)
Fuel inventory	(831)	(5,231)
Accounts payable	2,019	36,618
Prepaid taxes and taxes accrued	16,865	383
Interest accrued	3,552	5,631
Deferred fuel costs	(27,051)	(16,866)
Other working capital accounts	33,674	(42,526)
Changes in provisions for estimated losses	(601)	(64,253)
Changes in other regulatory assets	856	27,154
Changes in pension and other postretirement liabilities	(2,197)	4,004
Other	(29,272)	74,352
Net cash flow provided by operating activities	76,528	86,639
INVESTING ACTIVITIES		
Construction expenditures	(61,683)	(70,474)
Allowance for equity funds used during construction	1,646	1,650
Nuclear fuel purchases	(17,553)	(130,406)
Proceeds from the sale of nuclear fuel	55,147	19,401
Payment to storm reserve escrow account	(3)	(15)
Receipts from storm reserve escrow account	—	65,475
Proceeds from nuclear decommissioning trust fund sales	30,268	23,305
Investment in nuclear decommissioning trust funds	(35,264)	(28,712)
Change in money pool receivable - net	(1,340)	—
Net cash flow used in investing activities	(28,782)	(119,776)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	69,804
Change in money pool payable - net	—	1,662
Changes in credit borrowings - net	(14,500)	50,000
Distributions paid:		
Common equity	(33,317)	(119,900)
Preferred membership interests	(206)	(206)
Other	(145)	—
Net cash flow provided by (used in) financing activities	(48,168)	1,360
Net decrease in cash and cash equivalents	(422)	(31,777)
Cash and cash equivalents at beginning of period	15,581	35,686
Cash and cash equivalents at end of period	$15,159	$3,909
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest - net of amount capitalized	$16,011	$13,845

See Notes to Financial Statements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$179	$1,739
Temporary cash investments	14,980	13,842
Total cash and cash equivalents	15,159	15,581
Accounts receivable:		
Customer	87,177	69,648
Allowance for doubtful accounts	(704)	(909)
Associated companies	140,997	107,723
Other	30,880	22,945
Accrued unbilled revenues	55,213	58,867
Total accounts receivable	313,563	258,274
Deferred fuel costs	36,676	9,625
Fuel inventory - at average cost	27,386	26,555
Materials and supplies - at average cost	125,344	122,909
Deferred nuclear refueling outage costs	20,686	25,975
Prepaid taxes	5,143	22,008
Gas hedge contracts	2,960	2,238
Prepayments and other	13,674	12,452
TOTAL	560,591	495,617
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	289,664	289,664
Decommissioning trust funds	586,198	573,744
Non-utility property - at cost (less accumulated depreciation)	175,023	174,134
Storm reserve escrow account	21,541	21,538
Other	14,574	14,145
TOTAL	1,087,000	1,073,225
UTILITY PLANT		
Electric	7,436,035	7,400,689
Natural gas	145,230	143,902
Construction work in progress	114,970	105,314
Nuclear fuel	153,715	196,508
TOTAL UTILITY PLANT	7,849,950	7,846,413
Less - accumulated depreciation and amortization	4,098,559	4,071,762
UTILITY PLANT - NET	3,751,391	3,774,651
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	164,707	165,456
Other regulatory assets	321,359	321,466
Deferred fuel costs	100,124	100,124
Other	15,841	12,049
TOTAL	602,031	599,095

TOTAL ASSETS	$6,001,013	$5,942,588

See Notes to Financial Statements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$94,704	$95,853
Other	101,035	103,314
Customer deposits	52,875	51,839
Accumulated deferred income taxes	35,920	36,330
Interest accrued	29,360	25,808
Pension and other postretirement liabilities	9,076	9,065
System agreement cost equalization	48,356	15,000
Other	15,205	19,032
TOTAL	386,531	356,241
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,535,724	1,512,547
Accumulated deferred investment tax credits	74,540	75,295
Other regulatory liabilities	166,714	159,429
Decommissioning and asset retirement cost liabilities	408,851	403,084
Accumulated provisions	36,545	37,146
Pension and other postretirement liabilities	272,107	274,315
Long-term debt	1,513,024	1,527,465
Long-term payables - associated companies	27,363	27,900
Other	105,576	108,189
TOTAL	4,140,444	4,125,370
Commitments and Contingencies		
EQUITY		
Preferred membership interests without sinking fund	10,000	10,000
Member's equity	1,492,118	1,479,179
Accumulated other comprehensive loss	(28,080)	(28,202)
TOTAL	1,474,038	1,460,977
TOTAL LIABILITIES AND EQUITY	$6,001,013	$5,942,588

See Notes to Financial Statements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

		Common Equity		
	Preferred Membership Interests	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total
	(In Thousands)			
Balance at December 31, 2012	$10,000	$1,438,233	($65,229)	$1,383,004
Net income	—	27,165	—	27,165
Other comprehensive income	—	—	955	955
Distributions declared on common equity	—	(119,900)	—	(119,900)
Distributions declared on preferred membership interests	—	(206)	—	(206)
Other	—	(10)	—	(10)
Balance at March 31, 2013	$10,000	$1,345,282	($64,274)	$1,291,008
Balance at December 31, 2013	$10,000	$1,479,179	($28,202)	$1,460,977
Net income	—	46,472	—	46,472
Other comprehensive income	—	—	122	122
Distributions declared on common equity	—	(33,317)	—	(33,317)
Distributions declared on preferred membership interests	—	(206)	—	(206)
Other	—	(10)	—	(10)
Balance at March 31, 2014	$10,000	$1,492,118	($28,080)	$1,474,038

See Notes to Financial Statements.

ENTERGY GULF STATES LOUISIANA, L.L.C.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

Description	2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$125	$94	$31	33
Commercial	104	89	15	17
Industrial	124	107	17	16
Governmental	6	5	1	20
Total retail	359	295	64	22
Sales for resale:				
Associated companies	92	85	7	8
Non-associated companies	21	11	10	91
Other	9	8	1	13
Total	$481	$399	$82	21
Billed Electric Energy Sales (GWh):				
Residential	1,382	1,112	270	24
Commercial	1,256	1,167	89	8
Industrial	2,193	2,058	135	7
Governmental	58	58	—	—
Total retail	4,889	4,395	494	11
Sales for resale:				
Associated companies	1,691	1,228	463	38
Non-associated companies	221	228	(7)	(3)
Total	6,801	5,851	950	16

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased $13 million primarily due to higher net revenue and higher other income, partially offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, higher interest expense, and higher nuclear refueling outage expenses.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the first quarter 2014 to the first quarter 2013:

	Amount (In Millions)
2013 net revenue	$260.6
Volume/weather	17.5
MISO deferral	4.2
Retail electric price	2.5
Other	6.4
2014 net revenue	$291.2

The volume/weather variance is primarily due to an increase of 499 GWh, or 15%, in billed electricity usage in the residential and commercial sectors due to the effect more favorable weather as compared to the same period in prior year, partially offset by a decrease in industrial usage primarily in the chemicals industry.

The MISO deferral variance is due to the deferral, as approved by the LPSC, of the non-fuel MISO-related charges. The deferral of non-fuel MISO-related charges is partially offset in other operation and maintenance expenses. See Note 2 to the financial statements in the Form 10-K for further discussion of the recovery of non-fuel MISO-related charges.

The retail electric price variance is primarily due to an increase in affiliate purchased power capacity costs that are recovered through base rates set in the annual formula rate plan mechanism. Entergy Louisiana’s formula rate plan is discussed in Note 2 to the financial statements in the Form 10-K.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to an increase of $56.7 million in gross wholesale revenues as a result of increased sales to affiliate customers and the increase related to volume/weather, as discussed above. The increase was substantially offset by a decrease of $58.7 million in fuel cost recovery revenues primarily due to lower fuel rates.

Fuel and purchased power expenses decreased primarily due to a decrease in the recovery from customers of deferred fuel costs resulting from higher fuel and purchased power costs and lower fuel rates, partially offset by an

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increase in the average market prices of natural gas and purchased power and an increase in demand for gas-fired generation.

Other Income Statement Variances

Nuclear refueling outage expenses increased primarily due to the amortization of higher expenses associated with the most recent refueling outage at Waterford 3.

Other operation and maintenance expenses increased primarily due to:

- an increase of $2.6 million due to administration fees in 2014 related to the participation in MISO RTO;
- an increase of $2.1 million in nuclear generation expenses primarily due to higher labor costs; and
- an increase of $1.9 million in fossil-fueled generation expenses primarily due to an overall higher scope of work done as compared to prior year.

The increase was partially offset by a decrease of $2.6 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and headcount reductions. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Other income increased primarily due to the increase in allowance for equity funds used during construction due to more construction work in progress in 2014.

Interest expense increased primarily due to the issuance of $325 million of 4.05% Series first mortgage bonds in August 2013 and the issuance of $100 million of 4.70% Series first mortgage bonds in May 2013.

Income Taxes

The effective income tax rate was 25.8% for the first quarter 2014. The difference in the effective income tax rate for the first quarter 2014 versus the federal statutory rate of 35% was primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes.

The effective income tax rate was 21% for the first quarter 2013. The difference in the effective income tax rate for the first quarter 2013 versus the federal statutory rate of 35% was primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests and book and tax differences related to the allowance for equity funds used during construction.

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$124,007	$30,086
Cash flow provided by (used in):		
Operating activities	100,930	69,934
Investing activities	(158,927)	(55,482)
Financing activities	6,366	(34,525)
Net decrease in cash and cash equivalents	(51,631)	(20,073)
Cash and cash equivalents at end of period	$72,376	$10,013

Operating Activities

Net cash flow provided by operating activities increased $31 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to the timing of collections from customers and payments to vendors and Hurricane Isaac storm spending of $8.4 million in 2013. The increase was partially offset by:

- decreased recovery of fuel costs due to a decrease in the amount of deferred fuel to be recovered compared to last year;
- an increase of $7.9 million in interest paid resulting from an increase in interest expense, as discussed above; and
- $7.8 million in pension contributions in 2014. 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 increased $103.4 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to receipts of $187 million from the storm reserve escrow account in 2013 and an increase in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle. The increase was partially offset by:

- a decrease in fossil-fueled generation construction expenditures due to decreased spending on the Ninemile Unit 6 self-rebuild project;
- a decrease in nuclear construction expenditures due to the Waterford 3 steam generator project close out in the first quarter 2013; and
- money pool activity.

Decreases in Entergy Louisiana’s receivable from the money pool are a source of cash flow, and Entergy Louisiana’s receivable from the money pool decreased by $1.8 million for the three months ended March 31, 2014 compared to increasing by $22.9 million for the three months ended March 31, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries’ need for external short-term borrowings.

Financing Activities

Entergy Louisiana's financing activities provided $6.4 million of cash for the three months ended March 31, 2014 compared to using $34.5 million of cash for the three months ended March 31, 2013 primarily due to the issuance of $40 million of 3.92% Series H Notes by the nuclear fuel company variable interest entity in February 2014 and an increase in borrowings of $28.8 million on the nuclear fuel company variable interest entity's credit facility in 2014, partially offset by an increase of $23.4 million in common equity distributions in 2014. See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

Capital Structure

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

	March 31, 2014		December 31, 2013	
Debt to capital	52.3	%	52.0	%
Effect of excluding securitization bonds	(1.3	%)	(1.3	%)
Debt to capital, excluding securitization bonds (a)	51.0	%	50.7	%
Effect of subtracting cash	(0.6	%)	(1.1	%)
Net debt to net capital, excluding securitization bonds (a)	50.4	%	49.6	%

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Louisiana.

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Louisiana's financial condition. Entergy Louisiana 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 Louisiana's financial condition because net debt indicates Entergy Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Louisiana's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Louisiana's receivables from the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
(In Thousands)			
$15,806	$17,648	$32,342	$9,433

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Louisiana has a credit facility in the amount of $200 million scheduled to expire in March 2019. The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of

March 31, 2014, there were no cash borrowings and $23 million of letters of credit outstanding under the credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facility.

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

The Entergy Louisiana nuclear fuel company variable interest entity has a credit facility in the amount of $90 million scheduled to expire in June 2016. As of March 31, 2014, $31.7 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the Entergy Louisiana nuclear fuel company variable interest entity. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facility.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel cost recovery. The following is an update to that discussion.

Filings with the City Council

In March 2013, Entergy Louisiana filed a rate case for the Algiers area, which is in New Orleans and is regulated by the City Council. Entergy Louisiana is requesting a rate increase of $13 million over three years, including a 10.4% return on common equity and a formula rate plan mechanism identical to its LPSC request made in February 2013. In January 2014, the City Council Advisors filed direct testimony recommending a rate increase of $5.56 million over three years, including an 8.13% return on common equity. New rates are currently expected to become effective in second quarter 2014. The procedural schedule calls for the hearing on the merits to commence on May 20, 2014.

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Nuclear Matters

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

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 Louisiana’s accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$623,494	$606,085
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	90,787	118,707
Purchased power	249,119	229,009
Nuclear refueling outage expenses	8,878	6,852
Other operation and maintenance	109,122	105,127
Decommissioning	6,046	5,301
Taxes other than income taxes	19,745	18,800
Depreciation and amortization	62,375	59,838
Other regulatory credits - net	(7,635)	(2,277)
TOTAL	538,437	541,357
OPERATING INCOME	85,057	64,728
OTHER INCOME		
Allowance for equity funds used during construction	8,877	5,742
Interest and investment income	21,178	21,789
Miscellaneous - net	(169)	(860)
TOTAL	29,886	26,671
INTEREST EXPENSE		
Interest expense	40,689	36,429
Allowance for borrowed funds used during construction	(4,463)	(2,448)
TOTAL	36,226	33,981
INCOME BEFORE INCOME TAXES	78,717	57,418
Income taxes	20,339	12,042
NET INCOME	58,378	45,376
Preferred dividend requirements and other	1,738	1,738
EARNINGS APPLICABLE TO COMMON EQUITY	$56,640	$43,638

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
Net Income	$58,378	$45,376
Other comprehensive income		
Pension and other postretirement liabilities (net of tax expense (benefit) of ($164) and $547)	(302)	678
Other comprehensive income (loss)	(302)	678
Comprehensive Income	$58,076	$46,054

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$58,378	$45,376
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	88,186	79,633
Deferred income taxes, investment tax credits, and non-current taxes accrued	81,091	41,558
Changes in working capital:		
Receivables	41,296	(57,924)
Fuel inventory	4,531	454
Accounts payable	(21,861)	(69,131)
Prepaid taxes and taxes accrued	(41,033)	3,550
Interest accrued	(5,899)	(2,113)
Deferred fuel costs	(63,587)	30,741
Other working capital accounts	5,648	(8,040)
Changes in provisions for estimated losses	(237)	(186,070)
Changes in other regulatory assets	(3,935)	82,089
Changes in pension and other postretirement liabilities	(5,153)	5,231
Other	(36,495)	104,580
Net cash flow provided by operating activities	100,930	69,934
INVESTING ACTIVITIES		
Construction expenditures	(118,854)	(223,758)
Allowance for equity funds used during construction	8,877	5,742
Nuclear fuel purchases	(89,474)	(16,368)
Proceeds from the sale of nuclear fuel	46,646	23,438
Receipts from storm reserve escrow account	—	186,985
Changes to securitization account	(5,709)	(5,270)
Proceeds from nuclear decommissioning trust fund sales	18,140	3,639
Investment in nuclear decommissioning trust funds	(20,395)	(6,981)
Changes in money pool receivable - net	1,842	(22,909)
Net cash flow used in investing activities	(158,927)	(55,482)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	39,782	—
Retirement of long-term debt	(17,018)	(12,237)
Changes in credit borrowings - net	28,774	—
Distributions paid:		
Common equity	(43,434)	(20,000)
Preferred membership interests	(1,738)	(1,738)
Other	—	(550)
Net cash flow provided by (used in) financing activities	6,366	(34,525)
Net decrease in cash and cash equivalents	(51,631)	(20,073)
Cash and cash equivalents at beginning of period	124,007	30,086
Cash and cash equivalents at end of period	$72,376	$10,013
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest - net of amount capitalized	$45,156	$37,215

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$351	$427
Temporary cash investments	72,025	123,580
Total cash and cash equivalents	72,376	124,007
Securitization recovery trust account	10,248	4,539
Accounts receivable:		
Customer	140,740	144,836
Allowance for doubtful accounts	(1,031)	(965)
Associated companies	79,747	87,820
Other	8,977	21,420
Accrued unbilled revenues	74,613	93,073
Total accounts receivable	303,046	346,184
Accumulated deferred income taxes	87,386	100,022
Deferred fuel costs	33,195	—
Fuel inventory	18,780	23,311
Materials and supplies - at average cost	156,373	156,487
Deferred nuclear refueling outage costs	7,711	13,670
Prepaid taxes	225,536	184,503
Gas hedge contracts	3,715	2,889
Prepayments and other	15,938	15,223
TOTAL	934,304	970,835
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	807,423	807,423
Decommissioning trust funds	353,629	347,274
Non-utility property - at cost (less accumulated depreciation)	351	396
TOTAL	1,161,403	1,155,093
UTILITY PLANT		
Electric	8,819,528	8,799,393
Property under capital lease	331,895	331,895
Construction work in progress	742,515	672,883
Nuclear fuel	196,805	147,385
TOTAL UTILITY PLANT	10,090,743	9,951,556
Less - accumulated depreciation and amortization	3,810,294	3,763,234
UTILITY PLANT - NET	6,280,449	6,188,322
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	311,769	309,617
Other regulatory assets (includes securitization property of $151,087 as of March 31, 2014 and $156,103 as of December 31, 2013)	717,286	715,503
Deferred fuel costs	67,998	67,998
Other	47,399	43,025

TOTAL	1,144,452	1,136,143
TOTAL ASSETS	$9,520,608	$9,450,393

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$319,296	$320,231
Short-term borrowings	31,697	2,923
Accounts payable:		
Associated companies	56,264	83,655
Other	160,852	162,507
Customer deposits	91,030	90,393
Accumulated deferred income taxes	1,677	338
Interest accrued	36,173	42,072
Deferred fuel costs	—	30,392
Pension and other postretirement liabilities	10,195	10,255
System agreement cost equalization	17,000	17,000
Other	18,053	19,443
TOTAL	742,237	779,209
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,338,052	1,275,584
Accumulated deferred investment tax credits	66,703	67,347
Other regulatory liabilities	535,876	533,247
Decommissioning	485,132	479,086
Accumulated provisions	7,496	7,733
Pension and other postretirement liabilities	352,924	358,017
Long-term debt (includes securitization bonds of $164,966 as of March 31, 2014 and $164,965 as of December 31, 2013)	2,923,288	2,899,285
Other	80,344	75,233
TOTAL	5,789,815	5,695,532
Commitments and Contingencies		
EQUITY		
Preferred membership interests without sinking fund	100,000	100,000
’Member’s equity	2,898,493	2,885,287
Accumulated other comprehensive loss	(9,937)	(9,635)
TOTAL	2,988,556	2,975,652
TOTAL LIABILITIES AND EQUITY	$9,520,608	$9,450,393

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

		Common Equity		
	Preferred Membership Interests	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total
		(In Thousands)		
Balance at December 31, 2012	$100,000	$3,016,628	($46,132)	$3,070,496
Net income	—	45,376	—	45,376
Other comprehensive income	—	—	678	678
Distributions to parent	—	(40,601)	—	(40,601)
Distributions declared on preferred membership interests	—	(1,738)	—	(1,738)
Balance at March 31, 2013	$100,000	$3,019,665	($45,454)	$3,074,211
Balance at December 31, 2013	$100,000	$2,885,287	($9,635)	$2,975,652
Net income	—	58,378	—	58,378
Other comprehensive loss	—	—	(302)	(302)
Distributions declared on common equity	—	(43,434)	—	(43,434)
Distributions declared on preferred membership interests	—	(1,738)	—	(1,738)
Balance at March 31, 2014	$100,000	$2,898,493	($9,937)	$2,988,556

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

Description	Three Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$200	$187	$13	7
Commercial	130	134	(4)	(3)
Industrial	206	245	(39)	(16)
Governmental	11	12	(1)	(8)
Total retail	547	578	(31)	(5)
Sales for resale:				
Associated companies	70	19	51	268
Non-associated companies	6	—	6	—
Other	—	9	(9)	(100)
Total	$623	$606	$17	3
Billed Electric Energy Sales (GWh):				
Residential	2,413	2,002	411	21
Commercial	1,465	1,377	88	6
Industrial	4,041	4,202	(161)	(4)
Governmental	128	125	3	2
Total retail	8,047	7,706	341	4
Sales for resale:				
Associated companies	1,218	209	1,009	483
Non-associated companies	80	7	73	1,043
Total	9,345	7,922	1,423	18

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ENTERGY MISSISSIPPI, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased $11.9 million primarily due to higher net revenue.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the first quarter 2014 to the first quarter 2013:

	Amount (In Millions)
2013 net revenue	$141.6
Retail electric price	14.4
Volume/weather	4.3
Other	2.6
2014 net revenue	$162.9

The retail electric price variance is primarily due to a formula rate plan increase, as approved by the MPSC, effective September 2013 and an increase in the storm damage rider, as approved by the MPSC, effective October 2013. The increase in the storm damage rider is offset by other operation and maintenance expenses and has no effect on net income. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The volume/weather variance is primarily due to an increase of 256 GWh, or 8%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales.

Gross operating revenues, fuel and purchased power expenses, and other regulatory credits

Gross operating revenues increased primarily due to:

- an increase of $15.1 million in fuel cost recovery revenues primarily due to higher fuel rates;
- an increase of $10.3 million in gross wholesale revenues due to an increase in sales to affiliated customers;
- the increase related to volume/weather, as discussed above;
- an increase of $9.4 million in power management rider revenue, as approved by the MPSC, effective February 2014; and
- an increase of $8.3 million due to the formula rate plan increase, as discussed above.

Fuel and purchased power expenses increased primarily due to an increase in purchases as a result of the Grand Gulf refueling outage in first quarter 2014 and an increase in the average market prices of natural gas and purchased power. The increase was partially offset by a decrease in deferred fuel expenses primarily due to increased fuel and purchased power costs.

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Other regulatory credits decreased primarily due to increased recovery of costs associated with the power management recovery rider. There is no material effect on net income because the power management recovery rider is an exact recovery rider and any differences in revenues and expenses are deferred for future recovery.

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to a decrease of $4.9 million in fossil-fueled generation expenses resulting from a lower scope of work done during plant outages in 2014 as compared to the same period in 2013 and a decrease of $1.3 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and headcount reductions. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs. The decrease was partially offset by an increase of $3.5 million in storm damage accruals, as approved by the MPSC, effective October 2013.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Taxes other than income taxes increased primarily due to an increase in ad valorem taxes in 2014 as compared to the same period in the prior year and an increase in local franchise taxes due to higher revenues in 2014 as compared to the same period in the prior year.

Income Taxes

The effective income tax rate was 39.7% for the first quarter 2014. The difference in the effective income tax rate for the first quarter 2014 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items.

The effective income tax rate was 37.5% for the first quarter 2013. The difference in the effective income tax rate for the first quarter 2013 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

Baxter Wilson Plant Event

On September 11, 2013, Entergy Mississippi's Baxter Wilson (Unit 1) power plant experienced a significant unplanned outage event. Entergy Mississippi completed the process of assessing the nature and extent of the damage to the unit and repairs are in progress. The current estimate of costs to return the unit to service is in the range of $45 million to $60 million. This estimate may change as restorative activities occur. The costs necessary to return the plant to service are expected to be incurred into late 2014. Entergy Mississippi believes that the damage is covered by its property insurance policy, subject to a $20 million deductible. In December 2013, Entergy Mississippi made a filing with the MPSC requesting approval for Entergy Mississippi to defer and accumulate the costs incurred in connection with Baxter Wilson repair activities, net of applicable insurance proceeds, with such costs to be recoverable in a manner to be determined by the MPSC. The MPSC has not acted on Entergy Mississippi's request.

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Entergy Mississippi, Inc.
Management's Financial Discussion and Analysis

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$31	$52,970
Cash flow provided by (used in):		
Operating activities	26,181	4,659
Investing activities	(49,870)	(22,123)
Financing activities	94,994	(34,044)
Net increase (decrease) in cash and cash equivalents	71,305	(51,508)
Cash and cash equivalents at end of period	$71,336	$1,462

Operating Activities

Net cash provided by operating activities increased $21.5 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to income tax refunds of $9.4 million in the three months ended March 31, 2014 as compared to income tax payments of $0.9 million in the three months ended March 31, 2013 and the timing of payments to vendors. The increase was partially offset by a decrease in the recovery of fuel costs and $3.1 million in pension contributions in 2014. The income tax refunds in 2014 were refunds of income taxes paid in accordance with intercompany state income tax sharing arrangements. 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 used in investing activities increased $27.7 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to money pool activity, partially offset by a decrease in transmission construction expenditures as a result of less reliability work performed in 2014.

Increases in Entergy Mississippi's receivable from the money pool are a use of cash flow, and Entergy Mississippi's receivable from the money pool increased by $15.4 million for the three months ended March 31, 2014 and decreased by $16.9 million for the three months ended March 31, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy Mississippi's financing activities provided $95.0 million of cash for the three months ended March 31, 2014 as compared to using $34.0 million of cash for the three months ended March 31, 2013 primarily due to the payment, at maturity, of $100 million of 5.15% Series first mortgage bonds in February 2013 and the issuance of $100 million of 3.75% Series first mortgage bonds in March 2014, partially offset by borrowings of $70 million on Entergy Mississippi's credit facilities in the three months ended March 31, 2013. See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

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Entergy Mississippi, Inc.
Management's Financial Discussion and Analysis

Capital Structure

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

	March 31, 2014	December 31, 2013
Debt to capital	53.0 %	51.4%
Effect of subtracting cash	(1.6 %)	—%
Net debt to net capital	51.4 %	51.4%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Mississippi uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi’s financial condition. Entergy Mississippi 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 Mississippi’s financial condition because net debt indicates Entergy Mississippi’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Mississippi’s uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Mississippi’s receivables from or (payables to) the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
(In Thousands)			
$15,427	($3,536)	($4,101)	$16,878

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Mississippi has three separate credit facilities in the aggregate amount of $92.5 million scheduled to expire in May 2014. Entergy Mississippi expects to renew all of its credit facilities before expiration. No borrowings were outstanding under the credit facilities as of March 31, 2014. See Note 4 to the financial statements herein for additional discussion of the credit facilities. In addition, Entergy Mississippi entered into an uncommitted letter of credit facility as a means to post collateral to support its obligations under MISO. As of March 31, 2014, a $25 million letter of credit was outstanding under Entergy Mississippi’s letter of credit facility.

In March 2014, Entergy Mississippi issued $100 million of 3.75% Series first mortgage bonds due July 2024. Entergy Mississippi used the proceeds to pay in April 2014, prior to maturity, its $95 million 4.95% Series first mortgage bonds due June 2018 and for general corporate purposes.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of the formula rate plan and fuel and purchased power cost recovery.

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Entergy Mississippi, Inc.
Management's Financial Discussion and Analysis

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Nuclear Matters

See “Nuclear Matters” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Environmental Risks" in the Form 10-K for a discussion of environmental risks.

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 Mississippi’s accounting for unbilled revenue and qualified pension and other postretirement benefits.

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ENTERGY MISSISSIPPI, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$348,196	$291,641
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	57,315	73,561
Purchased power	128,052	84,912
Other operation and maintenance	55,358	57,950
Taxes other than income taxes	22,267	19,887
Depreciation and amortization	28,111	26,651
Other regulatory credits - net	(39)	(8,443)
TOTAL	291,064	254,518
OPERATING INCOME	57,132	37,123
OTHER INCOME		
Allowance for equity funds used during construction	435	733
Interest and investment income	338	139
Miscellaneous - net	(839)	(858)
TOTAL	(66)	14
INTEREST EXPENSE		
Interest expense	14,428	15,293
Allowance for borrowed funds used during construction	(228)	(455)
TOTAL	14,200	14,838
INCOME BEFORE INCOME TAXES	42,866	22,299
Income taxes	17,027	8,365
NET INCOME	25,839	13,934
Preferred dividend requirements and other	707	707
EARNINGS APPLICABLE TO COMMON STOCK	$25,132	$13,227

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$25,839	$13,934
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	28,111	26,651
Deferred income taxes, investment tax credits, and non-current taxes accrued	(5,525)	4,806
Changes in assets and liabilities:		
Receivables	(12,663)	(3,831)
Fuel inventory	1,536	(255)
Accounts payable	13,498	(5,222)
Taxes accrued	(11,595)	(41,260)
Interest accrued	136	1,892
Deferred fuel costs	(22,302)	12,216
Other working capital accounts	4,401	(8,852)
Provisions for estimated losses	1,391	(1)
Other regulatory assets	4,842	(1,169)
Pension and other postretirement liabilities	(3,188)	(174)
Other assets and liabilities	1,700	5,924
Net cash flow provided by operating activities	26,181	4,659
INVESTING ACTIVITIES		
Construction expenditures	(34,877)	(39,730)
Allowance for equity funds used during construction	435	733
Change in money pool receivable - net	(15,427)	16,878
Other	(1)	(4)
Net cash flow used in investing activities	(49,870)	(22,123)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	99,237	—
Retirement of long-term debt	—	(100,000)
Change in credit borrowing, net	—	70,000
Change in money pool payable - net	(3,536)	4,101
Dividends paid:		
Common stock	—	(7,400)
Preferred stock	(707)	(707)
Other	—	(38)
Net cash flow provided by (used in) financing activities	94,994	(34,044)
Net increase (decrease) in cash and cash equivalents	71,305	(51,508)
Cash and cash equivalents at beginning of period	31	52,970
Cash and cash equivalents at end of period	$71,336	$1,462
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	$13,616	$12,700
Income taxes	($9,440)	$901

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$1,031	$22
Temporary cash investments	70,305	9
Total cash and cash equivalents	71,336	31
Accounts receivable:		
Customer	85,560	76,534
Allowance for doubtful accounts	(947)	(906)
Associated companies	46,085	13,794
Other	7,131	9,117
Accrued unbilled revenues	33,577	44,777
Total accounts receivable	171,406	143,316
Deferred fuel costs	60,359	38,057
Fuel inventory - at average cost	47,363	48,899
Materials and supplies - at average cost	41,251	40,849
System agreement cost equalization	15,000	15,000
Prepayments and other	11,327	4,813
TOTAL	418,042	290,965
OTHER PROPERTY AND INVESTMENTS		
Non-utility property - at cost (less accumulated depreciation)	4,663	4,670
Escrow accounts	51,796	51,795
TOTAL	56,459	56,465
UTILITY PLANT		
Electric	3,897,131	3,875,737
Property under capital lease	5,051	5,329
Construction work in progress	50,240	37,316
TOTAL UTILITY PLANT	3,952,422	3,918,382
Less - accumulated depreciation and amortization	1,437,523	1,413,484
UTILITY PLANT - NET	2,514,899	2,504,898
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	58,088	58,716
Other regulatory assets	314,248	318,462
Other	21,886	20,819
TOTAL	394,222	397,997
TOTAL ASSETS	$3,383,622	$3,250,325

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$68,075	$74,144
Other	71,391	52,129
Customer deposits	74,806	74,211
Taxes accrued	41,652	53,247
Accumulated deferred income taxes	25,686	15,413
Interest accrued	20,519	20,383
System agreement cost equalization	11,223	—
Other	18,544	19,021
TOTAL	331,896	308,548
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	728,164	746,939
Accumulated deferred investment tax credits	8,912	8,530
Obligations under capital lease	3,883	4,185
Other regulatory liabilities	7,703	2,509
Asset retirement cost liabilities	6,495	6,401
Accumulated provisions	37,065	35,674
Pension and other postretirement liabilities	63,535	66,722
Long-term debt	1,153,675	1,053,670
Other	15,204	15,189
TOTAL	2,024,636	1,939,819
Commitments and Contingencies		
Preferred stock without sinking fund	50,381	50,381
COMMON EQUITY		
Common stock, no par value, authorized 12,000,000 shares; issued and outstanding 8,666,357 shares in 2014 and 2013	199,326	199,326
Capital stock expense and other	(690)	(690)
Retained earnings	778,073	752,941
TOTAL	976,709	951,577
TOTAL LIABILITIES AND EQUITY	$3,383,622	$3,250,325

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Common Equity			
	Common Stock	Capital Stock Expense and Other	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2012	$199,326	($690)	$681,010	$879,646
Net income	—	—	13,934	13,934
Common stock dividends	—	—	(7,400)	(7,400)
Preferred stock dividends	—	—	(707)	(707)
Balance at March 31, 2013	$199,326	($690)	$686,837	$885,473
Balance at December 31, 2013	$199,326	($690)	$752,941	$951,577
Net income	—	—	25,839	25,839
Preferred stock dividends	—	—	(707)	(707)
Balance at March 31, 2014	$199,326	($690)	$778,073	$976,709

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Three Months Ended		Increase/	
Description	2014	2013	(Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$154	$124	$30	24
Commercial	109	96	13	14
Industrial	38	36	2	6
Governmental	11	10	1	10
Total retail	312	266	46	17
Sales for resale:				
Associated companies	28	16	12	75
Non-associated companies	4	5	(1)	(20)
Other	4	5	(1)	(20)
Total	$348	$292	$56	19
Billed Electric Energy Sales (GWh):				
Residential	1,577	1,360	217	16
Commercial	1,129	1,091	38	3
Industrial	528	532	(4)	(1)
Governmental	99	94	5	5
Total retail	3,333	3,077	256	8
Sales for resale:				
Associated companies	355	237	118	50
Non-associated companies	35	44	(9)	(20)
Total	3,723	3,358	365	11

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ENTERGY NEW ORLEANS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased $7 million primarily due to higher net revenue and lower other operation and maintenance expenses.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. Following is an analysis of the changes in net revenue comparing the first quarter 2014 to the first quarter 2013:

	Amount (In Millions)
2013 net revenue	$57.2
Volume/weather	4.4
Net gas revenue	3.6
Other	0.8
2014 net revenue	$66.0

The volume/weather variance is primarily due to an increase of 126 GWh, or 11%, in billed electricity usage, primarily in the residential sector, due to the effect of more favorable weather in 2014 as compared to the same period in prior year.

The net gas revenue variance is primarily due to the effect of more favorable weather primarily in the residential and commercial sectors in 2014 as compared to the same period in prior year.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to:

- an increase of $17 million in gross wholesale revenue primarily due to increased sales to affiliate customers;
- an increase of $10 million in gas fuel cost recovery revenues due to higher fuel rates;
- the increase related to volume/weather, as discussed above; and
- an increase of $4.1 million in electric fuel cost recovery revenues due to an increase in volume.

Entergy New Orleans's fuel and purchased power recovery mechanism is discussed in Note 2 to the financial statements in the Form 10-K.

Fuel and purchased power expenses increased primarily due to an increase in the market prices of natural gas and purchased power and an increase in gas purchased for resale as a result of an increase in price and volume, partially offset by a decrease in deferred fuel expense as a result of higher fuel costs.

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Entergy New Orleans, Inc.
Management's Financial Discussion and Analysis

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to a decrease of $2.5 million in fossil-fueled generation expenses due to an overall lower scope of work done during plant outages as compared to prior year.

Income Taxes

The effective income tax rate was 31.6% for the first quarter 2014. The difference in the effective income tax rate for the first quarter 2014 versus the federal statutory rate of 35% was primarily due to flow-through tax accounting, partially offset by state income taxes and certain book and tax differences related to utility plant items.

The effective income tax rate was (26.9%) for the first quarter 2013. The difference in the effective income tax rate for the first quarter 2013 versus the federal statutory rate of 35% was primarily due to flow-through tax accounting, partially offset by certain book and tax differences related to utility plant items and state income taxes.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014		2013	
	(In Thousands)			
Cash and cash equivalents at beginning of period	$33,489		$9,391	
Cash flow provided by (used in):				
Operating activities	7,451		2,344	
Investing activities	(14,794	)	(31,945	)
Financing activities	(260	)	24,781	
Net decrease in cash and cash equivalents	(7,603	)	(4,820	)
Cash and cash equivalents at end of period	$25,886		$4,571	

Operating Activities

Net cash flow provided by operating activities increased $5.1 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to the timing of payments to vendors, partially offset by $1.5 million in pension contributions in 2014. 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 $17.2 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to:

- money pool activity;
- a decrease in fossil-fueled generation construction expenditures due to spending in 2013 on various projects; and
- a decrease in transmission construction expenditures as a result of less reliability work performed in 2014.

Increases in Entergy New Orleans’s receivable from the money pool are a use of cash flow, and Entergy New Orleans’s receivable from the money pool increased $0.7 million for the three months ended March 31, 2014 compared

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to increasing $11.4 million for the three months ended March 31, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy New Orleans's financing activities used $0.3 million of cash for the three months ended March 31, 2014 compared to providing $24.8 million of cash for the three months ended March 31, 2013 primarily due to borrowings of $25 million under Entergy New Orleans's credit facility in 2013. See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

Capital Structure

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

	March 31, 2014		December 31, 2013	
Debt to capital	49.1	%	50.0	%
Effect of subtracting cash	(3.0	%)	(4.0	%)
Net debt to net capital	46.1	%	46.0	%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy New Orleans uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy New Orleans's financial condition. Entergy New Orleans 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 New Orleans's financial condition because net debt indicates Entergy New Orleans's outstanding debt position that could not be readily satisfied by cash and cash equivalents.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy New Orleans's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy New Orleans's receivables from the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
(In Thousands)			
$5,430	$4,737	$14,327	$2,923

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy New Orleans has a credit facility in the amount of $25 million scheduled to expire in November 2014. No borrowings were outstanding under the facility as of March 31, 2014. See Note 4 to the financial statements herein for additional discussion of the credit facility. In addition, Entergy New Orleans entered into an uncommitted letter of credit facility as a means to post collateral to support its obligations under MISO. As of March 31, 2014, an $8.5 million letter of credit was outstanding under Entergy New Orleans's letter of credit facility.

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Entergy New Orleans, Inc.
Management's Financial Discussion and Analysis

State and Local Rate Regulation

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation" in the Form 10-K for a discussion of state and local rate regulation.

Storm Cost Recovery Filings with Retail Regulators

As discussed in "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Liquidity and Capital Resources - Hurricane Isaac" in the Form 10-K, total restoration costs for the repair and replacement of Entergy New Orleans’s electric facilities damaged by Hurricane Isaac were $47.3 million. Entergy New Orleans withdrew $17.4 million from the storm reserve escrow account to partially offset these costs. In February 2014, Entergy New Orleans made a filing with the City Council seeking certification of the Hurricane Isaac costs.

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Nuclear Matters

See “Nuclear Matters” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

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 New Orleans’s accounting for unbilled revenue and qualified pension and other postretirement benefits.

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ENTERGY NEW ORLEANS, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$140,227	$113,963
Natural gas	46,340	32,503
TOTAL	186,567	146,466
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	51,162	28,863
Purchased power	69,145	60,159
Other operation and maintenance	28,131	31,233
Taxes other than income taxes	13,135	12,246
Depreciation and amortization	9,465	9,443
Other regulatory charges - net	248	250
TOTAL	171,286	142,194
OPERATING INCOME	15,281	4,272
OTHER INCOME		
Allowance for equity funds used during construction	355	170
Interest and investment income	17	21
Miscellaneous - net	(347)	(316)
TOTAL	25	(125)
INTEREST EXPENSE		
Interest expense	3,362	3,203
Allowance for borrowed funds used during construction	(173)	(86)
TOTAL	3,189	3,117
INCOME BEFORE INCOME TAXES	12,117	1,030
Income taxes	3,823	(277)
NET INCOME	8,294	1,307
Preferred dividend requirements and other	241	241
EARNINGS APPLICABLE TO COMMON STOCK	$8,053	$1,066

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$8,294	$1,307
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	9,465	9,443
Deferred income taxes, investment tax credits, and non-current taxes accrued	5,931	(11,851)
Changes in assets and liabilities:		
Receivables	(2,055)	281
Fuel inventory	1,246	368
Accounts payable	454	(7,777)
Prepaid taxes and taxes accrued	(335)	(399)
Interest accrued	(1,357)	(1,126)
Deferred fuel costs	(1,710)	4,936
Other working capital accounts	(13,158)	(8,668)
Provisions for estimated losses	3,974	2,261
Other regulatory assets	537	3,421
Pension and other postretirement liabilities	(1,367)	(42)
Other assets and liabilities	(2,468)	10,190
Net cash flow provided by operating activities	7,451	2,344
INVESTING ACTIVITIES		
Construction expenditures	(12,563)	(18,533)
Allowance for equity funds used during construction	355	170
Change in money pool receivable - net	(693)	(11,404)
Payments to storm reserve escrow account	(1,893)	(2,178)
Net cash flow used in investing activities	(14,794)	(31,945)
FINANCING ACTIVITIES		
Change in credit borrowings - net	—	25,000
Dividends paid:		
Preferred stock	(241)	(241)
Other	(19)	22
Net cash flow provided by (used in) financing activities	(260)	24,781
Net decrease in cash and cash equivalents	(7,603)	(4,820)
Cash and cash equivalents at beginning of period	33,489	9,391
Cash and cash equivalents at end of period	$25,886	$4,571
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$4,491	$4,066

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents		
Cash	$1,141	$317
Temporary cash investments	24,745	33,172
Total cash and cash equivalents	25,886	33,489
Accounts receivable:		
Customer	48,287	38,872
Allowance for doubtful accounts	(458)	(974)
Associated companies	32,140	32,273
Other	2,516	2,667
Accrued unbilled revenues	11,846	18,745
Total accounts receivable	94,331	91,583
Accumulated deferred income taxes	10,977	12,018
Fuel inventory - at average cost	1,753	2,999
Materials and supplies - at average cost	12,464	11,696
Prepayments and other	14,894	4,178
TOTAL	160,305	155,963
OTHER PROPERTY AND INVESTMENTS		
Non-utility property at cost (less accumulated depreciation)	1,016	1,016
Storm reserve escrow account	12,406	10,513
TOTAL	13,422	11,529
UTILITY PLANT		
Electric	900,433	889,629
Natural gas	222,864	222,463
Construction work in progress	25,348	29,312
TOTAL UTILITY PLANT	1,148,645	1,141,404
Less - accumulated depreciation and amortization	574,186	566,948
UTILITY PLANT - NET	574,459	574,456
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Deferred fuel costs	4,080	4,080
Other regulatory assets	136,654	137,191
Other	6,900	5,577
TOTAL	147,634	146,848
TOTAL ASSETS	$895,820	$888,796

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$30,503	$36,193
Other	32,325	27,840
Customer deposits	23,560	22,959
Taxes accrued	1,174	1,509
Interest accrued	2,241	3,598
Deferred fuel costs	21,435	23,145
System agreement cost equalization	14,823	17,040
Other	4,328	4,387
TOTAL CURRENT LIABILITIES	130,389	136,671
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	189,536	183,636
Accumulated deferred investment tax credits	1,027	1,082
Regulatory liability for income taxes - net	563	2,495
Other regulatory liabilities	27,005	26,361
Asset retirement cost liabilities	2,387	2,347
Accumulated provisions	18,974	15,000
Pension and other postretirement liabilities	31,130	32,497
Long-term debt	225,943	225,944
Gas system rebuild insurance proceeds	30,882	32,760
Other	3,868	3,940
TOTAL NON-CURRENT LIABILITIES	531,315	526,062
Commitments and Contingencies		
Preferred stock without sinking fund	19,780	19,780
COMMON EQUITY		
Common stock, $4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 2014 and 2013	33,744	33,744
Paid-in capital	36,294	36,294
Retained earnings	144,298	136,245
TOTAL	214,336	206,283
TOTAL LIABILITIES AND EQUITY	$895,820	$888,796

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Common Equity			
	Common Stock	Paid-in Capital	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2012	$33,744	$36,294	$125,527	$195,565
Net income	—	—	1,307	1,307
Preferred stock dividends	—	—	(241)	(241)
Balance at March 31, 2013	$33,744	$36,294	$126,593	$196,631
Balance at December 31, 2013	$33,744	$36,294	$136,245	$206,283
Net income	—	—	8,294	8,294
Preferred stock dividends	—	—	(241)	(241)
Balance at March 31, 2014	$33,744	$36,294	$144,298	$214,336

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

Description	Three Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$54	$45	$9	20
Commercial	43	42	1	2
Industrial	8	8	—	—
Governmental	15	16	(1)	(6)
Total retail	120	111	9	8
Sales for resale:				
Associated companies	18	4	14	350
Non-associated companies	3	—	3	—
Other	(1)	(1)	—	—
Total	$140	$114	$26	23
Billed Electric Energy Sales (GWh):				
Residential	541	432	109	25
Commercial	472	451	21	5
Industrial	106	103	3	3
Governmental	175	182	(7)	(4)
Total retail	1,294	1,168	126	11
Sales for resale:				
Associated companies	267	86	181	210
Non-associated companies	10	1	9	900
Total	1,571	1,255	316	25

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ENTERGY TEXAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased $12.2 million primarily due to higher net revenue and lower other operation and maintenance expenses, partially offset by higher taxes other than income taxes.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. Following is an analysis of the change in net revenue comparing the first quarter 2014 to the first quarter 2013:

	Amount (In Millions)	
2013 net revenue	$120.8	
Volume/weather	14.0	
Purchased power capacity	9.7	
Net wholesale revenue	(6.9	)
Reserve equalization	(4.6	)
Other	2.3	
2014 net revenue	$135.3	

The volume/weather variance is primarily due to an increase of 638 GWh, or 17%, in billed electricity usage, including the effect of favorable weather on residential sales and increased industrial usage primarily in the chemicals and petroleum industries.

The purchased power capacity variance is primarily due to a decrease in expenses due to contract changes.

The net wholesale revenue variance is primarily due to contract changes for municipals and co-op customers.

The reserve equalization variance is primarily due to increased reserve equalization expense as a result of the changes in the Entergy System generation mix compared to the same period in 2013.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to an increase of $113.3 million in fuel cost recovery revenues primarily due to higher fuel rates and the increase related to volume/weather, as discussed above.

Fuel and purchased power expenses increased primarily due to an increase in the average market prices of natural gas and purchased power and an increase in deferred fuel expenses due to interim fuel refunds in 2013, partially offset by a decrease in recovery of fuel costs.

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Entergy Texas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $2.5 million in fossil-fueled generation expenses resulting from an overall lower scope of work done compared to prior year; and
- a decrease of $1.8 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and headcount reductions. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs.

Taxes other than income taxes increased primarily due to a reduction in the provision recorded for sales and use taxes in the first quarter 2013.

Income Taxes

The effective income tax rate was 39.2% for the first quarter 2014. The difference in the effective income tax rate for the first quarter 2014 versus the federal statutory rate of 35% was primarily due to certain book and tax differences related to utility plant items and state income taxes.

The effective income tax rate was 76.4% for the first quarter 2013. The difference in the effective income tax rate for the first quarter 2013 versus the federal statutory rate of 35% was primarily due to certain book and tax differences related to utility plant items and state income taxes.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$46,488	$60,236
Cash flow used in:		
Operating activities	(1,319)	(25,061)
Investing activities	(19,764)	(13,118)
Financing activities	(23,481)	(21,947)
Net decrease in cash and cash equivalents	(44,564)	(60,126)
Cash and cash equivalents at end of period	$1,924	$110

Operating Activities

Net cash flow used in operating activities decreased $23.7 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to:

- $86.1 million of fuel cost refunds in the first quarter 2013. See Note 2 to the financial statements in the Form 10-K for discussion of the fuel cost refunds; and

$9.5 million of System Agreement bandwidth remedy payments credited to Entergy Texas customers in the first quarter 2013. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings.

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The decrease was offset by the timing of collections of receivables from customers and a decrease in recovery of fuel costs.

Investing Activities

Net cash flow used in investing activities increased $6.6 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to money pool activity, partially offset by lower fossil-fueled generation construction expenditures due to a greater scope of projects in 2013.

Decreases in Entergy Texas's receivable from the money pool are a source of cash flow, and Entergy Texas's receivable from the money pool decreased by $6.3 million for the three months ended March 31, 2014 compared to decreasing by $19.2 million for the three months ended March 31, 2013. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow used in financing activities increased $1.5 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to $40 million in common stock dividends paid in 2014, offset by money pool activity.

Increases in Entergy Texas's payable to the money pool are a source of cash flow, and Entergy Texas's payable to the money pool increased by $39.2 million for the three months ended March 31, 2014 compared to increasing by $0.2 million for the three months ended March 31, 2013.

Capital Structure

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

	March 31, 2014		December 31, 2013	
Debt to capital	64.1	%	63.7	%
Effect of excluding the securitization bonds	(12.2	%)	(12.6	%)
Debt to capital, excluding securitization bonds (a)	51.9	%	51.1	%
Effect of subtracting cash	(0.1	%)	(1.3	%)
Net debt to net capital, excluding securitization bonds (a)	51.8	%	49.8	%

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Texas.

Net debt consists of debt less cash and cash equivalents. Debt consists of long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Texas 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 Texas's financial condition because the securitization bonds are non-recourse to Entergy Texas, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Texas 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 Texas's financial condition because net debt indicates Entergy Texas's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Texas’s uses and sources of capital.

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Entergy Texas's receivables from or (payables to) the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
(In Thousands)			
($39,155)	$6,287	($180)	$19,175

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Texas has a credit facility in the amount of $150 million scheduled to expire in March 2019. The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility. As of March 31, 2014, there were no cash borrowings and $36.3 million of letters of credit outstanding under the credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facility.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel-cost recovery. Following is an update to that discussion.

Filings with the PUCT

2013 Rate Case

In September 2013, Entergy Texas filed a rate case requesting a $38.6 million base rate increase reflecting a 10.4% return on common equity based on an adjusted test year ending March 31, 2013. The rate case also proposed (1) a rough production cost equalization adjustment rider recovering Entergy Texas's payment to Entergy New Orleans to achieve rough production cost equalization based on calendar year 2012 production costs and (2) a rate case expense rider recovering the cost of the 2013 rate case and certain costs associated with previous rate cases. The rate case filing also included a request to reconcile $0.9 billion of fuel and purchased power costs and fuel revenues covering the period July 2011 through March 2013. The fuel reconciliation also reflects special circumstances fuel cost recovery of approximately $22 million of purchased power capacity costs. In January 2014 the PUCT staff filed direct testimony recommending a retail rate reduction of $0.3 million and a 9.2% return on common equity. In March 2014, Entergy Texas filed an Agreed Motion for Interim Rates. The motion explained that the parties to this proceeding have agreed that Entergy Texas should be allowed to implement new rates reflecting an $18.5 million base rate increase, effective for usage on and after April 1, 2014, as well as recovery of charges for rough production cost equalization and rate case expenses. In March 2014, the State Office of Administrative Hearings, the body assigned to hear the case, approved the motion. In April 2014, Entergy Texas filed a unanimous stipulation in this case. Among other things, the stipulation provides for an $18.5 million base rate increase, recovery over three years of rough production cost equalization charges and rate case expenses (the same as the interim rates currently in effect), and states a 9.8% return on common equity. In addition, the stipulation finalizes the fuel and purchased power reconciliation covering the period July 2011 through March 2013, with the parties stipulating an immaterial fuel disallowance. No special circumstances recovery of purchased power costs was allowed. In April 2014, the State Office of Administrative Hearings remanded the case back to the PUCT for final processing. A memorandum filed in this matter by the PUCT's ALJ indicates that the PUCT will consider this matter at its open meeting currently scheduled for May 16, 2014.

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and

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Subsidiaries Management's Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Industrial and Commercial Customers

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Industrial and Commercial Customers" in the Form 10-K for a discussion of industrial and commercial customers.

Nuclear Matters

See "Nuclear Matters" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K for a discussion of unbilled revenue and qualified pension and other postretirement benefits.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$440,256	$306,173
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	50,968	(26,100)
Purchased power	234,826	192,719
Other operation and maintenance	51,210	56,490
Taxes other than income taxes	16,498	14,650
Depreciation and amortization	24,515	23,360
Other regulatory charges - net	19,183	18,777
TOTAL	397,200	279,896
OPERATING INCOME	43,056	26,277
OTHER INCOME		
Allowance for equity funds used during construction	845	759
Interest and investment income	303	347
Miscellaneous - net	(464)	(858)
TOTAL	684	248
INTEREST EXPENSE		
Interest expense	22,661	23,181
Allowance for borrowed funds used during construction	(589)	(555)
TOTAL	22,072	22,626
INCOME BEFORE INCOME TAXES	21,668	3,899
Income taxes	8,503	2,977
NET INCOME	$13,165	$922

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$13,165	$922
Adjustments to reconcile net income to net cash flow used in operating activities:		
Depreciation and amortization	24,515	23,360
Deferred income taxes, investment tax credits, and non-current taxes accrued	(49,904)	(31,998)
Changes in assets and liabilities:		
Receivables	(38,870)	21,476
Fuel inventory	79	(3,453)
Accounts payable	(15,089)	12,838
Prepaid taxes	43,701	17,881
Interest accrued	(8,948)	(8,763)
Deferred fuel costs	(26,901)	(76,915)
Other working capital accounts	32,814	(3,839)
Provisions for estimated losses	54	1,689
Other regulatory assets	25,034	24,771
Pension and other postretirement liabilities	(3,135)	(2,114)
Other assets and liabilities	2,166	(916)
Net cash flow used in operating activities	(1,319)	(25,061)
INVESTING ACTIVITIES		
Construction expenditures	(34,677)	(43,382)
Allowance for equity funds used during construction	845	759
Change in money pool receivable - net	6,287	19,175
Changes in securitization account	7,781	10,330
Net cash flow used in investing activities	(19,764)	(13,118)
FINANCING ACTIVITIES		
Retirement of long-term debt	(22,519)	(21,967)
Changes in money pool payable - net	39,155	180
Dividends paid:		
Common stock	(40,000)	—
Other	(117)	(160)
Net cash flow used in financing activities	(23,481)	(21,947)
Net decrease in cash and cash equivalents	(44,564)	(60,126)
Cash and cash equivalents at beginning of period	46,488	60,236
Cash and cash equivalents at end of period	$1,924	$110
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	$30,646	$30,909
Income taxes	($928)	($1,941)

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$1,894	$2,432
Temporary cash investments	30	44,056
Total cash and cash equivalents	1,924	46,488
Securitization recovery trust account	29,730	37,511
Accounts receivable:		
Customer	86,256	76,957
Allowance for doubtful accounts	(524)	(443)
Associated companies	106,663	76,494
Other	17,278	10,897
Accrued unbilled revenues	29,882	43,067
Total accounts receivable	239,555	206,972
Deferred fuel costs	22,808	—
Fuel inventory - at average cost	55,256	55,335
Materials and supplies - at average cost	33,920	34,068
System agreement cost equalization	16,040	16,040
Prepaid taxes	11,934	55,635
Prepayments and other	18,710	34,458
TOTAL	429,877	486,507
OTHER PROPERTY AND INVESTMENTS		
Investments in affiliates - at equity	678	687
Non-utility property - at cost (less accumulated depreciation)	376	376
Other	18,657	18,161
TOTAL	19,711	19,224
UTILITY PLANT		
Electric	3,664,600	3,616,061
Construction work in progress	74,342	94,743
TOTAL UTILITY PLANT	3,738,942	3,710,804
Less - accumulated depreciation and amortization	1,405,577	1,387,303
UTILITY PLANT - NET	2,333,365	2,323,501
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	128,271	129,069
Other regulatory assets (includes securitization property of $568,705 as of March 31, 2014 and $585,152 as of December 31, 2013)	894,998	919,234
Long-term receivables - associated companies	27,363	27,900
Other	19,039	16,425
TOTAL	1,069,671	1,092,628
TOTAL ASSETS	$3,852,624	$3,921,860

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$135,367	$112,309
Other	73,598	73,682
Customer deposits	40,070	38,721
Accumulated deferred income taxes	33,443	33,847
Interest accrued	22,298	31,246
Deferred fuel costs	—	4,093
Pension and other postretirement liabilities	764	786
System agreement cost equalization	37,149	12,000
Other	13,910	23,490
TOTAL	356,599	330,174
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	970,896	1,022,955
Accumulated deferred investment tax credits	15,781	16,147
Other regulatory liabilities	6,584	5,194
Asset retirement cost liabilities	4,412	4,349
Accumulated provisions	9,133	9,079
Pension and other postretirement liabilities	48,140	51,253
Long-term debt (includes securitization bonds of $606,573 as of March 31, 2014 and $629,087 as of December 31, 2013)	1,534,531	1,556,939
Other	46,356	38,743
TOTAL	2,635,833	2,704,659
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2014 and 2013	49,452	49,452
Paid-in capital	481,994	481,994
Retained earnings	328,746	355,581
TOTAL	860,192	887,027
TOTAL LIABILITIES AND EQUITY	$3,852,624	$3,921,860

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Common Equity			
	Common Stock	Paid-in Capital	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2012	$49,452	$481,994	$322,700	$854,146
Net income	—	—	922	922
Balance at March 31, 2013	$49,452	$481,994	$323,622	$855,068
Balance at December 31, 2013	$49,452	$481,994	$355,581	$887,027
Net income	—	—	13,165	13,165
Common stock dividends	—	—	(40,000)	(40,000)
Balance at March 31, 2014	$49,452	$481,994	$328,746	$860,192

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

Description	2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$165	$101	$64	63
Commercial	88	53	35	66
Industrial	95	50	45	90
Governmental	6	4	2	50
Total retail	354	208	146	70
Sales for resale:				
Associated companies	75	84	(9)	(11)
Non-associated companies	12	9	3	33
Other	(1)	5	(6)	(120)
Total	$440	$306	$134	44
Billed Electric Energy Sales (GWh):				
Residential	1,533	1,263	270	21
Commercial	1,046	981	65	7
Industrial	1,722	1,419	303	21
Governmental	68	68	—	—
Total retail	4,369	3,731	638	17
Sales for resale:				
Associated companies	1,030	1,325	(295)	(22)
Non-associated companies	136	162	(26)	(16)
Total	5,535	5,218	317	6

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SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

System Energy's principal asset currently consists of an ownership interest and a leasehold interest in Grand Gulf. The capacity and energy from its 90% interest is sold under the Unit Power Sales Agreement to its only four customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% interest in Grand Gulf pursuant to the Unit Power Sales Agreement. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues.

Net income decreased $3.4 million primarily due to lower operating revenue resulting from lower rate base, partially offset by higher other income. Other income increased primarily due to higher realized gains on decommissioning trust fund investments.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$127,142	$83,622
Cash flow provided by (used in):		
Operating activities	85,670	94,178
Investing activities	(119,532)	(49,239)
Financing activities	(9,075)	(111,456)
Net decrease in cash and cash equivalents	(42,937)	(66,517)
Cash and cash equivalents at end of period	$84,205	$17,105

Operating Activities

Net cash provided by operating activities decreased $8.5 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to $3.1 million in pension contributions in 2014 and spending on the Grand Gulf refueling outage in 2014. The increase was offset by the timing of payments to vendors. 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.

Investing Activities

Net cash used in investing activities increased $70.3 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and

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services deliveries, and the timing of cash payments during the nuclear fuel cycle. The decrease was partially offset by money pool activity.

Increases in System Energy’s receivable from the money pool are a use of cash flow and System Energy’s receivable from the money pool increased $9.0 million for the three months ended March 31, 2014 compared to increasing by $24.7 million for the three months ended March 31, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries’ need for external short-term borrowings.

Financing Activities

Net cash flow used by financing activities decreased $102.4 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to:

- an increase in borrowings of $52.7 million on the nuclear fuel company variable interest entity’s credit facility in 2014 compared to repayments of $19.8 million on the nuclear fuel company variable interest entity’s credit facility in 2013; and
- a decrease of $35 million in common stock dividends paid in 2014.

See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

Capital Structure

System Energy’s capitalization is balanced between equity and debt, as shown in the following table.

	March 31, 2014		December 31, 2013	
Debt to capital	46.3	%	46.4	%
Effect of subtracting cash	(2.9	%)	(4.6	%)
Net debt to net capital	43.4	%	41.8	%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. System Energy uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating System Energy’s financial condition. System Energy 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 System Energy’s financial condition because net debt indicates System Energy’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of System Energy’s uses and sources of capital.

System Energy’s receivables from the money pool were as follows:

March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012

(In Thousands)			
$18,244	$9,223	$51,602	$26,915

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

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The System Energy nuclear fuel company variable interest entity has a credit facility in the amount of $125 million scheduled to expire in June 2016. As of March 31, 2014, $52.7 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the System Energy nuclear fuel company variable interest entity. See Note 4 to the financial statements herein for additional discussion of the variable interest entity credit facility.

Nuclear Matters

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Environmental Risks" in the Form 10-K for a discussion of environmental risks.

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 System Energy’s accounting for nuclear decommissioning costs and qualified pension and other postretirement benefits.

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SYSTEM ENERGY RESOURCES, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING REVENUES		
Electric	$157,667	$168,578
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	14,148	21,517
Nuclear refueling outage expenses	6,182	7,357
Other operation and maintenance	34,678	39,941
Decommissioning	10,192	8,631
Taxes other than income taxes	6,522	6,489
Depreciation and amortization	37,326	35,416
Other regulatory credits - net	(3,410)	(2,825)
TOTAL	105,638	116,526
OPERATING INCOME	52,029	52,052
OTHER INCOME		
Allowance for equity funds used during construction	1,218	1,471
Interest and investment income	4,415	2,677
Miscellaneous - net	(105)	(168)
TOTAL	5,528	3,980
INTEREST EXPENSE		
Interest expense	14,247	9,204
Allowance for borrowed funds used during construction	(167)	(178)
TOTAL	14,080	9,026
INCOME BEFORE INCOME TAXES	43,477	47,006
Income taxes	18,858	19,000
NET INCOME	$24,619	$28,006

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$24,619	$28,006
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	57,987	61,067
Deferred income taxes, investment tax credits, and non-current taxes accrued	28,873	16,477
Changes in assets and liabilities:		
Receivables	47,002	10,146
Accounts payable	21,210	(11,351)
Taxes accrued and prepaid taxes	(26,542)	(17,238)
Interest accrued	7,477	161
Other working capital accounts	(46,388)	33
Other regulatory assets	2,890	5,784
Pension and other postretirement liabilities	(1,981)	266
Other assets and liabilities	(29,477)	827
Net cash flow provided by operating activities	85,670	94,178
INVESTING ACTIVITIES		
Construction expenditures	(19,056)	(21,349)
Allowance for equity funds used during construction	1,218	1,471
Nuclear fuel purchases	(128,204)	(22,932)
Proceeds from the sale of nuclear fuel	43,992	26,522
Proceeds from nuclear decommissioning trust fund sales	130,315	25,612
Investment in nuclear decommissioning trust funds	(138,776)	(33,876)
Changes in money pool receivable - net	(9,021)	(24,687)
Net cash flow used in investing activities	(119,532)	(49,239)
FINANCING ACTIVITIES		
Retirement of long-term debt	(46,743)	(40,902)
Changes in credit borrowings - net	52,684	(19,797)
Dividends paid:		
Common stock	(15,000)	(50,000)
Other	(16)	(757)
Net cash flow used in financing activities	(9,075)	(111,456)
Net decrease in cash and cash equivalents	(42,937)	(66,517)
Cash and cash equivalents at beginning of period	127,142	83,622
Cash and cash equivalents at end of period	$84,205	$17,105
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$4,894	$5,938
Income taxes	$5,564	$4,334

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$1,074	$62,561
Temporary cash investments	83,131	64,581
Total cash and cash equivalents	84,205	127,142
Accounts receivable:		
Associated companies	67,064	104,419
Other	5,774	6,400
Total accounts receivable	72,838	110,819
Materials and supplies - at average cost	82,753	85,118
Deferred nuclear refueling outage costs	52,885	7,853
Prepaid taxes	15,421	—
Prepayments and other	7,963	1,727
TOTAL	316,065	332,659
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	619,323	603,896
TOTAL	619,323	603,896
UTILITY PLANT		
Electric	4,142,592	4,124,647
Property under capital lease	570,872	570,872
Construction work in progress	29,676	29,061
Nuclear fuel	278,636	188,824
TOTAL UTILITY PLANT	5,021,776	4,913,404
Less - accumulated depreciation and amortization	2,732,722	2,699,263
UTILITY PLANT - NET	2,289,054	2,214,141
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	113,324	115,492
Other regulatory assets	261,018	261,740
Other	15,555	15,996
TOTAL	389,897	393,228
TOTAL ASSETS	$3,614,339	$3,543,924

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$15,160	$48,653
Short-term borrowings	52,684	—
Accounts payable:		
Associated companies	2,826	12,778
Other	63,793	31,862
Taxes accrued	—	11,121
Accumulated deferred income taxes	19,609	2,310
Interest accrued	19,302	11,825
Other	2,325	2,312
TOTAL	175,699	120,861
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	760,607	737,973
Accumulated deferred investment tax credits	53,703	54,786
Other regulatory liabilities	339,264	349,846
Decommissioning	626,349	616,157
Pension and other postretirement liabilities	77,430	79,411
Long-term debt	695,561	708,783
TOTAL	2,552,914	2,546,956
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2014 and 2013	789,350	789,350
Retained earnings	96,376	86,757
TOTAL	885,726	876,107
TOTAL LIABILITIES AND EQUITY	$3,614,339	$3,543,924

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Common Equity		
	Common Stock	Retained Earnings	Total
	(In Thousands)		
Balance at December 31, 2012	$789,350	$43,379	$832,729
Net income	—	28,006	28,006
Common stock dividends	—	(50,000)	(50,000)
Balance at March 31, 2013	$789,350	$21,385	$810,735
Balance at December 31, 2013	$789,350	$86,757	$876,107
Net income	—	24,619	24,619
Common stock dividends	—	(15,000)	(15,000)
Balance at March 31, 2014	$789,350	$96,376	$885,726

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See "PART I, Item 1, Litigation" in the Form 10-K for a discussion of legal, administrative, and other regulatory proceedings affecting Entergy. Also see "Item 5, Other Information, Environmental Regulation", below, for updates regarding environmental proceedings and regulation.

Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in "PART I, Item 1A, Risk Factors" in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (a)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum $ Amount of Shares that May Yet be Purchased Under a Plan (b)
1/01/2014-1/31/2014	—	$—	—	$350,052,918
2/01/2014-2/28/2014	—	$—	—	$350,052,918
3/01/2014-3/31/2014	—	$—	—	$350,052,918
Total	—	$—	—	

In accordance with Entergy's stock-based compensation plans, Entergy periodically grants stock options to key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plans, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans. In addition to this authority, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a $500 million share repurchase program. The amount of share repurchases under these programs may vary as a result of material changes in business results or capital spending or new investment opportunities. In addition, in the first quarter 2014, Entergy withheld 55,076 shares of its common stock at $61.29 per share and 43,246 shares of its common stock at $63.03 to pay income taxes due upon vesting of restricted stock granted as part of its long-term incentive program.

(a) See Note 12 to the financial statements in the Form 10-K for additional discussion of the stock-based compensation plans.

(b) Maximum amount of shares that may yet be repurchased relates only to the $500 million plan and does not include an estimate of the amount of shares that may be purchased to fund the exercise of grants under the stock-based compensation plans.

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Item 5. Other Information

Regulation of the Nuclear Power Industry

Nuclear Waste Policy Act of 1982

Nuclear Plant Decommissioning

See the discussion in Part I, Item 1 in the Form 10-K for information regarding decommissioning funding for the nuclear plants. Following is an update to that discussion. In March 2014, Entergy Nuclear Operations made filings with the NRC reporting on decommissioning funding for certain of Entergy's nuclear plants. Those reports all showed that decommissioning funding for those nuclear plants met the NRC's financial assurance requirements.

Environmental Regulation

Following are updates to the Environmental Regulation section of Part I, Item 1 of the Form 10-K.

Clean Air Act and Subsequent Amendments

Cross-State Air Pollution

In March 2005, the EPA finalized the Clean Air Interstate Rule (CAIR), which was intended to reduce SO2 and NOx emissions from electric generation plants in order to improve air quality in twenty-nine eastern states. The rule required a combination of capital investment to install pollution control equipment and increased operating costs through the purchase of emission allowances. Entergy began implementation in 2007, including installation of controls at several facilities and the development of an emission allowance procurement strategy.

Based on several court challenges, the CAIR was vacated and remanded to the EPA by the D.C. Circuit in 2008. The court allowed the CAIR to become effective in January 2009, while the EPA revised the rule. On July 7, 2011, the EPA released its final Cross-State Air Pollution Rule (CSAPR, which previously was referred to as the Transport Rule). The rule was directed at limiting the interstate transport of emissions of NOx and SO2 as precursors to ozone and fine particulate matter. The final rule provided a significantly lower number of allowances to Entergy's Utility states than did the draft rule. Entergy's capital investment and annual allowance purchase costs under the CSAPR would depend on the economic assessment of NOx and SO2 allowance markets, the cost of control technologies, generation unit utilization, and the availability and cost of purchased power.

Entergy filed a petition for review with the United States Court of Appeals for the D.C. Circuit and a petition with the EPA for reconsideration of the rule and stay of its effectiveness. Several other parties filed similar petitions. In December 2011 the Court of Appeals for the D.C. Circuit Court stayed CSAPR and instructed the EPA to continue administering CAIR, pending further judicial review. In August 2012 the court issued a decision vacating CSAPR and leaving CAIR in place pending the promulgation of a lawful replacement for both rules. In January 2013 the court denied petitions for reconsideration filed by the EPA and certain states and intervenors. In March 2013 the EPA and other parties filed petitions for certiorari with the U.S. Supreme Court. The U.S. Supreme Court issued an order in June 2013 granting the EPA's and environmental groups' petitions for review of the D.C. Circuit's decision vacating CSAPR. In April 2014 the Supreme Court reversed the D.C. Circuit and remanded the case to the D.C. Circuit for further proceedings. Entergy is reviewing the decision. Until the courts or the EPA issue further guidance on this rule and its applicability, Entergy will continue to comply with CAIR as directed by the D.C. Circuit in its original opinion.

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Clean Water Act

Effluent Limitation Guidelines

In April 2013 the EPA issued proposed effluent limitation guidelines that, if adopted as final, would apply to discharges from Entergy's generating facilities that hold national pollutant discharge elimination system permits under the Clean Water Act. The proposal includes several options for public consideration. Entergy submitted comments on the proposed rule and will continue to engage in the public comment process as appropriate. The EPA announced that the final rule will be issued no later than September 30, 2015.

Federal Jurisdiction of Waters of the United States

In September 2013 the EPA and the U.S. Army Corps of Engineers announced the intention to propose a rule to clarify federal Clean Water Act jurisdiction over waters of the United States. The announcement was made in conjunction with the EPA's release of a draft scientific report on the "connectivity" of waters that the agency says will inform the rulemaking. The proposed rule was published in the Federal Register on April 21, 2014 and will undergo a 90-day public comment period. Preliminary review indicates that this proposal could significantly increase the number and types of waters included in the EPA's and the U.S. Army Corps of Engineers' jurisdiction, which in turn could pose additional permitting and pollutant management burdens on Entergy's operations. Entergy is actively engaged in the rulemaking process.

Entergy Louisiana Officer Election (Entergy Louisiana)

On May 6, 2014, the Board of Directors of Entergy Louisiana, LLC elected Andrew S. Marsh to the position of Executive Vice President and Chief Financial Officer. Upon his election, Mr. Marsh became Entergy Louisiana's principal financial officer. Alyson M. Mount, Entergy Louisiana's Senior Vice President and Chief Accounting Officer, previously served as Entergy Louisiana's acting principal financial officer and will continue to serve as its principal accounting officer.

Mr. Marsh, age 42, continues to serve as Executive Vice President and Chief Financial Officer for Entergy Corporation. Mr. Marsh previously served as Vice President, System Planning for Entergy Services, Inc. (ESI), from June 2010 until February 2013, Vice President, Planning and Financial Communications of ESI from July 2007 through June 2010 and as Vice President, Strategic Planning of ESI from October 2004 through June 2007. Mr. Marsh receives compensation for serving as an executive officer of Entergy Corporation and will not receive any additional compensation as Entergy Louisiana's Executive Vice President and Chief Financial Officer.

Earnings Ratios (Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

The Registrant Subsidiaries have calculated ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred dividends/distributions pursuant to Item 503 of Regulation S-K of the SEC as follows:

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	Ratios of Earnings to Fixed Charges					
	Twelve Months Ended					
	December 31,					March 31,
	2009	2010	2011	2012	2013	2014
Entergy Arkansas	2.39	3.91	4.31	3.79	3.62	3.84
Entergy Gulf States Louisiana	2.99	3.58	4.36	3.48	3.63	4.00
Entergy Louisiana	3.52	3.41	1.86	2.08	3.13	3.21
Entergy Mississippi	3.31	3.35	3.55	2.79	3.19	3.57
Entergy New Orleans	3.61	4.43	5.37	3.02	1.93	2.70
Entergy Texas	1.92	2.10	2.34	1.76	1.94	2.13
System Energy	3.73	3.64	3.85	5.12	5.66	5.05

	Ratios of Earnings to Combined Fixed Charges and Preferred Dividends/Distributions					
	Twelve Months Ended					
	December 31,					March 31,
	2009	2010	2011	2012	2013	2014
Entergy Arkansas	2.09	3.60	3.83	3.36	3.25	3.44
Entergy Gulf States Louisiana	2.95	3.54	4.30	3.43	3.57	3.94
Entergy Louisiana	3.27	3.19	1.70	1.93	2.92	3.00
Entergy Mississippi	3.06	3.16	3.27	2.59	2.97	3.31
Entergy New Orleans	3.33	4.08	4.74	2.67	1.74	2.43

The Registrant Subsidiaries accrue interest expense related to unrecognized tax benefits in income tax expense and do not include it in fixed charges.

Item 6. Exhibits *

*	4(a) -	Seventy-sixth Supplemental Indenture, dated as of March 1, 2014, to Entergy Arkansas, Inc. Mortgage and Deed of Trust, dated as of October 1, 1944 (4.05 to Form 8-K dated March 14, 2014 in 1-10764).
*	4(b) -	Thirty-first Supplemental Indenture, dated as of March 1, 2014, to Entergy Mississippi, Inc. Mortgage and Deed of Trust, dated as of February 1, 1988 (4.05 to Form 8-K dated March 21, 2014 in 1-31508).
	12(a) -	Entergy Arkansas's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
	12(b) -	Entergy Gulf States Louisiana's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Distributions, as defined.
	12(c) -	Entergy Louisiana's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Distributions, as defined.
	12(d) -	Entergy Mississippi's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
	12(e) -	Entergy New Orleans's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.

12(f) -	Entergy Texas's Computation of Ratios of Earnings to Fixed Charges, as defined.
12(g) -	System Energy's Computation of Ratios of Earnings to Fixed Charges, as defined.
31(a) -	Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
31(b) -	Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.

31(c) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.

31(d) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.

31(e) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Gulf States Louisiana.

31(f) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Gulf States Louisiana.

31(g) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.

31(h) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.

31(i) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.

31(j) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.

31(k) - Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.

31(l) - Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.

31(m) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.

31(n) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.

31(o) - Rule 13a-14(a)/15d-14(a) Certification for System Energy.

31(p) - Rule 13a-14(a)/15d-14(a) Certification for System Energy.

32(a) - Section 1350 Certification for Entergy Corporation.

32(b) - Section 1350 Certification for Entergy Corporation.

32(c) - Section 1350 Certification for Entergy Arkansas.

32(d) - Section 1350 Certification for Entergy Arkansas.

32(e) - Section 1350 Certification for Entergy Gulf States Louisiana.

32(f) - Section 1350 Certification for Entergy Gulf States Louisiana.

32(g) - Section 1350 Certification for Entergy Louisiana.

32(h) - Section 1350 Certification for Entergy Louisiana.

32(i) - Section 1350 Certification for Entergy Mississippi.

32(j) - Section 1350 Certification for Entergy Mississippi.

32(k) - Section 1350 Certification for Entergy New Orleans.

32(l) -	Section 1350 Certification for Entergy New Orleans.
32(m) -	Section 1350 Certification for Entergy Texas.
32(n) -	Section 1350 Certification for Entergy Texas.
32(o) -	Section 1350 Certification for System Energy.
32(p) -	Section 1350 Certification for System Energy.
101 INS -	XBRL Instance Document.
101 SCH -	XBRL Taxonomy Extension Schema Document.
101 PRE -	XBRL Taxonomy Presentation Linkbase Document.
101 LAB -	XBRL Taxonomy Label Linkbase Document.
101 CAL -	XBRL Taxonomy Calculation Linkbase Document.

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101 DEF - XBRL Definition Linkbase Document.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, Entergy Corporation agrees to furnish to the Commission upon request any instrument with respect to long-term debt that is not registered or listed herein as an Exhibit because the total amount of securities authorized under such agreement does not exceed ten percent of the total assets of Entergy Corporation and its subsidiaries on a consolidated basis.

* Incorporated herein by reference as indicated.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

ENTERGY CORPORATION
ENTERGY ARKANSAS, INC.
ENTERGY GULF STATES LOUISIANA, L.L.C.
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, INC.
ENTERGY NEW ORLEANS, INC.
ENTERGY TEXAS, INC.
SYSTEM ENERGY RESOURCES, INC.

/s/ Alyson M. Mount
Alyson M. Mount
Senior Vice President and Chief Accounting Officer
(For each Registrant and for each as
Principal Accounting Officer)

Date: May 8, 2014

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