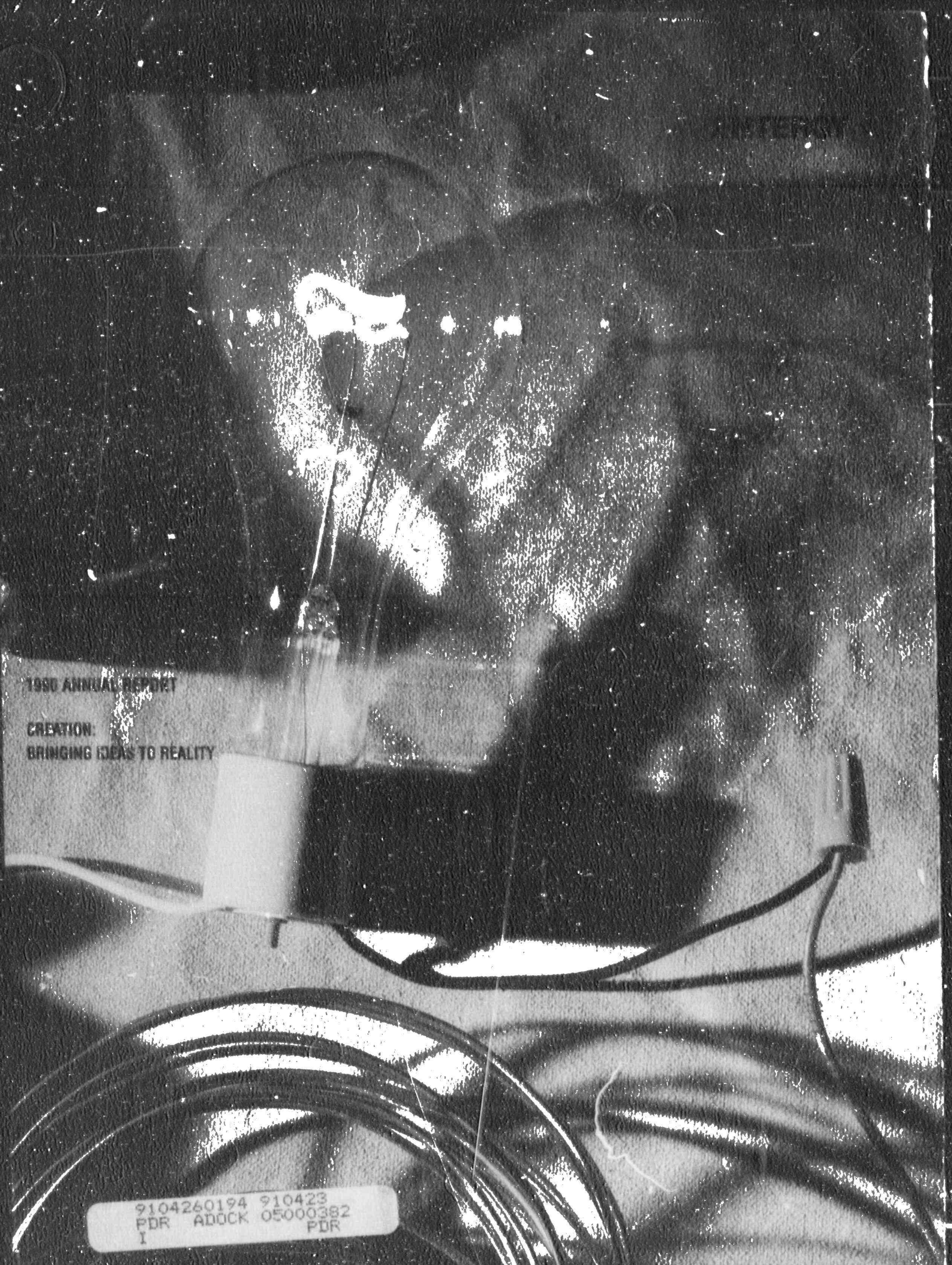
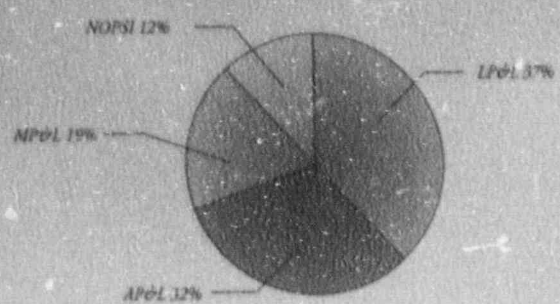


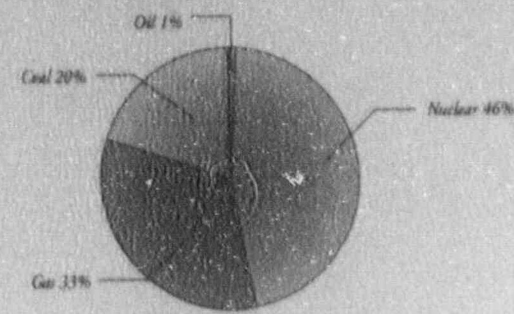
1990 ANNUAL REPORT

CREATION:
BRINGING IDEAS TO REALITY

Revenues By Retail Company

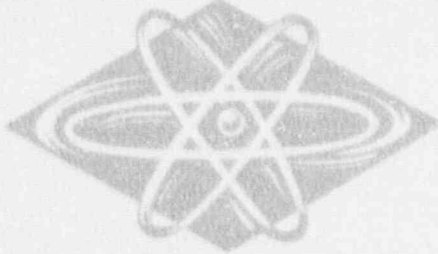


Electricity Generation By Fuel Type



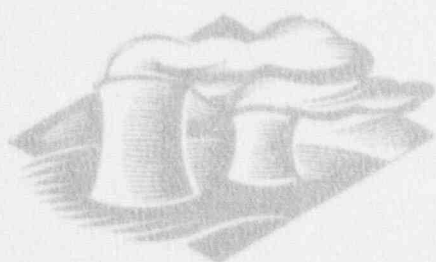
Negligible amounts of hydroelectric generation are not shown.

Other Principal Subsidiaries



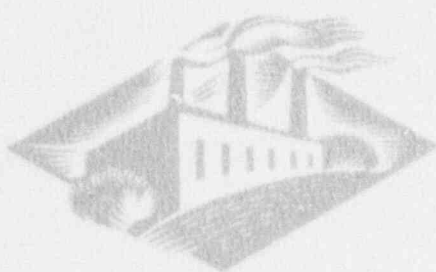
Entergy Operations, Inc.

Formed in 1990 and headquartered in Jackson, Mississippi, Entergy Operations has management and operating responsibility for all System nuclear power plants: Arkansas Nuclear One, Waterford 3, and Grand Gulf.



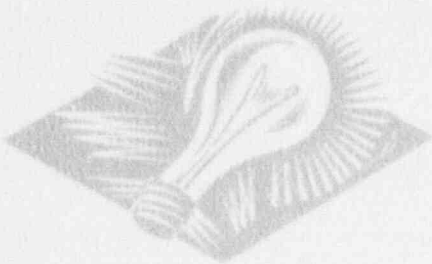
System Energy Resources, Inc.

Headquartered in Jackson, Mississippi, System Energy has a 90 percent interest in the Grand Gulf Nuclear Station, located near Port Gibson, Mississippi. System Energy provides electricity to AP&L, LP&L, MP&L, and NOPSI — its only customers.



Entergy Power, Inc.

Formed in 1990, Entergy Power is an independent power producer, selling its capacity and energy off-System to the wholesale market.



Electec, Inc.

A non-regulated, non-utility subsidiary, Electec markets Entergy's technology and expertise worldwide to utilities and other industrial customers.

ENTERGY

1990 Annual Report

Creation:

Bringing Ideas To Reality

Recent Developments

NOPSI Prudence Disallowance

In the midst of production of this Annual Report, the Louisiana Fourth Circuit Court of Appeal rendered a decision in connection with appeals from the February 4, 1988 resolution of the New Orleans City Council regarding retail rates of New Orleans Public Service Inc. The February 4 Resolution required NOPSI to write off and not recover from its retail electric customers $135 million of its previously deferred costs related to Grand Gulf 1. This write off was taken in 1987 in addition to $51 million originally not recovered by NOPSI. In late 1989, a state Civil Court affirmed the February 4 Resolution, denying petitions of NOPSI (which claimed the February 4 Resolution should be overturned) and of the Alliance for Affordable Energy, Inc. (which asserted that the February 4 Resolution should be amended to order a significantly greater disallowance).

On appeal, the Fourth Circuit issued a decision on April 4, 1991, that rejected NOPSI's federal preemption claims and affirmed the findings of the Council, embodied in the February 4 Resolution, that NOPSI had imprudently incurred approximately $477 million of Grand Gulf 1-related costs. However, the Fourth Circuit concluded that the Council acted contrary to law and public policy when, in weighing the effect of its ruling upon NOPSI's financial condition, it decided to disallow only a portion of the Grand Gulf 1-related costs found imprudent. The Fourth Circuit purported to amend the February 4 Resolution to disallow the recovery by NOPSI from its retail electric customers of any costs found to have been imprudently incurred, including an additional $290 million not previously disallowed. NOPSI intends to vigorously contest the Fourth Circuit's decision.

In related proceedings before federal courts, NOPSI has petitioned the United States Supreme Court for a writ of certiorari seeking a review of lower federal court rulings staying federal proceedings for review of the February 4 Resolution due in part to the pending proceedings in state court. A ruling from the United States Supreme Court on this matter is expected as early as the middle of April 1991.

The ultimate outcome of these various federal and state court proceedings cannot be predicted. Entergy Corporation and NOPSI are in the process of assessing the potential impact of the Fourth Circuit decision. However, if the Fourth Circuit decision were ultimately sustained, NOPSI's earnings, liquidity, and financial condition would be materially adversely affected and NOPSI could be rendered insolvent.

Supplementary Information

The recent developments described above and the information in the Annual Report should be considered together with information included in reports filed by Entergy Corporation with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 1990. Filings updating information herein for material developments may be made before the Annual Meeting of Stockholders of Entergy Corporation to be held on May 17, 1991. Copies of any such reports filed with the SEC may be obtained without charge by calling System Investor Relations at 1-800-292-9960.

April 5, 1991

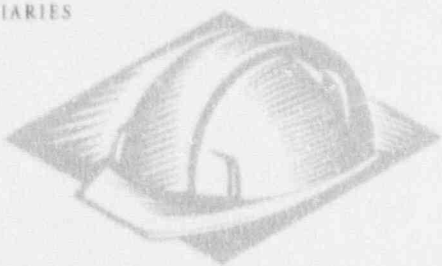
Entergy Corporation

Headquartered in New Orleans, Entergy is one of the nation's largest investor-owned public utility holding companies, serving more than 1.7 million retail customers in portions of Arkansas, Louisiana, Mississippi, and Missouri. Entergy also provides wholesale electricity off-System to neighboring utilities, and markets its energy expertise worldwide.

The Entergy System has a diversified generating capacity of 15.2 thousand megawatts, including 50 generating units utilizing coal, gas, nuclear, oil, and some hydroelectric power. This power is centrally dispatched across more than 80,000 miles of interconnected transmission and distribution lines.

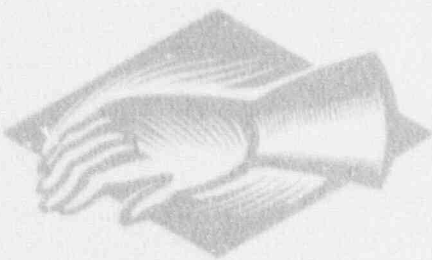
The Entergy System includes the eight principal subsidiaries described below, and Entergy Services, Inc., which provides technical, administrative, and corporate services to all the companies in the Entergy System.

Retail Subsidiaries



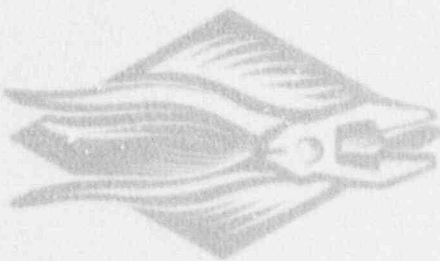
Arkansas Power & Light Company (AP&L)

Headquartered in Little Rock, AP&L provides electric service to 600,000 customers in 63 of Arkansas' 75 counties and in 10 counties in Missouri.



Louisiana Power & Light Company (LP&L)

Headquartered in New Orleans, LP&L provides electric service to 582,000 customers in 46 of Louisiana's 64 parishes.

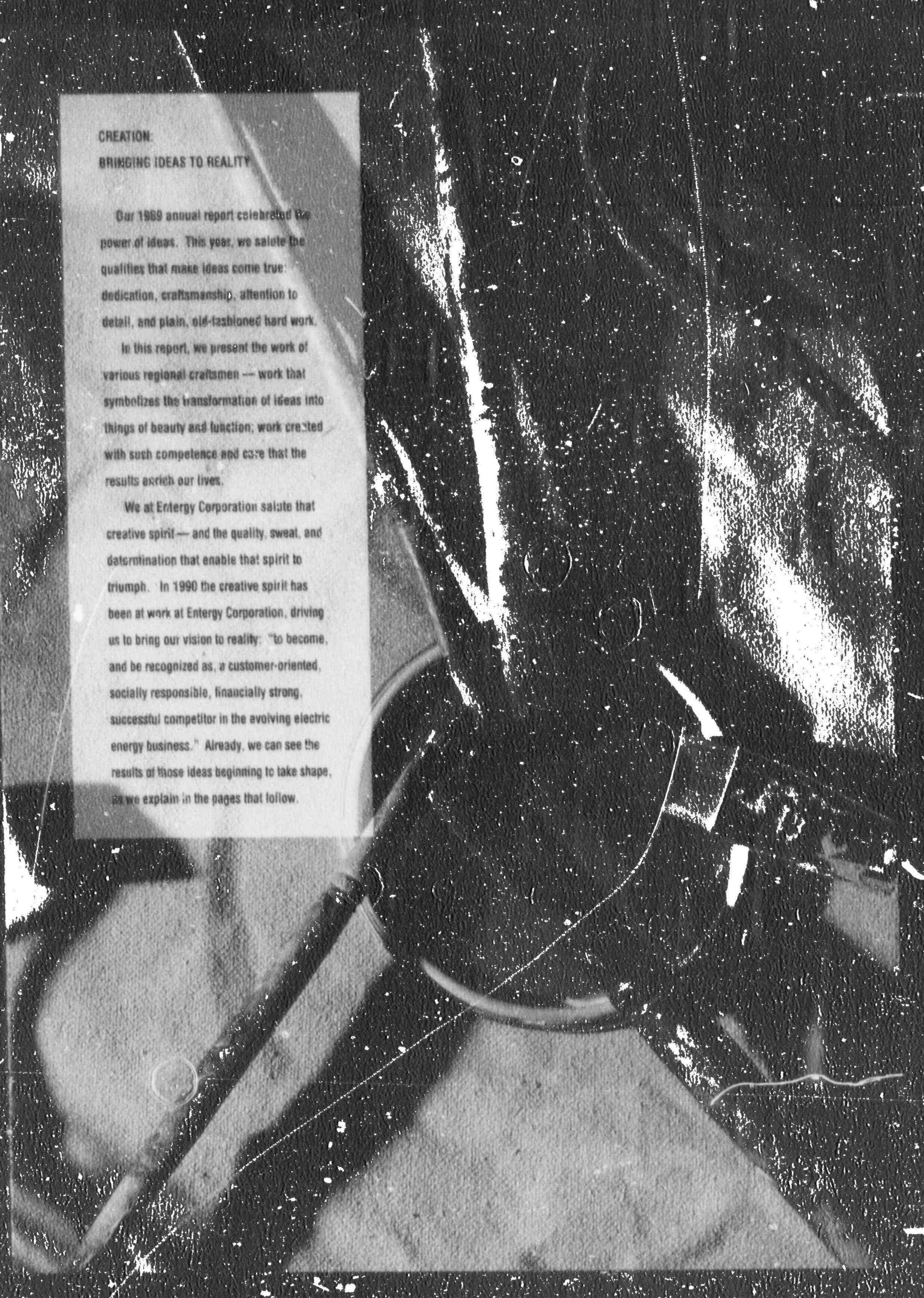


Mississippi Power & Light Company (MP&L)

Headquartered in Jackson, MP&L provides electric service to 350,000 customers in 45 counties of western Mississippi.

New Orleans Public Service Inc. (NOPSI)

NOPSI provides electric service to 191,000 customers and natural gas service to 160,000 customers in the city of New Orleans.



CREATION:
BRINGING IDEAS TO REALITY

Our 1989 annual report celebrated the power of ideas. This year, we salute the qualities that make ideas come true: dedication, craftsmanship, attention to detail, and plain, old-fashioned hard work.

In this report, we present the work of various regional craftsmen — work that symbolizes the transformation of ideas into things of beauty and function; work created with such competence and care that the results enrich our lives.

We at Entergy Corporation salute that creative spirit — and the quality, sweat, and determination that enable that spirit to triumph. In 1990 the creative spirit has been at work at Entergy Corporation, driving us to bring our vision to reality: "to become, and be recognized as, a customer-oriented, socially responsible, financially strong, successful competitor in the evolving electric energy business." Already, we can see the results of those ideas beginning to take shape, as we explain in the pages that follow.

Performance Highlights

		1990	1989	1988
	(Dollars in millions, except per share amounts)			
Financial:	Total operating revenues	$ 3,982	$ 3,724	$ 3,565
	Operating income	$ 1,047	$ 1,000	$ 1,070
	Net income (loss)	$ 478	$ (473)	$ 411
	Earnings (loss) per common share	$ 2.44	$ (2.31)	$ 2.01
	Rate of return on average common equity	11.47%	–	8.72%
	Common equity ratio at year-end	39.1%	38.7%	41.2%
	Long-term debt ratio at year-end	54.8%	55.0%	52.1%
	Net utility plant at year-end	$10,928	$10,998	$11,111
	Construction expenditures	$ 400	$ 371	$ 350
	(At year-end, except dividends paid)			
Common Stock Data:	Stock price	$ 22 5/8	$ 23 1/4	$ 16
	Book value	$ 22.25	$ 20.68	$ 23.96
	Market price to book value ratio	101%	112%	67%
	Dividends paid per share	$ 1.05	$ 0.90	$ 0.20
	Shares outstanding	185,257,192	203,991,592	204,581,092
General:	Retail electric customers at year-end	1,722,022	1,706,579	1,693,592
	Retail electric energy sales (millions of kwh)	55,777	54,007	52,575
	System peak demand (megawatts)	12,189	11,485	11,442
	Employees at year-end	13,373	13,190	13,145

It's always a pleasure to report good news. Earnings this year rose significantly. The quarterly dividend grew by 20 percent. Return on equity is also up significantly — to nearly 11.5 percent. We are achieving a financial turnaround and are working now on consistent financial strength.

We count all of these as milestones toward fulfillment of the company vision: "to become, and be recognized as, a customer-oriented, socially responsible, financially strong, successful competitor in the evolving electric energy business." In the three years since that vision was introduced, we have come a long, long way toward making it a reality.

Two new subsidiaries were born this year. Entergy Operations, Inc., our streamlined nuclear management company, was created to improve the performance of our nuclear power plants and hold the line on nuclear costs. Entergy Power, Inc., our wholesale electricity generator, was created to tap a growing and potentially lucrative new market.

Already, our attention to these areas is having an impact. In 1990 we kept operations and maintenance (O&M) costs under budget, despite unanticipated expenses at Arkansas Nuclear One. Our sharper focus on wholesale power transactions also paid off. Wholesale electricity revenues rose to nearly $213 million last year — up 20 percent. We expect additional growth in this area as Entergy Power enters the marketplace.

This double-pronged campaign — to control costs and increase revenues — is the essence of our drive to financial strength. In 1990 we made progress on both fronts. Interest expense and preferred dividend requirements fell by $38 million, a result of the System's aggressive program to reduce capital costs. Employee efforts to control O&M costs unleashed a flood of creative measures, ranging from improving the fuel economy of company trucks to restructuring our contracts with suppliers and vendors. In all, employee-sponsored initiatives saved more than $17 million in 1990.

The company's most significant cost-control initiatives, however, are the several functional realignments now under way. Following the lead of our successful nuclear consolidation, we have begun to structure other areas along functional lines. Thus, the generation and transmission functions of the four operating companies are being merged into a single organization. A similar restructuring of the System's distribution and customer service functions is also under way. Both will be operational in 1991.

Our studies show that these functional consolidations will enable us to collapse several layers of management, spread functional responsibilities over a larger geographic area, eliminate duplicate efforts, and substantially reduce costs — without reducing service. These will be increasingly important results in the more competitive days ahead.

The other, equally rewarding part of our drive to financial strength is increasing revenues — and with revenues, profits. Sales were up this year — partially due to a long, hot summer — but more significantly, due to the entrepreneurial spirit of the System's marketing personnel.

To Our Stockholders

Our region has not had the vigorous growth we all would like, but that has not dampened sales or spirits. In 1990 we unveiled new programs to increase sales to existing markets, positioned ourselves for future increases in off-System wholesale transactions, worked with our industrial customers to keep them profitably on-line, and continued to support our region's economic development efforts.

In fact, in 1990 our Arkansas Power & Light subsidiary won the prestigious J. William Fulbright Award for International Trade Development. AP&L, along with our other subsidiaries, has, in the last few years, dramatically boosted its economic development programs — with promising results.

In addition to supporting the growth of our service area, in 1990 Entergy created a Planning and Development department for the purpose of identifying related businesses we might acquire or regions we might profitably serve. In the next few years we intend to invest our substantial industry expertise and cash reserves in supplying electricity to a growing number of customers.

We are pursuing other underdeveloped markets as well. One of 1990's most exciting accomplishments was our regional Least Cost Planning Conference, held in October, with participation from all four of our state and local regulatory bodies. Least cost planning offers an opportunity for us to work cooperatively with customers and regulators in preparing for future energy needs. It holds out the prospect of economically and socially sound investments in conservation and other "demand-side management" strategies. Just as important, it foreshadows a more cooperative, productive era in our relationships with regulators.

In short, 1990 was a year of progress toward bringing our ideas to reality. While we are not yet the company we envision, we know that lasting progress is not achieved in a day. We will continue our efforts to create ourselves in the image of a successful competitor.

Sincerely,

Edwin Lupberger

Chairman and CEO

March 15, 1991

Arkansas Power & Light Company

Arkansas Power & Light, founded in 1913, is Arkansas' largest electricity supplier. Arkansas' economy is balanced between industry and agriculture, while lakes, rivers, and forests make "The Natural State" a major tourist attraction.

Arkansas experienced dramatic manufacturing growth in the 1980s and is becoming a major retail distribution center. Two of the country's retailing giants, Wal-Mart and Dillard's, are headquartered in Arkansas. The McClellan-Kerr Arkansas River Navigation Project, completed in 1972, opened the state to the markets of the world.

Arkansas leads the country in production and processing of poultry and rice and is a major producer of cotton and soybeans. Timber, paper, and wood products are also major industries.

To encourage industrial growth, AP&L offers incentive rates for new or expanding businesses and a "Precision Pricing" program that enables the company to compete for new plants.

AP&L's "Teamwork Arkansas" economic development program received the 1990 J. William Fulbright Award for its leadership in identifying new markets abroad and in encouraging foreign investments in the region.

AP&L also participates in programs to assist public education and to preserve the state's natural resources. One program, "Rights-of-Way for Wildlife," preserves 4,900 miles of transmission line access for wildlife habitat.

Louisiana Power & Light Company

Louisiana Power & Light has brought electricity to Louisiana since 1927 and now serves 46 of the state's 64 parishes (counties), including most of northern and southeastern Louisiana and parts of east central Louisiana.

The state is a major petrochemical producer, supplying approximately 25 percent of the nation's chemicals and 16 percent of total U.S. oil production. The state is also the U.S.' second-largest producer of natural gas. Chemical and petroleum refining plants scattered along the Mississippi River account for more than 75 percent of LP&L industrial sales.

Louisiana also lives up to its nickname, a "sportsman's paradise." Louisiana waters supply the U.S. with more fish and shellfish than any other state. And, covered by 14 million acres of forest, the state attracts recreationists and hunters and has a strong timber industry.

LP&L supports Louisiana's growth and development through a variety of programs. These include incentive rates for new or expanding businesses and "SHOWCASE," a marketing program that highlights the state's positive attributes.

Improving public education is also an important part of LP&L's economic development efforts. The company's award-winning "Dial-A-Teacher" program, for example, provides a toll-free number through which children or parents can get certified teacher assistance with homework assignments. The program has been so successful it is being duplicated elsewhere in the Entergy service area.

Mississippi Power & Light Company

Mississippi Power & Light provides electricity to the western half of Mississippi, including the fertile Delta and cities such as Jackson, Vicksburg, and Natchez.

One of the richest agricultural states, Mississippi is the nation's leading producer of catfish and among the top 10 producers of cotton, rice, sweet potatoes, pecans, soybeans, and broiler chickens. Cattle production accounts for over $1 billion in yearly revenues.

Industrially, Mississippi is the nation's leading producer of CO_2, and ranks 11th and 12th in natural gas and oil production, respectively. Apparel and food products, lumber and wood products, electrical machinery, transportation equipment, and furniture and fixtures are other leading industries.

MP&L has built its business on a commitment to "Helping Build Mississippi." The company's economic development efforts created 2,523 new jobs in 1990, through a wide range of services, including incentive rates to new or expanding industries.

MP&L also supports the state's education improvement efforts by sponsoring an array of programs aimed at reducing dropout and illiteracy rates and strengthening science and math education. Included are "Choices," an innovative program that sends 100 company volunteers into classrooms to urge ninth graders to continue their education, and "Stay-in-School Challenge Grants," a joint effort with Entergy Corporation to assist public schools and nonprofit agencies.

New Orleans Public Service Inc.

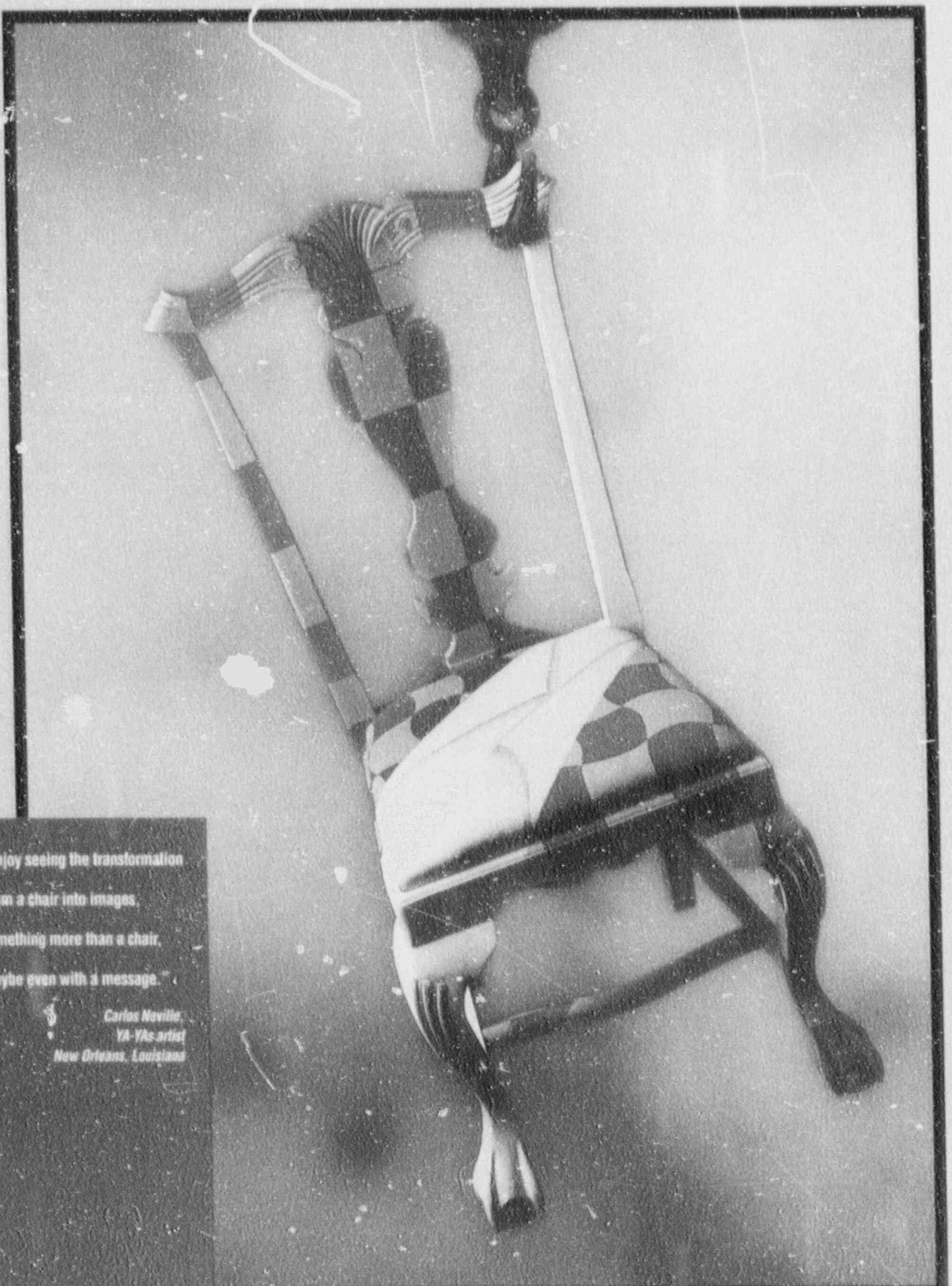
For a century, electricity has fueled New Orleans' growth and, since the early 1920s, New Orleans Public Service Inc. has delivered it. Today, NOPSI provides electric and gas service to approximately 191,000 New Orleans residences and businesses.

The city's busy commercial sector accounts for 39 percent of electricity sales, and public authorities another 15 percent. The remainder comes from residential and industrial customers.

The Port of New Orleans is one of the country's largest, handling more tonnage per year than Houston, New York, or Los Angeles. Along with this world of goods, New Orleans embraces a rich heritage of scenic, historic, culinary, cultural, and ethnic diversity. In fact, the city is often called "America's International City."

This diversity and historic charm are part of the city's appeal as a meeting site — for conventions, trade shows, and events as large as the Super Bowl, the Republican National Convention, and the visit of Pope John Paul II.

NOPSI supports New Orleans through economic and cultural development programs such as "Operation Mainstream," an adult literacy program, and the sponsorship of "Christmas in the Oaks," an annual festival of lights in City Park.



"I enjoy seeing the transformation from a chair into images, something more than a chair, maybe even with a message."

Carlos Neville,
YA-YAs artist
New Orleans, Louisiana

There is nothing more powerful than an idea. Yet, not all ideas live up to their potential. Many are forgotten, lost, discarded, or abandoned. Others die, then are resurrected.

How is an idea brought to reality? How does a dream take shape and dwell among us?

The powerful ideas are those that live in the hearts of men and women. As long as an idea stays off in the distance — an elusive mirage on the horizon of the impossible — it cannot be brought to present-day reality.

To become real, an idea must be ingested. It must be chewed on, slept over, and lived in. It must make the journey from "how things could be," inward, to "how things are." It must be believed in as fact, and then it becomes fact.

Then, too, we ourselves must be ready for the idea. We must possess the knowledge and skills to give birth to it, and to shape it once it is born.

Yet in the long run, knowledge and ability are not enough. If we haven't sufficient stamina or courage, the dream may die before it has a chance to bear fruit. Giving life to ideas takes sweat and staying power. It takes willingness to risk failure. To make mistakes, then try again.

How Does Man Create?

For those who are up to the challenge of their ideas, everything that follows becomes an expression of that faith. The idea flows out of their actions, as the pot flows from the hands of the potter.

At Entergy Corporation, our vision is "to become, and be recognized as, a customer-oriented, socially responsible, financially strong, successful competitor in the evolving electric energy business."

Three years ago, it was only a dream — a dream that reality denied. But we knew that the dream expressed who we are, as a people and as a company. We have been hard at work on achieving that vision ever since.

"Pottery requires an intense concentration. When you're at the wheel, you let everything else out of your head. If the pot's not perfect, it won't fire, it won't stand.

"Painting the piece, on the other hand, allows controlled spontaneity. What comes off of the brush is a translation of an emotional language deep within yourself."

Sandra Blair Richardson,
potter, painter, sculptor,
New Orleans, Louisiana

The goal of the company's vision is to become a successful competitor. Since 1988, when the vision was adopted, we have come a long way toward making that vision a reality. In fact, we have executed a turnaround in our financial condition, customer satisfaction ratings, and other success indicators.

The progress of the last few years has resulted in an above average five-year return to stockholders — due primarily to stock price appreciation. Our goal now is to translate the financial stability we have achieved into consistently strong financial performance. By 1995 we want to rank among the nation's top-performing utilities — in measurements meaningful to both stockholders and customers. We have identified what we must do to become a top-performing utility, and have begun the creative work of getting there.

It's The Little Things That Add Up

LP&L's Jimmie Birdon, left, and William Smith improved the way blanking plates are installed on boilers at the Sterlington Power Plant, saving time and money.

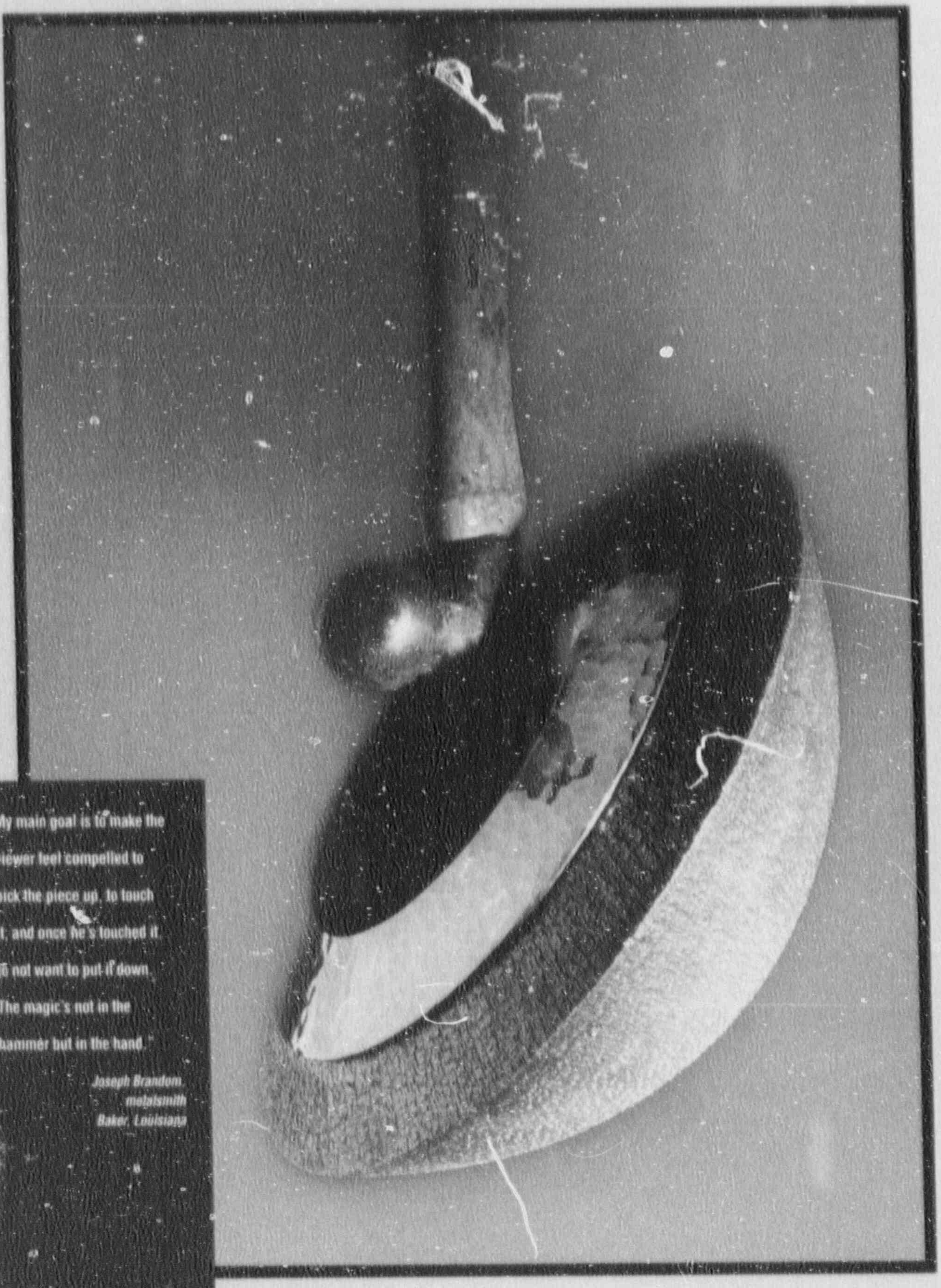
Becoming a More Effective Competitor

In 1990 we introduced two new subsidiaries: Entergy Operations, Inc. and Entergy Power, Inc. The former was created to better manage the costs and performance of our nuclear generating plants. The latter, to improve revenues by selling power on the wholesale market. These twin motivations — controlling costs and increasing revenues — fuel our drive to top-quartile competitiveness.

In 1990 we also undertook consolidation of our fossil generation and transmission capabilities. This restructuring merges management of "G&T" activities, formerly spread throughout four separate subsidiaries, into a single functional unit. The results will reduce costs, speed decision-making, and increase economies of scale.

Early in 1991 we announced a similar restructuring of our distribution and customer service activities. When this third realignment is fully implemented, management of the Entergy System will be refocused along functional lines.

Our employees have joined the drive to competitiveness, identifying areas where we can cut costs, improve efficiencies, or streamline procedures. Some of their accomplishments are profiled in these pages.



"My main goal is to make the viewer feel compelled to pick the piece up, to touch it, and once he's touched it, to not want to put it down. The magic's not in the hammer but in the hand."

Joseph Brandom,
metalsmith
Baker, Louisiana

Becoming a More Effective Competitor

A changed attitude is an essential element of becoming a successful competitor. Realizing that "nothing is constant except change," we are developing a culture based on continual improvement.

This means casting a new light on our challenges, identifying new solutions, and bending our mental and physical powers to the task of bringing those solutions to reality.

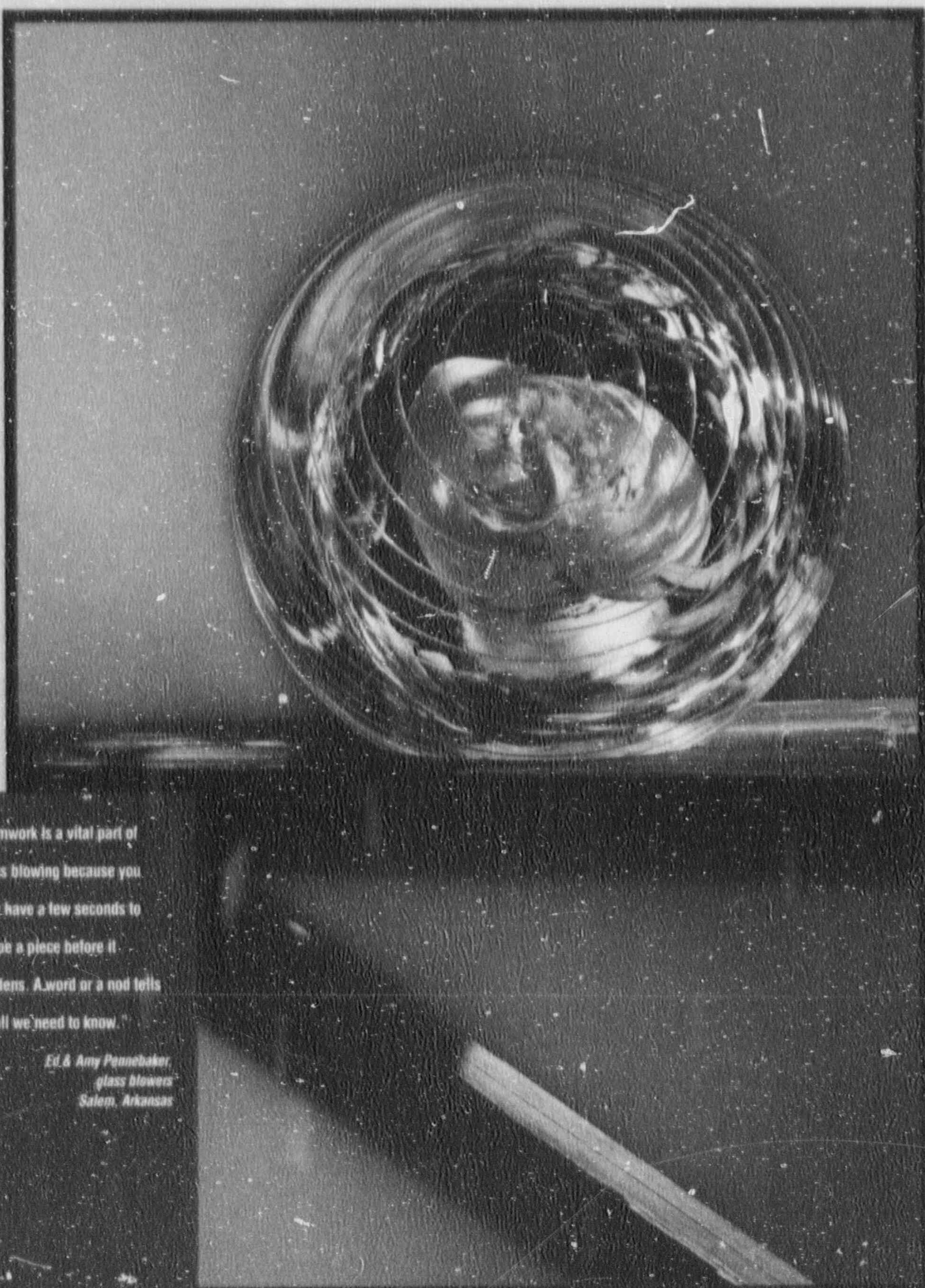
To the challenge of increasing sales in a sluggish service area economy, we have responded by increasing off-System wholesale transactions. We have worked with our industrial customers to keep them profitable — and keep them profitably "on the grid." And, we are identifying new markets and new ways to package our product to increase revenues.

Bright Idea

LP&L's Little Gypsy Plant will save thousands of dollars from Glen Bennett's suggestion to replace shorter-life light bulbs with more expensive, longer-life bulbs.

We are also preparing ourselves to compete successfully in the electric utility industry of the future. Our Project 2000 Task Force is examining the competitive and technological trends that will shape the electric utility industry by the year 2000, and is identifying the actions we need to take to ensure our future competitiveness.

Seeing into the future — and seeing what we must become to be successful in that future — is a relatively painless process. Bringing that vision to reality, however, takes sustained effort. We at Entergy are harnessing our creative talents to the star of competitive excellence — and are steadily giving form to that vision.



"Teamwork is a vital part of glass blowing because you only have a few seconds to shape a piece before it hardens. A word or a nod tells us all we need to know."

Ed & Amy Pennebaker,
glass blowers
Salem, Arkansas

Creating Financial Strength

A two-pronged campaign is bringing to life our vision of becoming "a financially strong competitor." This double-pronged initiative consists of controlling costs and raising revenues. In 1990 we made progress on both fronts.

TeamSharing, our Systemwide "pay for performance" employee incentive program, was launched in 1990 with ambitious cost-control goals. Despite unanticipated investments in Arkansas Nuclear One, AP&L's nuclear station, Entergy employees pulled together to meet our Systemwide goals, holding the line on O&M and construction costs.

In 1990 revenues increased — up to nearly $4 billion, from approximately $3.7 billion in 1989, as the result of the phase-in of Grand Gulf rates and rising energy sales. Retail revenues were up 6.2 percent over last year — to $3.6 billion, and wholesale electricity revenues were up 20 percent — to $212.5 million.

Another effort that improved earnings per share was the company's stock repurchase program. Since November 1989 we have invested $400 million in Entergy common stock, reducing by 10 percent the number of shares outstanding.

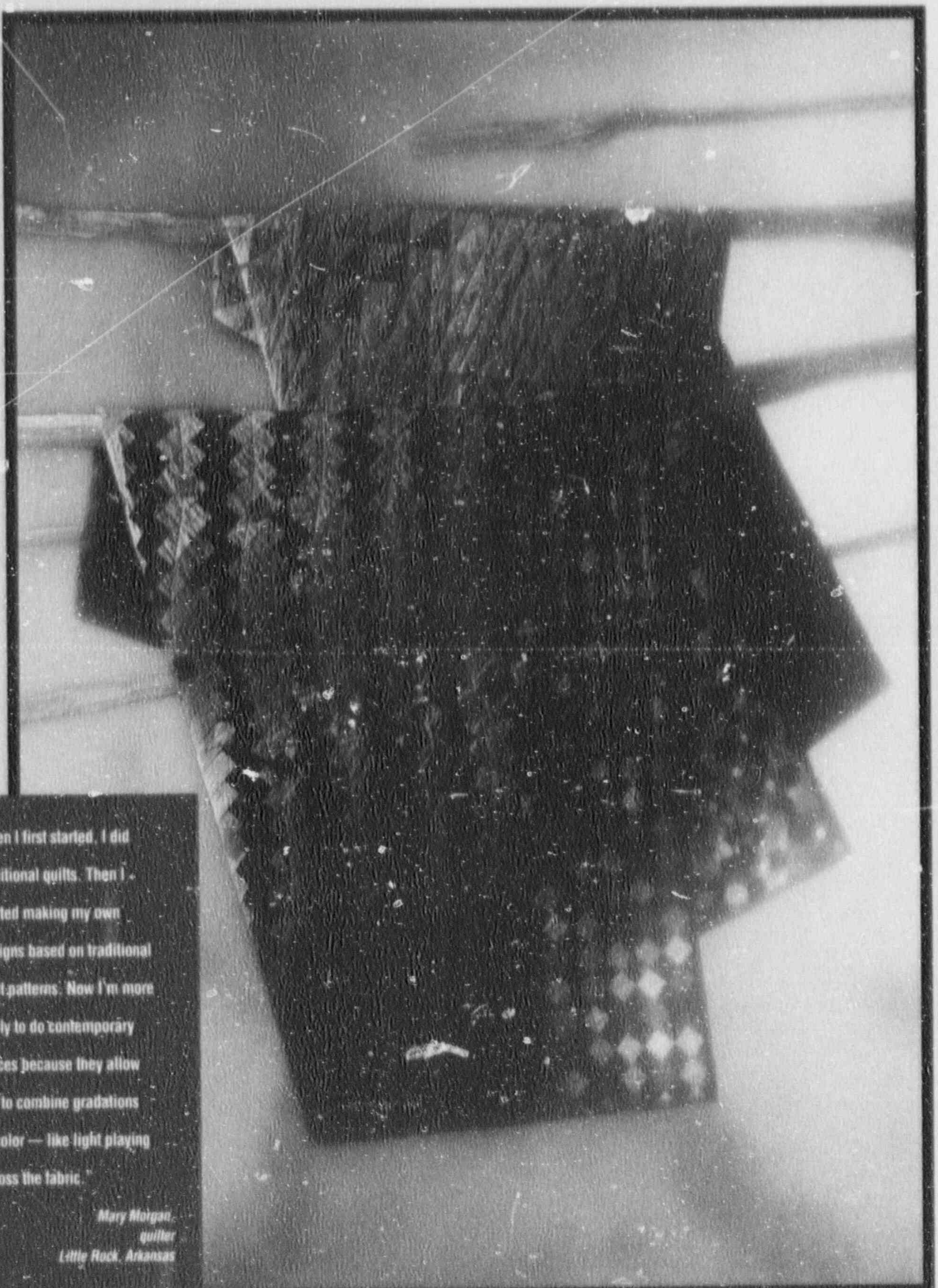
All of these efforts improved earnings, to $2.44 per share, up from $1.91 per share in 1989 (adjusted for the effects of Project Olive Branch).

The year's progress enabled Entergy's board of directors, last October, to raise the quarterly stockholder dividend by 20 percent, to 30 cents per share. While we won't be able to sustain 20 percent increases every year, we were pleased to take that step toward our ultimate objective: a dividend pay-out ratio typical of the electric utility industry.

The year's progress also produced substantial growth in the company's average return on common equity, which rose to 11.47 percent. This is dramatic improvement over last year's performance (7.8 percent, excluding the effects of Project Olive Branch) — and indeed, a dramatic improvement over our performance of the last several years. Although our financial

Teamwork

MP&L's Carmen Davis, George Furr, and John Johnson grouped their orders for billing documents with AP&L and LP&L/NOPSI, saving $250,000 in 1990.



"When I first started, I did traditional quilts. Then I started making my own designs based on traditional quilt patterns. Now I'm more likely to do contemporary pieces because they allow me to combine gradations of color — like light playing across the fabric."

Mary Morgan,
quilter
Little Rock, Arkansas

turnaround is not complete, we are working to achieve returns comparable to those earned by the nation's top-performing electric utilities.

1990's results will be a tough act to follow, but we are poised for the challenge. We are undertaking long-range programs to increase our potential for growth. These include economic development programs to expand the economic capacity of our service region and efforts to tap new markets within and beyond our service area.

In 1990 the company formed a Planning and Development department to identify related businesses in which we might invest, or other regions we might profitably serve.

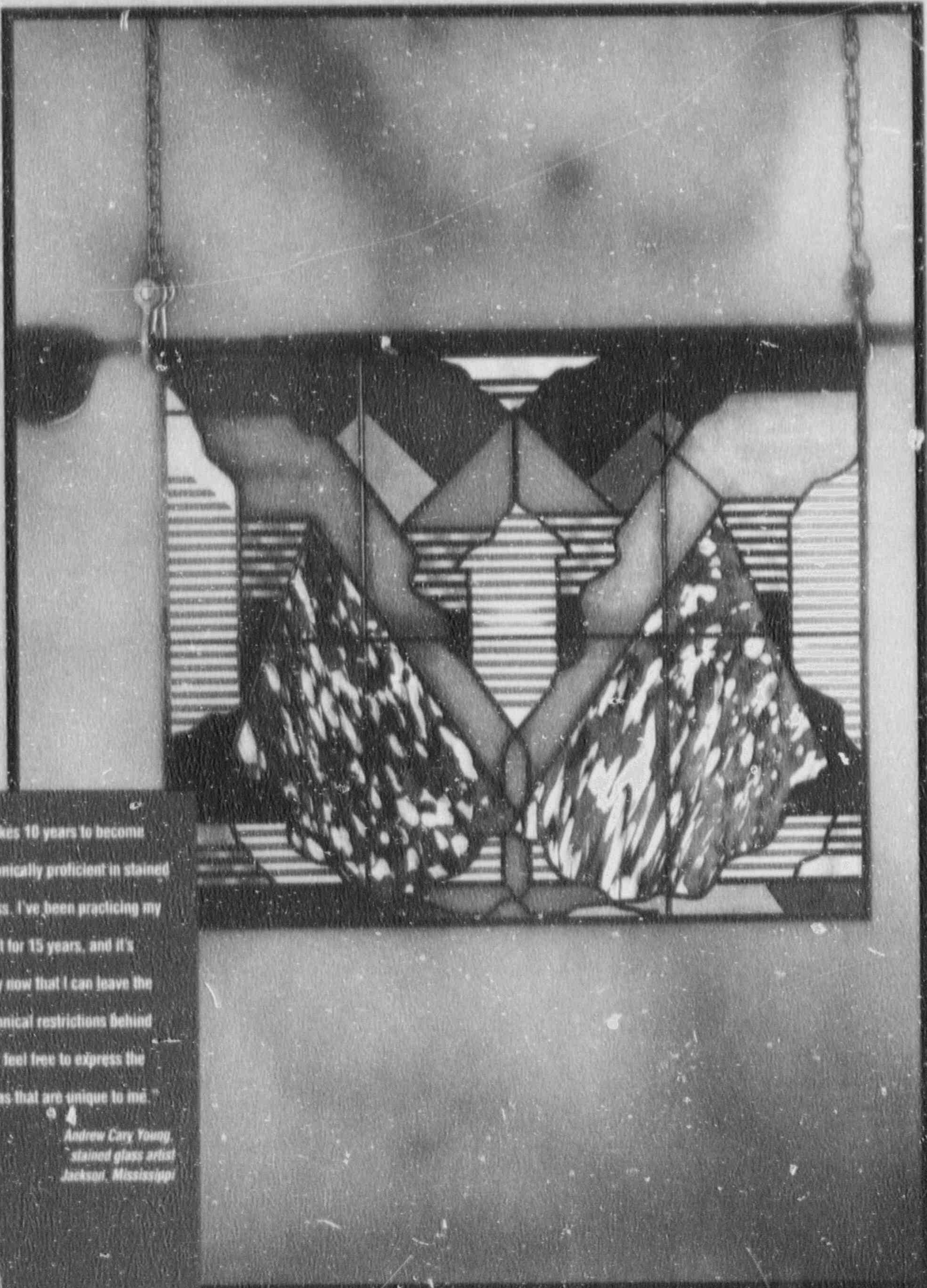
Meanwhile, we expect our new wholesale electric company, Entergy Power, Inc., to be an important contributor to revenue growth in the years ahead. It will focus its resources on sales to the growing wholesale electric market.

Electec, our technology- and expertise-marketing subsidiary, is another potential contributor. Electec signed several promising agreements in 1990. One, with PLN, the national electric utility of Indonesia, is to modernize Java's distribution system. Another, a strategic alliance with Coopers and Lybrand, will market an advanced Customer Information System software application (developed by System employees). And with First Pacific Networks, a California-based high-tech company, Electec is working to develop a national telecommunications system for Costa Rica.

The steps we have taken toward financial strength are evident in this year's bottom-line results. Understanding how transitory success can be, we are expanding our options for the years ahead. By sustaining the progress made in 1990, our vision of financial strength will add muscle every year.

Earning $30,000 A Day

Entergy Services' Mark Margavio and Susan Engle put their financial savvy to work during the financing of Entergy Power, earning the company $30,000 a day in investment income.



"It takes 10 years to become technically proficient in stained glass. I've been practicing my craft for 15 years, and it's only now that I can leave the technical restrictions behind and feel free to express the ideas that are unique to me."

Andrew Cary Young, stained glass artist Jackson, Mississippi

Becoming More Customer-Oriented

Creating customer satisfaction is a bit like packaging goodwill or prosperity. Although it's our most important creation, it's also our most mercurial.

Because different customers define satisfaction differently, in 1989 we began to systematically ask our customers' advice on new programs and services. Last year, we developed several test programs to fulfill their "wants and needs."

Our industrial customers are always looking for a competitive edge. So, in 1990 our Mississippi Power & Light subsidiary created an "electrotechnologies" program to help give them one. Working with its customers, MP&L has begun to assist in the marketing and financing of electrotechnologies that can improve industrial processes or products. Some — like electric drying kilns and microwave induction heaters — are already changing the way Mississippi lumber, plastic, food, and textile industries do business.

Once we've identified a technology, we're helping our customers acquire it, as well, through low-cost leasing and financing programs developed by our Louisiana Power & Light subsidiary. Our commercial and industrial customers consider this program "evidence of a new partnership" — a partnership we are determined to make profitable for all concerned.

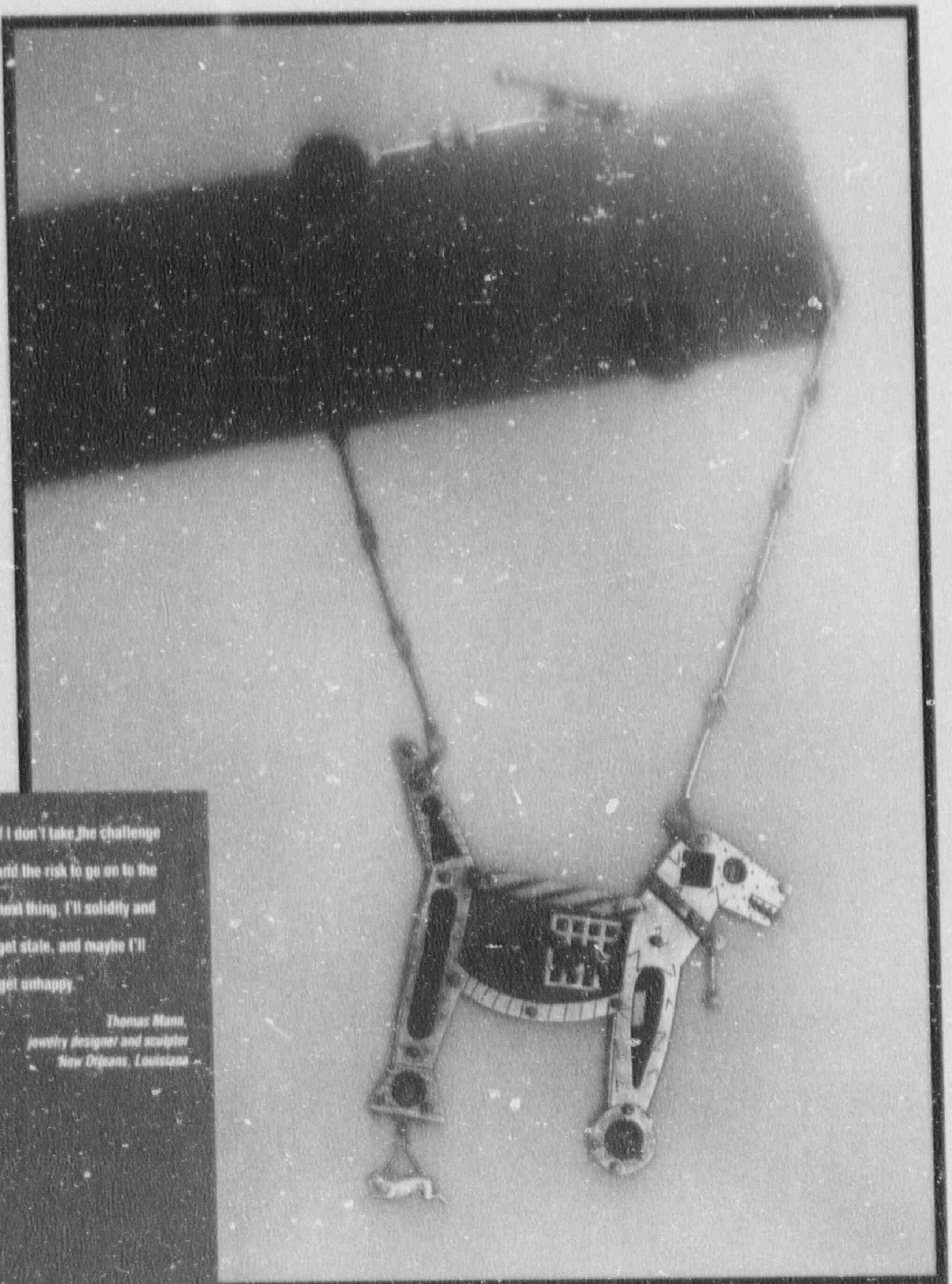
Company-arranged financing has also overcome a major hurdle to air conditioning the region's schools. Our AP&L subsidiary pioneered the "Cool Schools" program in 1990, installing wall-mounted heat pumps in Arkansas classrooms. AP&L arranges the financing, which covers 100 percent of the cost, including installation and any construction costs. The loan is repaid through flexible, low-interest payments on the school's electric bills.

All of these programs, once proven in the marketplace, will be shared with customers throughout the Entergy System.

In 1990 we also began an initiative that, ultimately, will help our customers control their own electric costs. Last October Entergy hosted the region's

Collaborating For The Future

Gathering regulators and other constituents from four jurisdictions, Paul Ford, left, and Robert Swaim organized a Least Cost Planning Conference to prepare to meet future energy needs.



"If I don't take the challenge and the risk to go on to the next thing, I'll solidify and get stale, and maybe I'll get unhappy."

*Thomas Mann,
jewelry designer and sculptor
New Orleans, Louisiana*

first Least Cost Planning Conference. "Least cost planning" is a collaborative process for identifying and developing future energy resources. It brings regulators and customers into the process at the outset — improving the likelihood that programs developed will meet customer needs and regulatory requirements.

An important component of least cost planning is the consideration of conservation and "demand-side management" strategies (such as load cycling and time-of-use rates) as resources as valuable as new generating plants. Investments in conservation and demand-side management strategies approved by our regulators represent "win-win" resources: customers reduce their energy bills, while we continue to earn a return for our stockholders.

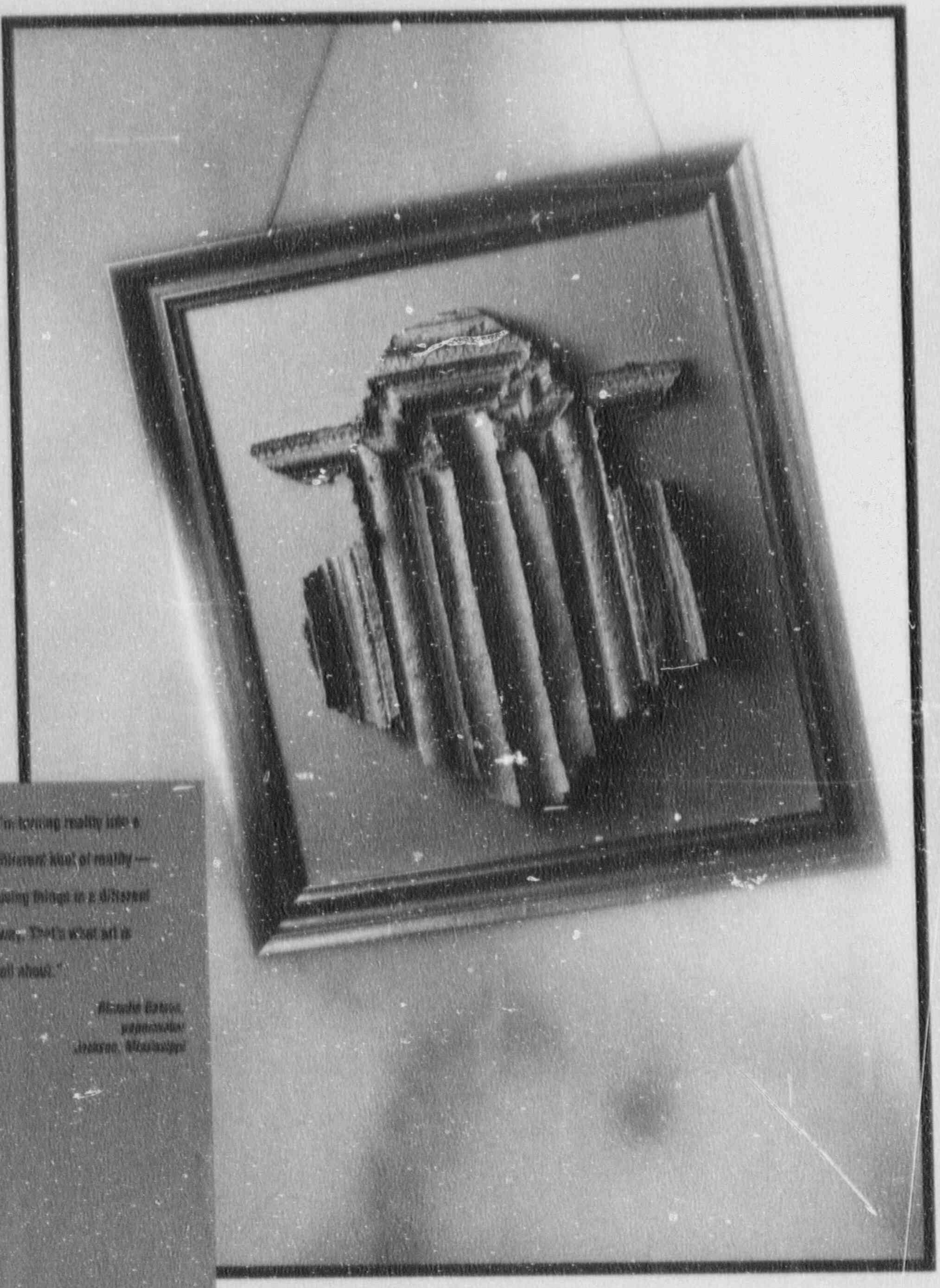
Gunning For Top-Quartile Competitiveness

AP&L's Larry Fincher motivates employees with a new performance management program called "Top Gun." Quality, safety, and productivity have improved.

Becoming More Customer-Oriented

Finally, in 1990 we began a process that will continue to renew and revitalize our efforts to create customer satisfaction. That process is Total Quality Improvement. TQI focuses all company processes and every System employee on satisfying customer needs. Five hundred of Entergy's senior executives and managers went through TQI training in 1990. In 1991 a third of our work force will be exposed to this training.

Our efforts to improve customer satisfaction are already producing encouraging results. Our 1990 customer survey showed that approval of Entergy and its subsidiaries has improved significantly in a surprisingly short period of time. The results provide encouraging evidence that our efforts are paying off where they count most — in the eyes of the people we serve.



"I'm turning reality into a different kind of reality — using things in a different way. That's what art is all about."

[illegible],
papermaker
Jackson, Mississippi

Making Dreams Come True For Others

Businesses — like civilizations — are built on shared dreams. Including others in our vision has been part of the way we do business since 1913, when Harvey Couch formed the Arkansas Power Company — the forerunner of today's Entergy Corporation.

Couch's dream was to electrify the Middle South so that economic development wouldn't pass the region by. Our vision is to support the region's development so that each inhabitant has a chance to fulfill his or her own dreams.

That's not just an altruistic notion. It's part of our corporate responsibility — as citizens and as creators. We believe that "quality of life" — in our neighborhoods, our region, and our world — is a creative act in which we must all participate. We all benefit from a world of health, beauty, and opportunity. We are all diminished by a world of poverty, ignorance, and hopelessness.

At Entergy, we also understand that we must invest in our communities if we are to continue to have communities to serve.

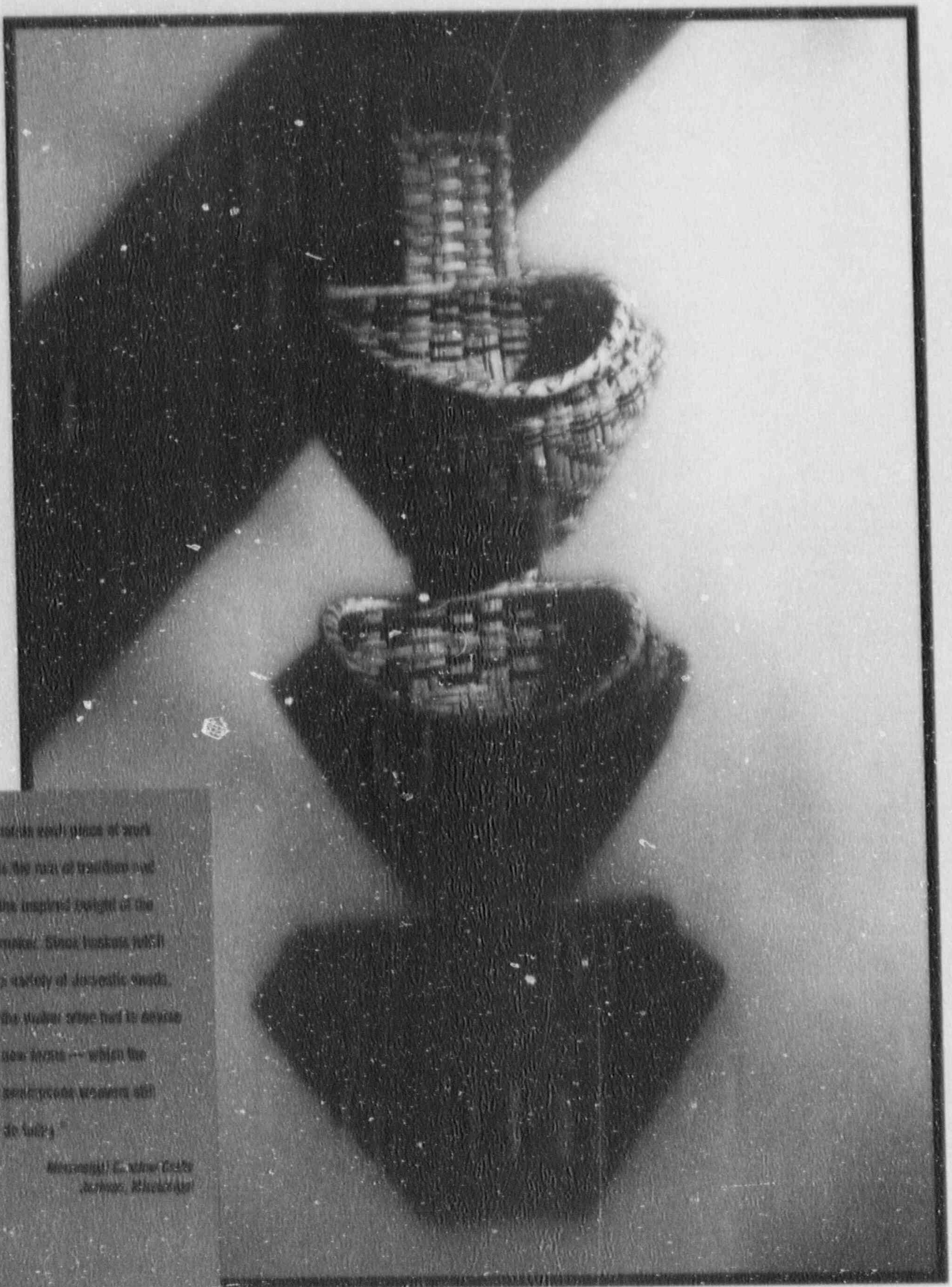
Many people think of economic development as industrial recruitment. Although Entergy fields an aggressive industrial recruitment effort, we have also shouldered responsibility for developing the region's long-term capacity to generate its own self-sustaining economic growth.

In 1990 we pledged a $1 million matching start-up grant for the Foundation for the Mid South, a private, nonprofit organization that will provide regional coordination and continuity for initiatives in three specific areas: economic development, education, and families and children.

Because educational strength is key to our capacity for economic growth, Entergy sponsors education programs that are as successful as they are innovative. They include computerized literacy labs, located where the need is greatest; mobile learning labs — taking job skill, literacy, and other training "on the

Extending The Reach Of Opportunity

AP&L's Kathleen Reynolds was cited by a governor's commission for hiring disabled workers, while Wayne Isaac designs tricycles for handicapped children at Christmas.



"Inside each piece of work is the root of tradition and the inspired insight of the maker. Since baskets held a variety of domestic needs, the maker often had to devise new forms — which the contemporary weavers still do today."

Mississippi Cultural Crafts
Jackson, Mississippi

Making Dreams Come True For Others

road" to rural areas; our "Challenge Grants," supporting efforts to keep kids in school; school partnerships, supplementing local school resources; and a "Dial-A-Teacher" program, providing certified teacher assistance for schoolchildren struggling with homework.

President Bush acknowledged our longstanding support of education by naming us his 51st "Point of Light." In 1990 our educational development efforts also earned an Edison Electric Institute Common Goals Award and selection by the U.S. Department of Education as a prototype commitment to literacy and lifelong learning.

Entergy and its subsidiaries also sponsor many business development programs, including entrepreneurial and minority business workshops; "Operation Bootstrap" — an award-winning program that helps local entrepreneurs bring their products to market; community development institutes; and "Operation Mainstreet" — a program to help local planners rejuvenate downtown areas.

We have conducted programs to help local companies export their products to Asian, European, and Central and South American markets. We have also played host to foreign business executives interested in investing in our region. In fact, our international trade development efforts earned AP&L, our Arkansas subsidiary, the 1990 Fulbright Award for International Trade Development.

Finally, Entergy Corporation and its subsidiaries support a host of social programs ranging from the United Way to the New Orleans Symphony; from "Operation Comeback" — a program to renovate deteriorating urban neighborhoods — to the International Ballet in Jackson, Mississippi.

We believe our support of the region's cultural resources is as sound as our investment in its human resources. Cultural resources not only build local pride, they generate local economic activity.

That's one of the joys of bringing one's vision to reality: seeing the multiplier effect in realized dreams for others.

Removing Barriers

Efforts such as those by Entergy Services' Stan Alexander to expand and promote minority recruitment, management, and entrepreneurship, earned Entergy Corporation the NAACP's 1990 Fair Share Corporate Award.

Frequently Used Terms

Certain terms used in the Management's Financial Discussion and Analysis, Financial Statements, and Notes are defined below; other terms are defined in the Notes. Entergy Corporation's (Entergy) principal subsidiary companies are listed on the inside front cover of this report.

ANO *Arkansas Nuclear One Steam Electric Generating Station (nuclear)*

February 4 Resolution *The resolution (including the Determinations and Order referred to therein) adopted by the New Orleans City Council on February 4, 1988, disallowing NOPSI's recovery of $135 million of previously deferred Grand Gulf 1-related costs.*

Grand Gulf Station *Grand Gulf Steam Electric Generating Station (nuclear)*

Grand Gulf 1 *Unit 1 of the Grand Gulf Station*

Grand Gulf 2 *Unit 2 of the Grand Gulf Station*

Independence 2 *Unit 2 of the Independence Steam Electric Generating Station (coal)*

June 13 Decision *An order issued by the FERC on June 13, 1985 (Opinion No. 234) relating to the Unit Power Sales Agreement and the System Agreement.*

Rate Settlement *March 25, 1986 agreement between NOPSI and the New Orleans City Council regarding NOPSI's Grand Gulf 1-related rate issues.*

Ritchie 2 *Unit 2 of the R. E. Ritchie Steam Electric Generating Station (oil/gas)*

System Agreement *January 1, 1983 agreement, as modified by the June 13 Decision, among the System operating companies relating to the sharing of generating capacity and other power resources.*

System Fuels *An Entergy System company responsible for procurement, delivery, and storage of fuel supplies.*

Unit Power Sales Agreement *June 10, 1982 agreement, as amended, among the System operating companies and System Energy relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1.*

Waterford 3 *Unit 3 (nuclear) of the Waterford Steam Electric Generating Station*

	(Dollars in thousands)	Total Operating Revenues	Net Income	Millions of kwh Sales	Peak Demand (MW)	Electric Customers
SELECTED 1990 DATA	Entergy System	$ 3,982,062	$ 478,318	62,069	12,189	1,722,038
	Arkansas Power & Light Company	1,481,408	129,765	28,657	3,993	598,546
	Louisiana Power & Light Company	1,485,572	155,049	27,169	4,884	581,911
	Mississippi Power & Light Company	761,188	60,830	10,287	2,235	350,364
	New Orleans Public Service Inc.	485,246	27,542	5,627	1,159	191,222
	System Energy Resources, Inc.	801,618	168,677	6,666	–	4

Overview

The Entergy System's financial condition continued to strengthen during 1990. Most of 1990's cash requirements were met with internally generated funds. Entergy continued to pay its quarterly common stock dividend and in the fourth quarter of 1990 the dividend was increased. Revenues increased, as did energy sales, primarily in the residential and commercial sectors. In addition, the System's cost-reduction program continued to result in a lower cost of capital. A discussion of these and other selected factors is presented herein.

Results Of Operations

				1990 vs 1989		1989 vs 1988	
(Dollars in millions)	*1990*	*1989*	*1988*	*Increase / (Decrease)*	*%*	*Increase / (Decrease)*	*%*
Net income (loss)	$ 478.3	$ (472.6)	$ 411.0	$ 950.9	–	$ (883.6)	–
Electric operating revenues	$ 3,894.1	$ 3,633.6	$ 3,473.6	$ 260.5	7	$ 160.0	5
Fuel and fuel-related expenses	$ 808.2	$ 766.8	$ 778.1	$ 41.4	5	$ (11.3)	(1)
Purchased power expense	$ 155.6	$ 186.8	$ 142.0	$ (31.2)	(17)	$ 44.8	32
Other operation expense	$ 827.6	$ 725.8	$ 751.3	$ 101.8	14	$ (25.5)	(3)
Rate deferrals – net	$ (33.0)	$ (149.3)	$ (292.1)	$ (116.3)	(78)	$ (142.8)	(49)
Maintenance expense	$ 277.7	$ 278.8	$ 235.7	$ (1.1)	–	$ 43.1	18
Depreciation and decommissioning expense	$ 392.9	$ 406.0	$ 390.6	$ (13.1)	(3)	$ 15.4	4
Income taxes	$ 315.3	$ 5.6	$ 240.9	$ 309.7	–	$ (235.3)	(98)
Project Olive Branch Settlements	–	$(1,105.2)	–	$ 1,105.2	–	$(1,105.2)	–
Miscellaneous other income – net	$ 168.5	$ 102.8	$ 113.8	$ 65.7	64	$ (11.0)	(10)
Interest expense and preferred dividend requirements	$ 698.0	$ 736.2	$ 786.1	$ (38.2)	(5)	$ (49.9)	(6)
Electric Revenues:							
Residential	$ 1,449.8	$ 1,331.2	$ 1,285.5	$ 118.6	9	$ 45.7	4
Commercial	988.4	930.3	877.0	58.1	6	53.3	6
Industrial	1,051.8	1,021.5	956.1	30.3	3	65.4	7
Governmental	124.6	121.9	122.0	2.7	2	(0.1)	–
Total retail	3,614.6	3,404.9	3,240.6	209.7	6	164.3	5
Sales for resale	212.5	177.0	185.3	35.5	20	(8.3)	(4)
Other	67.0	51.7	47.7	15.3	30	4.0	8
Total	$ 3,894.1	$ 3,633.6	$ 3,473.6	$ 260.5	7	$ 160.0	5
Energy Sales:							
(Millions of kwh)							
Residential	18,174	17,245	17,155	929	5	90	1
Commercial	12,977	12,533	12,192	444	4	341	3
Industrial	22,795	22,396	21,282	399	2	1,114	5
Governmental	1,831	1,833	1,946	(2)	–	(113)	(6)
Total retail	55,777	54,007	52,575	1,770	3	1,432	3
Sales for resale	6,292	4,857	5,496	1,435	30	(639)	(12)
Total	62,069	58,864	58,071	3,205	5	793	1

Net Income (Loss)

Consolidated net income increased in 1990 as compared to 1989 and decreased in 1989 as compared to 1988 due largely to the loss incurred in 1989 as a result of implementation of the FERC Settlement (the largest component of which was the $900 million pre-tax write-off of System Energy's investment in Grand Gulf 2) and various related state and local agreements (such agreements, together with the FERC Settlement, comprise the Project Olive Branch Settlements). Excluding the effects of the Project Olive Branch Settlements, net income for 1989 would have been approximately $389.9 million.

Consolidated net income was favorably affected in 1990 by a number of other factors, including, among other things, increased energy sales, lower depreciation expense, and reduced interest expense and preferred stock dividend requirements, as discussed in the following sections.

Electric Operating Revenues

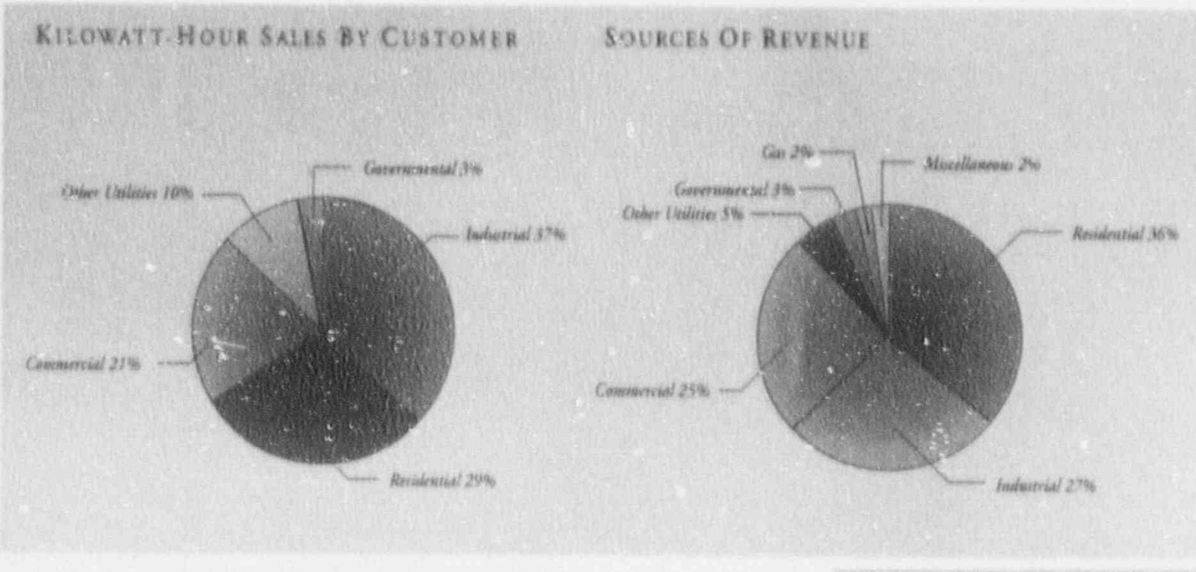
Electric operating revenues increased in both 1990 and 1989 due primarily to increased retail energy sales and the step-up provisions of AP&L, MP&L, and NOPSI's rate phase-in plans, which provided for greater current recovery in 1990 and 1989 of Grand Gulf 1-related costs. Increased operating revenues from these step-up provisions did not result in increased operating income due to the amortization of previously recorded rate deferrals.

Fuel and Fuel-Related Expenses

Fuel and fuel-related expenses increased in 1990 due primarily to greater gas- and oil-fired generation requirements resulting from increased demand and from a slight decrease in the number of days Grand Gulf 1 (with its lower fuel costs) operated during 1990 as compared to 1989.

Purchased Power Expense

Purchased power expense increased in 1989 and declined in 1990, compared to the prior year in each case, due primarily to increased amounts of power purchased in 1989 from outside utilities as a result of scheduled and unscheduled outages at certain System generating units.



Other Operation Expense

Other operation expense increased in 1990 as compared to 1989 due prima[illegible] to a general increase in the cost of operations throughout the System, including increased nuclear operation exp[illegible]nses resulting from the comprehensive action plan to improve operations and safety at ANO, a[illegible] well as the recording [illegible]f approximately $15.5 million as a reduction in 1989 pension expense to reflect the settlement of NOPSI's pension plan.

Rate Deferrals – Net

Rate deferrals – net decreased in each comparable period as certain System operating companies recovered a larger portion of their current Grand Gulf 1-related costs through increased rates, thereby deferring a lesser amount of such costs.

Maintenance Expense

Maintenance expense was relatively level for 1990 as compared to 1989. Maintenance expense increased as a result of the comprehensive action plan at ANO, but was offset by reduced maintenance expense at other locations and certain materials and supplies inventory adjustments. Maintenance expense increased in 1989 compared to 1988 due primarily to scheduled refueling and maintenance outages at two of the System's nuclear units in 1989, plus a reduction in 1988 maintenance expense resulting from the capitalization of certain materials and supplies inventory that had been previously expensed.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense decreased by approximately $13 million in 1990 as compared to 1989 due, in part, to the deferral of depreciation expense related to System Energy's sale and leaseback property. (See Note 9, "Leases – Sale and Leaseback Transactions," for additional information on the deferral of depreciation expense.)

Income Taxes

Income taxes increased significantly in 1990 as compared to 1989 and decreased significantly in 1989 as compared to 1988, reflecting tax benefits of approximately $242.7 million recorded in 1989 in connection with certain write-offs associated with the Project Olive Branch Settlements.

Miscellaneous Other Income – Net

Miscellaneous other income – net increased in 1990 due primarily to increased interest income on higher temporary cash investment balances. Miscellaneous other income – net decreased in 1989 due primarily to AP&L's discontinuance in July 1988 of deferring a return on investment in alleged excess capacity and to an $8.2 million gain from the sale of AP&L's wholly owned subsidiary, Associated Natural Gas Company, in June 1988.

Interest Expense and Preferred Dividend Requirements

Interest expense and preferred dividend requirements decreased in 1990 and 1989, reflecting the System's cost-reduction program under which certain high-cost debt and preferred stock is being retired or refinanced with lower-cost debt or preferred stock. Additionally, the 1989 decrease from 1988 was affected by a 1988 agreement among LP&L, the Internal Revenue Service, and the State of Louisiana that required LP&L to record $10.7 million of additional interest expense in 1988.

RETAIL ENERGY SALES

Retail energy sales increased in 1990 and 1989. The 1990 increase was due to increased sales to residential and commercial customers as a result of a general upward trend in usage and extended periods of hot weather experienced throughout the System's service area during the summer months. The 1989 increase was due primarily to volume growth in the industrial sector resulting from various marketing incentive plans.

FINANCIAL CONDITION

LIQUIDITY

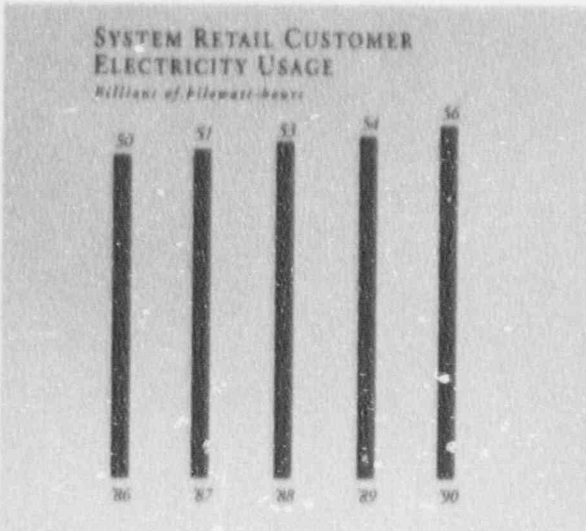
Cash requirements stem primarily from working capital needs, construction expenditures, costs associated with rate phase-in plans, maturing debt, sinking fund requirements, and preferred stock dividend requirements. In 1990 the majority of these needs were met with internally generated funds. Net cash provided by operations totaled approximately $1,021.7 million. Increases in the amount of Grand Gulf 1-related costs currently being recovered, pursuant to rate phase-in plans, contributed to the System's strengthening liquidity. As detailed in the Statements of Consolidated Cash Flows, cash flow from operating activities was affected by a number of factors representative of normal operations.

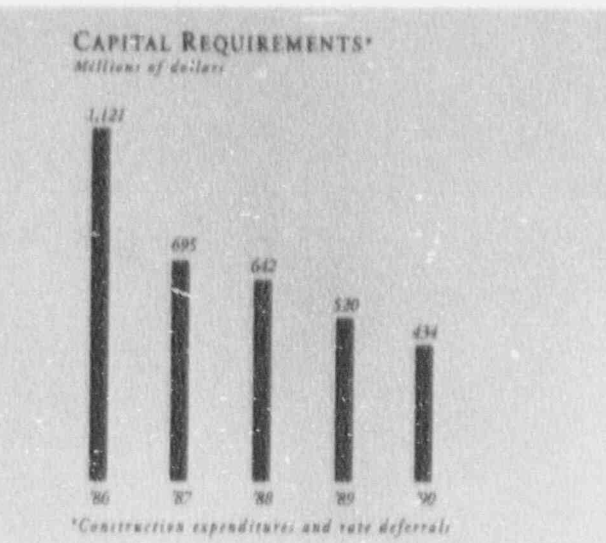
Investing activities for the year resulted in a net cash outflow of approximately $720.4 million due primarily to construction expenditures of approximately $400.5 million, temporary investments other than cash equivalents of $282.2 million, and net investment in nuclear fuel of approximately $50.2 million. Temporary investments other than cash equivalents are, because of their short-term nature, available for cash needs.

Financing activities resulted in a net cash outflow of approximately $487 million. Among these activities was the retirement or refinancing of certain high-cost debt with lower-cost debt. During 1990 $444.5 million of new first mortgage bonds and G&R Bonds were issued and approximately $384.8 million of high-cost first mortgage bonds were retired. Approximately $369.1 million was expended to retire common stock during 1990 in connection with Entergy's ongoing program to reacquire and retire a portion of its outstanding common stock. In addition, common stock dividends of approximately $205.8 million were paid in 1990.

CAPITAL AND REFINANCING REQUIREMENTS

Construction expenditures for the System during the years 1991, 1992, and 1993 are expected to aggregate $412.3 million, $447.8 million, and $441.9 million, respectively. In addition to construction expenditure requirements, the System





will require $986.8 million during the period 1991-93 to meet long-term debt maturities and to satisfy sinking fund requirements. It is expected that a substantial portion of the above requirements during the period 1991-93 will be satisfied from internally generated funds and cash on hand. AP&L, LP&L, and MP&L will require funds from external sources during the period. In this regard, AP&L essentially satisfied its full estimated requirements for external financing for the period 1991-93 during January 1991.

Pursuant to their rate phase-in plans, during the period 1991-93, AP&L, MP&L, and NOPSI will be collecting Grand Gulf 1 costs and LP&L will be collecting Waterford 3 costs incurred but not collected in previous years. These collections constitute cash available to meet capital requirements and long-term debt obligations.

Certain System companies are proceeding with arrangements for the possible redemption, purchase, or other acquisition of all or a portion of certain outstanding series of high-cost debt and preferred stock. Also, AP&L has entered into arrangements (subject to regulatory approval) for the sale of its Missouri retail properties, of which a portion of the proceeds (approximately $70 million) could be used to redeem all or a portion of certain series of AP&L's outstanding first mortgage bonds at special redemption prices, at or near par, pursuant to and in compliance with applicable provisions of AP&L's mortgage and deed of trust. The consummation of these arrangements depends upon, among other things, the receipt of regulatory approvals.

Entergy does not have any present plans, in conjunction with its existing utility business, to issue additional shares of its common stock or otherwise to obtain funds from external sources through issuances of securities or other financings. Having no outstanding debt or preferred stock, Entergy's capital requirements derive principally from the need to invest periodically in its subsidiaries. Entergy Power was initially financed in August 1990 by the sale of common stock ($5,000) and notes ($145.6 million) to Entergy, which notes are contemplated to be subsequently refinanced by Entergy Power with external funds. Entergy utilized funds on hand to make these investments. Entergy has no present plans to make significant additional investments in common stock of the System operating companies or System Energy. Entergy receives funds through dividend payments on outstanding shares of its subsidiaries' common stock, all of which are owned by Entergy. Certain restrictions limit the amounts that can be distributed to Entergy from the subsidiary companies in the form of dividends or other distributions. In addition, the subsidiary companies are prohibited from making loans or advances to Entergy. During 1990 the subsidiary companies declared dividends to Entergy totaling $545.2 million, while Entergy declared dividends of $206.2 million on its common stock. (See Note 7, "Retained Earnings," for information on retained earnings available for distribution to common stockholders.)

In 1989 Entergy received SEC authorization to repurchase, from time to time, through December 31, 1991, up to 20,458,109 shares of its outstanding common stock either on the open market or through negotiated purchases or tender offers. As of December 31, 1990, under this authorization, Entergy had repurchased and retired (returned to authorized but unissued status) 19,323,900 shares of its common stock at an aggregate cost of approximately $382.3 million. Of this amount, 18,734,400 shares were repurchased and retired in 1990 at an aggregate cost of approximately $369.1 million. In November 1990 Entergy received further SEC authorization to repurchase, from time to time, through December 31, 1992, up to an additional 18,575,009 shares of its outstanding common stock either on the open market or through negotiated purchases or tender offers. Purchases are made from time to time depending upon market conditions and authorization of the Entergy board of directors. There is no assurance as to the actual amount of purchases that will occur.

Capital Resources

Additional mortgage bonds and preferred stock that can be issued by the System operating companies and System Energy are limited by earnings coverage tests; available bondable property; for MP&L and NOPSI, the cumulative Grand Gulf 1-related rate deferrals recorded as assets available to support the issuance of additional G&R Bonds; and for System Energy, certain provisions of its Reimbursement Agreement related to its sale and leaseback transactions.

Based upon the most restrictive of the tests at December 31, 1990, the System operating companies could have issued mortgage bonds or preferred stock, and System Energy could have issued mortgage bonds in the following approximate amounts, at an assumed annual interest or dividend rate of 10%.

(In millions)	*Bonds*	*Preferred Stock*
AP&L(1)	$261	$202
LP&L	509	223
MP&L	195	73
NOPSI(2)	48	73
System Energy(3)	93	-

(1) Certain management, organizational, and technical problems at ANO are being addressed as part of a comprehensive action plan designed to significantly improve the operations and safety of ANO. This action plan contemplates increased operations and maintenance expenditures for 1991-93. As a result, in part, of these greater expenses, AP&L estimates that its earnings coverages are likely to fall below the levels necessary to permit the issuance of additional bonds or preferred stock (except for refunding purposes) by late 1991 and may remain below such levels through 1992 in respect to bonds and through 1993 in respect to preferred stock. AP&L essentially satisfied its full estimated requirements for external financing for the period 1991-93 during January 1991.

(2) The issuance by NOPSI of senior securities (whether G&R Bonds or preferred stock) would require certain regulatory approvals, including approval from the SEC. The SEC has historically required that the issuer of such securities have a ratio of common stock equity to total capitalization (including short-term debt) of not less than approximately 30%. In light of NOPSI's common equity ratio of 27.2% at December 31, 1990, it is unlikely that NOPSI could obtain the requisite regulatory approvals for such financing at this time.

(3) System Energy's charter does not presently provide for issuance of preferred stock.

In addition, the System operating companies and System Energy had the ability at December 31, 1990 (subject to meeting certain conditions) to issue bonds against the retirement of bonds without meeting an earnings coverage test. Also, AP&L may issue preferred stock to refund outstanding preferred stock without meeting an earnings coverage test.

Short-term lines of credit are generally maintained to provide flexibility in meeting short-term capital requirements. Listed below are the available bank lines of credit and amounts outstanding at December 31, 1990. (For information on short-term borrowing authorization of the System operating companies and System Energy, the money pool arrangement among the System companies and amounts available to be borrowed thereunder, and certain limitations with respect to short-term borrowings, see Note 4, "Lines of Credit and Related Borrowings.")

(In thousands)	*Available Bank Lines*	*Outstanding Banks*	*Outstanding Money Pool*
AP&L	$76,165	–	–
LP&L	73,850	–	–
MP&L	30,000	–	$3,000
NOPSI	–	–	–
System Energy	–	–	–

Accounting Issues

SFAS No. 96

In December 1987 the FASB issued SFAS No. 96, "Accounting for Income Taxes," which was scheduled to be effective for fiscal years beginning after December 15, 1988. The FASB subsequently issued statement numbers 100 and 103, which delay the effective date of SFAS No. 96 to fiscal years beginning after December 15, 1991. The FASB is expected to issue a new exposure draft in the second quarter of 1991. This exposure draft may further delay the effective date and simplify the implementation of SFAS No. 96.

Based upon a preliminary study, Entergy expects that the adoption of SFAS No. 96 in its present form would result in a net increase in accumulated deferred income taxes with a corresponding increase in assets. It is not expected that results of operations for Entergy, the System operating companies, and System Energy would be significantly impacted by the adoption of SFAS No. 96 in its present form. (See Note 3, "Income Taxes.")

SFAS No. 106

In December 1990 the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change in accounting requirements for postretirement benefits other than pensions from a cash method to an accrual method. The impact of this new standard has not been fully determined, but the change likely will result in significantly greater expense being recognized for provision of these benefits. The effect of the increased benefit expense on net income could be reduced to the extent such increased costs are recovered through rates or through the recording of a regulatory asset to be recovered in the future. Entergy plans to adopt this statement in 1993.

Environmental Matters

Clean Air Legislation

On November 15, 1990, the President signed into law the Clean Air Act Amendments of 1990 (Act) that, among other things, place limits on emissions of sulfur dioxide and nitrogen oxide from fossil-fueled generating plants. The Act may require installation of low nitrogen oxide burner technology on the System's generating units, depending on the emissions levels that are set by the Environmental Protection Agency (EPA). There are several other areas, such as air toxicity and visibility, that will require regulatory study and rule promulgation to determine whether pollution control equipment is necessary. The System has evaluated the Act to determine the impact on the System of overall costs of nitrogen oxide emissions control and monitoring equipment.

Based on its evaluation in connection with existing generating facilities, the System has determined that no additional equipment will be required to control sulfur dioxide emissions in order to comply with the Act. However, the System will be required to install nitrogen oxide emissions controls on its four coal units by the year 2000. Based on estimates from the units' designers, the System anticipates the total capital cost required to control nitrogen oxide emissions to be approximately $11.35 million, although the cost could be somewhat higher if the EPA imposes more stringent nitrogen oxide emissions limitations by regulation.

In addition, the System will be required to install continuous emissions monitoring systems at the other fossil-fueled units at a capital cost of approximately $6.5 million and will incur an additional operating cost estimated to range from $1.1 million to $4.5 million annually in permit fees, depending on the fees imposed by the state regulatory authorities.

The Act provides additional "allowances" with respect to sulfur dioxide emissions, starting in the year 2000, to the "clean" utilities (i.e., utilities with emissions levels below specified amounts) in recognition of their earlier emissions reductions. Each unit of allowance is an entitlement to emit one ton of sulfur dioxide per year. Under the Act, utilities will be required to achieve specified emissions rates or possess allowances for any excess emissions. The System believes that it will be able to operate its units efficiently without installing scrubbers or purchasing allowances from outside sources. Ultimately, if the System continues its recent operational and fuel consumption trends, it may become entitled to excess allowances that could be sold in the new allowance trading market created by the Act.

Litigation Matters

Lawsuits have been filed against AP&L in connection with its operation of two dams during a period of heavy rainfall and flooding. Although an adverse outcome could affect the System's liquidity and results of operations, AP&L believes it has meritorious defenses and that the matters will have no material financial impact. (See Note 8, "Commitments and Contingencies – AP&L Flood Litigation.")

Getting Our Bearings

MP&L's Henry Jarmon redesigned an oiling scheme to correct bearing problems on vacuum pumps. Jarmon also was party to a valve retrofit program that led to thousands of dollars in savings.

Audit Committee Chairman's Letter

The Entergy Corporation Board of Directors' Audit Committee is composed of five directors, who are not officers of Entergy Corporation: William C. Battle (chairman), James B. Campbell, John A. Cooper Jr., Kaneaster Hodges Jr., and Admiral Kinnaird R. McKee. The committee held three meetings during 1990.

The Audit Committee oversees Entergy's financial reporting process on behalf of the Entergy Corporation Board of Directors. In fulfilling its responsibility, the committee recommended to the board, subject to stockholder approval, the selection of Entergy's independent public accountants (Deloitte & Touche). Also, the committee oversees and coordinates the activities and policies of the subsidiary companies' audit committees.

The Audit Committee discussed with the internal auditor and the independent public accountants the overall scope and specific plans for their respective audits, as well as Entergy's consolidated financial statements and the adequacy of Entergy's internal controls. The committee met separately with Entergy's internal auditor and independent public accountants, without management present, to discuss the results of its examinations, its evaluations of Entergy's internal controls, and the overall quality of Entergy's financial reporting. The meetings were designed to facilitate and encourage any private communication between the committee and the internal auditor or independent public accountants.

Wm C Battle

William C. Battle
Chairman
Audit Committee

Report Of Management

The management of Entergy Corporation has prepared and is responsible for the financial statements and related financial information included in this annual report. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

Edwin Lupberger
Chairman and CEO

Jerry D. Jackson

Jerry D. Jackson
Executive Vice President,
Finance and External Affairs

Independent Auditors' Report

To the Shareholders and the Board of Directors of Entergy Corporation:

We have audited the accompanying consolidated balance sheets of Entergy Corporation and subsidiaries as of December 31, 1990 and 1989, and the related statements of consolidated income (loss), retained earnings and paid-in capital, and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of Entergy Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Entergy Corporation and its subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

Deloitte & Touche

Deloitte & Touche
New Orleans, Louisiana
February 15, 1991

All Clear

Entergy Operations' Andy Bryant was recently cited by the Institute for Nuclear Power Operations for developing resin-testing programs to remove chemicals from water.

Consolidated Balance Sheets

December 31, (In thousands)		1990	1989
Assets			
Utility Plant (Notes 1 and 9):	Electric	$13,039,585	$12,760,886
	Electric plant under leases (Note 9)	660,291	655,212
	Property under capital leases – electric	111,405	115,875
	Natural gas	100,356	97,875
	Property under capital lease – gas	799	900
	Construction work in progress	305,889	240,808
	Nuclear fuel under capital lease	367,533	420,125
	Nuclear fuel	5,483	5,061
	Total	14,591,341	14,296,742
	Less – accumulated depreciation and amortization	3,663,287	3,298,370
	Utility plant – net	10,928,054	10,998,372
Other Property and Investments		99,621	92,395
Current Assets:	Cash and cash equivalents (Note 11):		
	Cash	22,821	5,809
	Temporary cash investments	729,764	932,384
	Total cash and cash equivalents	752,585	938,193
	Other temporary investments (Note 11)	282,243	–
	Special deposits	14,067	14,647
	Notes receivable	20,976	9,968
	Accounts receivable:		
	Customer [less allowance for doubtful accounts of (in thousands) $8,100 in 1990 and $8,412 in 1989]	195,615	216,867
	Other	35,179	33,619
	Accrued unbilled revenues (Note 1)	50,215	54,009
	Fuel inventory – at average cost (Note 4)	66,118	68,744
	Materials and supplies – at average cost	271,084	226,548
	Rate deferrals (Note 1)	101,472	84,787
	Prepayments and other	81,634	79,444
	Total	1,871,188	1,726,826
Deferred Debits:	Rate deferrals (Note 1)	1,655,287	1,644,430
	Other	277,244	253,218
	Total	1,932 531	1,897,648
	Total	$14,831,394	$14,715,241

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

December 31, (In thousands)		*1990*	*1989*
Capitalization And Liabilities			
Capitalization:	Common stock, $5 par value, authorized 500,000,000 shares: issued and outstanding 185,257,192 shares in 1990 and 203,991,592 shares in 1989 (Note 5)	$ 926,286	$ 1,019,958
	Paid-in capital	1,419,883	1,563,313
	Retained earnings (Note 7)	1,775,000	1,636,254
	Total common shareholders' equity	4,121,169	4,219,525
	Subsidiaries' preferred stock, net of premium and expense (Note 5):		
	Without sinking fund	330,967	330,967
	With sinking fund	311,230	350,363
	Long-term debt (Notes 6 and 9)	5,765,885	5,991,084
	Total	10,529,251	10,891,939
Other Noncurrent Liabilities:	Obligations under capital leases (Note 9)	306,137	355,835
	Other	62,858	57,435
	Total	368,995	413,270
Current Liabilities:	Currently maturing long-term debt (Note 6)	339,717	29,427
	Notes payable (Note 4)	667	667
	Accounts payable	366,311	339,500
	Customer deposits	86,036	80,069
	Taxes accrued	196,599	199,645
	Accumulated deferred income taxes (Note 3)	11,299	14,909
	Interest accrued	182,811	169,460
	Preferred dividends declared	15,176	16,472
	Gas contract settlements – liability to customers (Note 8)	60,253	60,010
	Deferred revenue – gas supplier judgment (Note 2)	35,663	33,802
	Deferred fuel cost	15,570	2,465
	Obligations under capital leases (Note 9)	201,222	210,476
	Other	88,349	81,111
	Total	1,599,673	1,238,013
Deferred Credits:	Accumulated deferred income taxes – net (Note 3)	1,671,577	1,598,593
	Accumulated deferred investment tax credits (Note 3)	170,297	47,238
	Gas contract settlement – liability to customers (Note 8)	112,430	168,782
	Deferred revenue – gas supplier judgment (Note 2)	103,749	139,596
	Other	275,422	217,610
	Total	2,333,475	2,172,019
Commitments and Contingencies (Notes 2 and 8)			
	Total	$14,831,394	$14,715,241

See Notes to Consolidated Financial Statements.

Statements of Consolidated Income (Loss)

For the years ended December 31. (In thousands)		*1990*	*1989*	*1988*
Operating Revenues:	Electric	$3,894,119	$ 3,633,637	$3,473,552
	Natural gas	87,943	90,367	91,853
	Total	3,982,062	3,724,004	3,565,405
Operating Expenses:	Operation:			
	Fuel for electric generation and fuel-related expenses	808,214	766,787	778,138
	Purchased power	155,570	186,835	141,992
	Gas purchased for resale	61,718	62,705	62,661
	Other	827,577	725,842	751,274
	Maintenance	277,732	278,832	235,733
	Depreciation and decommissioning	392,895	406,011	390,554
	Taxes other than income taxes	178,810	185,660	172,135
	Income taxes (Note 3)	261,145	211,973	152,638
	Rate deferrals:			
	Rate deferrals (Note 1)	(140,365)	(252,541)	(372,480)
	Amortization of rate deferrals	107,407	103,211	80,402
	Income taxes (Note 3)	4,274	48,304	102,789
	Total	2,934,977	2,723,619	2,495,836
Operating Income		1,047,085	1,000,385	1,069,569
Other Income:	Project Olive Branch Settlements (Note 2)	–	(1,105,185)	–
	Allowance for equity funds used during construction	5,199	6,052	7,818
	Miscellaneous – net	168,464	102,844	113,845
	Income taxes – (debit) credit (Note 3)	(49,855)	254,680	14,549
	Total	123,808	(741,609)	136,212
Interest and Other Charges:	Interest on long-term debt	612,064	631,600	663,477
	Other interest – net	23,151	28,607	35,826
	Allowance for borrowed funds used during construction	(5,426)	(4,793)	8,680
	Preferred dividend requirements of subsidiaries	62,786	75,947	86,770
	Total	692,575	731,361	794,753
Net Income (Loss)		$ 478,318	$ (472,585)	$ 411,028
Earnings (Loss) Per Average Common Share		$2.44	$(2.31)	$2.01
Dividends Declared Per Common Share (Note 7)		$1.05	$ 0.90	$0.20
Average Number of Common Shares Outstanding (Note 5)		195,876,850	204,576,247	204,581,092

See Notes to Consolidated Financial Statements.

Statements of Consolidated Cash Flows

For the years ended December 31. (In thousands)		1990	1989	1988
Operating Activities:	Net income (loss)	$ 478,318	$ (472,585)	$ 411,028
	Noncash items included in net income (loss):			
	Rate deferrals – net (Note 1)	(32,958)	(149,330)	(292,078)
	Depreciation and decommissioning	392,895	406,011	390,554
	Deferred income taxes and investment tax credits	252,823	(19,407)	209,219
	Project Olive Branch Settlements (Note 2)	–	1,047,565	–
	Allowance for equity funds used during construction	(5,199)	(6,052)	(7,818)
	Amortization of deferred revenues	(33,865)	(25,641)	–
	Provision for estimated losses (Note 1)	12,962	5,178	12,302
	Deferred interest related to Waterford 3 sale and leaseback transactions	23,791	–	–
	Net gain on the sale of ANG	–	–	(5,350)
	Changes in working capital:			
	Receivables	(15,950)	(71,970)	(37,657)
	Fuel inventory	2,626	(4,005)	30,573
	Accounts payable	26,811	52,511	15,696
	Other working capital accounts	(10,620)	6,998	(43,687)
	Gas supplier judgment proceeds – liability to customers (Note 2)	–	–	196,835
	Refunds to customers – gas contract settlements (Note 8)	(55,979)	(56,122)	(57,152)
	Change in bonding trust arrangement	–	–	101,202
	Change in decommissioning trust	(22,375)	(13,314)	(26,705)
	Other	8,465	873	7,200
	Net cash flow provided by operating activities	1,021,745	700,710	904,162
Investing Activities:	Construction expenditures	(400,465)	(363,788)	(338,091)
	Allowance for equity funds used during construction	5,199	6,052	7,818
	Nuclear fuel sales (expenditures) – net	(50,155)	2,779	(40,123)
	Investments in other temporary investments	(282,243)	–	–
	Expenditures on suspended construction project	–	(7,175)	(12,194)
	Proceeds received from the sale of ANG	–	–	27,095
	Other	7,296	1,319	1,724
	Net cash flow used by investing activities	(720,368)	(360,813)	(353,771)
Financing Activities:	Proceeds from issuance of:			
	First mortgage bonds	414,520	73,282	75,000
	General and refunding mortgage bonds	30,000	100,000	115,000
	Bank notes and other long-term debt (Note 9)	25,768	360,259	510,369
	Retirement of:			
	First mortgage bonds	(384,806)	(1,023,397)	(106,603)
	Bank notes and other long-term debt	(5,584)	(6,110)	(381,250)
	Common stock	(369,140)	(13,201)	–
	Redemption of preferred stock	(40,586)	(117,449)	(30,420)
	Proceeds from sale and leaseback of nuclear fuel	48,607	73,863	129,827
	Common stock dividends paid	(205,793)	(183,834)	(40,916)
	Proceeds from letter of credit escrow	–	–	192,885
	Letter of credit escrow payments	–	–	(84,323)
	Funds released by first mortgage bond trustee	–	–	60,000
	Changes in short-term borrowings	–	(46,990)	(208,010)
	Other	29	(71)	99
	Net cash flow provided (used) by financing activities	(486,985)	(783,648)	231,658
	Net increase (decrease) in cash and cash equivalents	(185,608)	(443,751)	782,049
	Cash and cash equivalents at beginning of period	938,193	1,381,944	599,895
	Cash and cash equivalents at end of period (Note 11)	$ 752,585	$ 938,193	$1,381,944

See Notes to Consolidated Financial Statements.

Statements of Consolidated Retained Earnings and Paid-In Capital

For the years ended December 31, (In thousands)		1990	1989	1988
Retained Earnings, January 1		$1,636,254	$2,310,242	$1,939,757
	Add:			
	Net income (loss)	478,318	(472,585)	411,028
	Total	2,114,572	1,837,657	2,350,785
	Deduct:			
	Dividends declared on common stock (Note 7)	206,167	184,123	40,916
	Capital stock and other expenses	1,443	11,542	(373)
	Common stock retirements (Note 5)	131,962	5,738	-
	Total	339,572	201,403	40,543
Retained Earnings, December 31 (Note 7)		$1,775,000	$1,636,254	$2,310,242
Paid-In Capital, January 1		$1,563,313	$1,567,781	$1,565,466
	Add:			
	Gain on reacquisition of preferred stock	75	48	2,315
	Deduct:			
	Common stock retirements (Note 5)	143,505	4,516	-
Paid-In Capital, December 31		$1,419,883	$1,563,313	$1,567,781

See Notes to Consolidated Financial Statements.

Note 1. Summary Of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries: AP&L, LP&L, MP&L, NOPSI, System Energy, Entergy Operations, Entergy Power, Entergy Services, System Fuels, and Electec. Entergy Operations and Entergy Power commenced operations during 1990. All significant intercompany transactions have been eliminated.

Systems of Accounts

The accounts of the System operating companies are maintained in accordance with the systems of accounts, prescribed by the applicable regulatory bodies, which substantially conform to those prescribed by the Federal Energy Regulatory Commission (FERC). The accounts of the generating subsidiaries, System Energy and Entergy Power, are maintained in accordance with the system of accounts prescribed by the FERC. The accounts of Entergy; its service subsidiaries, Entergy Services and Entergy Operations; its non-utility subsidiary, Electec; and System Fuels are maintained in accordance with the system of accounts prescribed by the Securities and Exchange Commission (SEC).

Revenues and Fuel Costs

Three of the System operating companies record electric and gas revenues as billed to their customers on a cycle-billing basis. Revenues are not accrued for energy delivered but not yet billed by the end of the fiscal period. LP&L accrues revenue for the non-fuel portion of estimated unbilled revenues. Unbilled revenues result from energy delivered since the period covered by the latest billings to customers.

Substantially all of the System operating companies' rate schedules include adjustment clauses under which the cost of fuel used for generation and gas purchased for resale above or below specified base levels is permitted to be billed or required to be credited to customers. MP&L has a fuel adjustment clause that allows current recovery of fuel costs. AP&L, LP&L, and NOPSI utilize a deferral method of accounting for those fuel costs recoverable under fuel adjustment clauses. Under this method, such costs are deferred until related revenues are billed.

The fuel adjustment factor for AP&L contains an amount for a nuclear reserve estimated to cover the cost of replacement energy when the nuclear plant is down for scheduled maintenance and refueling. The reserve bears interest and is used to reduce fuel expense for fuel adjustment purposes during maintenance and refueling outages.

Utility Plant and Depreciation

Utility plant is stated at original cost. Partial disallowances of plant cost ordered by the regulators have been recorded as an adjustment to utility plant. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads, and an allowance for the composite cost of funds used during construction. The cost of units of property retired are removed from utility plant and such costs, plus removal costs, less salvage, are charged to accumulated depreciation. Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to operating expenses.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 98, "Accounting for Leases," due to "continuing involvement" by System Energy and LP&L, the sales and leasebacks of the undivided portions of Grand Gulf 1 and Waterford 3 are required to be reflected for financial reporting purposes as financing transactions in the consolidated financial statements. For financial reporting purposes, utility plant includes the portions of Grand Gulf 1 and Waterford 3 that were sold and are currently under lease. Both companies have retired such property from their continuing property records as formerly owned property released from and no longer subject to System Energy and LP&L's mortgages and deeds of trust. System Energy and LP&L are reflecting such property on their books and records for financial reporting purposes as property under lease from others. The leased properties are being depreciated over the lives of the basic lease terms. The transactions are accounted for as sale and leaseback transactions, as opposed to financing transactions, for income tax purposes and constitute sales and leases under applicable state law.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.1%, 3.1%, and 3% in 1990, 1989, and 1988, respectively.

Substantially all of the utility plant owned by the System is subject to the liens of the subsidiaries' mortgage bond indentures.

Rate Deferrals

The System operating companies have in effect various rate moderation or rate phase-in plans in order to reduce the immediate effect on ratepayers of the inclusion of Grand Gulf 1 and Waterford 3 costs in rates. Under these plans, certain costs are either permanently retained (and not recovered from ratepayers), deferred in the early years of

Driving Competitor

AP&L's Bill Roderick cut fuel costs in half by downsizing his service vehicle, which still handles 90 percent of the work a larger truck can do.

commercial operation and collected in the later years, or recovered currently from customers. These plans vary both in the proportions of costs that each company retains, defers, or recovers and in the length of the deferral/recovery periods. By deferring costs associated with the rate moderation plans to the future when they will be collected through increased rates billed to customers, the impact of the deferral aspect of these plans has been removed from the income statement. Only those costs permanently retained and not recovered through rates or through sales to third parties result in a reduction of net income. Because the actual collection of revenues to recover the deferred amounts will not occur until the future, each company records a deferred asset representing the amount of the deferrals and, at the same time, incurs additional capital requirements associated with the costs being deferred for future collection. In most cases, the carrying charges associated with the unamortized deferrals are recovered currently from customers. The deferred cost balance increases in the early years of the rate phase-in plans. As higher revenues are collected in rates, these rate deferrals are amortized into operating expenses. During periods when deferred costs are recovered, revenue collections will exceed, to the extent of such current recovery, current cash requirements for Grand Gulf 1 or Waterford 3 costs. Recovery of previously deferred amounts does not increase net income because the related deferred costs are concurrently amortized into operating expense.

With respect to permanently retained costs, AP&L's retained share (stated as a percentage of System Energy's 90% owned and leased share of Grand Gulf 1) ranges from 5.67% in 1989 to 7.92% in 1994 and all succeeding years of Grand Gulf 1's commercial operation. In the event AP&L is not able to sell its retained share to third parties, it has the right to sell such energy to its retail customers at a price equal to its avoided energy costs. In 1985 LP&L agreed to permanently absorb 18% of its FERC-allocated share of Grand Gulf 1-related costs. LP&L is allowed to recover 4.6 cents per kwh for the energy related to such retained portion through the fuel adjustment clause. This recovery amount has been temporarily reduced to 2.55 cents per kwh pursuant to a 1989 agreement between LP&L and the Louisiana Public Service Commission (LPSC). LP&L retains the right to sell such energy to nonaffiliated parties at prices in excess of the fuel adjustment clause recovery amount, subject to LPSC approval.

In 1989 NOPSI agreed to temporarily absorb, and not recover from its retail ratepayers, 18% of its FERC-allocated share of Grand Gulf 1-related costs, net of any sales of energy from the 18% absorbed portion to NOPSI's ratepayers at 4.6 cents per kwh, until such time as the present value savings to NOPSI's retail ratepayers total $23.5 million, projected to be approximately May 1991. (However, NOPSI is permitted to sell the energy from such portion to other parties at more than 4.6 cents per kwh.) For the year ended December 31, 1990, System Energy's billings to AP&L, LP&L, and NOPSI totaled approximately $288.2 million, $112.1 million, and $136.1 million, respectively.

Postretirement Benefits

Entergy and its subsidiaries have various postretirement benefit plans covering substantially all of their employees. The policy of Entergy and its subsidiaries is to fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended, and to fund and record other postretirement plan costs on a cash basis. (See Note 10, "Postretirement Benefits," for additional information.)

Income Taxes

Entergy and its subsidiaries file a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to the System companies in proportion to their contribution to consolidated taxable income. In accordance with SEC regulations, no System company is required to pay more income taxes than would have been paid had a separate income tax return been filed. Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by the regulatory bodies for rate-making purposes. Investment tax credits utilized are deferred and amortized based upon the average useful life of the related property.

Allowance For Funds Used During Construction (AFUDC)

To the extent that the System operating companies and System Energy are not permitted by their regulatory bodies to recover in current rates the carrying costs of funds used for construction, they capitalize, as an appropriate cost of utility plant, AFUDC that is calculated and recorded as provided by the regulatory systems of accounts. Under this utility industry practice, construction work in progress on the balance sheet is charged and the income statement is credited for the approximate net composite interest cost of borrowed funds and for a reasonable return on the equity funds used for construction. This procedure removes from the income statement the effect of the cost of financing the construction program. It effectively results in treating the AFUDC charges in the same manner as construction labor and material costs, in that each is capitalized rather than expensed. As noncash items, these income statement credits have no effect on current cash earnings. After the property is placed in service, the AFUDC charged to construction costs is recoverable from customers through depreciation provisions included in utility service rates. Effective composite rates of the System operating companies for AFUDC were 8.7%, 9.3%, and 9.6% for 1990, 1989, and 1988, respectively. System Energy's effective composite AFUDC rate was 10.2%, 10.7%, and 10.4% for 1990, 1989, and 1988, respectively.

Other Noncurrent Liabilities

AP&L, LP&L, MP&L, and NOPSI record provisions for uninsured property risks and claims for injuries and damages through charges to operating expenses on an accrual basis. Accruals for these provisions, classified as other noncurrent liabilities, have been allowed for rate-making purposes.

Note 2. Rate And Regulatory Matters

Project Olive Branch Settlements

In the July 21, 1989 FERC Settlement, System Energy and the System operating companies agreed with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related issues, litigation, and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement and related state and local settlements in 1989 resulted in, among other things: (1) a $900 million pre-tax write-off of System Energy's investment in Grand Gulf 2; (2) a $60 million write-off of a portion of MP&L's previously deferred Grand Gulf 1-related costs; (3) a $50 million one-time credit by System Energy to the System operating companies (which was substantially refunded to ratepayers); (4) a $43 million write-off by System Energy of Grand Gulf 1 AFUDC-equity; and (5) local settlements recorded by LP&L and NOPSI that reduced operating revenues by $18.4 million and increased operating expenses by $26 million.

A Hole In One

Aware that a tiny hole in a pipe can shut down a nuclear plant, Entergy Operations' Rick Courtney, left, and Ray Strickland developed techniques to inspect piping without interrupting daily plant operations.

Implementation of the FERC Settlement (including the cancellation of Grand Gulf 2 and the related write-off) and of the related state and local settlements reduced consolidated net income and retained earnings in 1989 by approximately $862 million and reduced earnings per share by approximately $4.22. As a result of these settlements, the System reported a net loss of approximately $473 million and a loss per common share of $2.31 for 1989.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. In addition, the FERC Settlement did not prejudice the right of any party to further pursue litigation with respect to the February 4 Resolution. (See "FERC Complaint Case" and "FERC Audit" herein and Note 8, "Commitments and Contingencies – NOPSI Prudence Disallowance.")

FERC's June 13 Decision

The June 13 Decision allocating the capacity and energy from System Energy's share of Grand Gulf 1 and the costs associated therewith among the System operating companies was reaffirmed by the FERC in its November 30, 1987 order. The challenges to this decision terminated on April 16, 1990, when the U.S. Supreme Court denied a petition for writ of certiorari seeking review of the U.S. Court of Appeals for the D.C. Circuit's affirmance of the November 30, 1987 order, thereby ending the appeals process with respect to the June 13 Decision.

March 1989 Order

A March 1989 order issued by the LPSC provided, among other things, that LP&L was entitled to an annual increase in retail rates of approximately $45.9 million, but that in lieu of a rate increase, LP&L retain the LPSC jurisdictional portion of $193.7 million of proceeds (stated to approximate $188.6 million) received by LP&L in October 1988 as a result of litigation with a gas supplier, and, for the benefit of ratepayers, begin in March 1989 to amortize such jurisdictional proceeds plus interest thereon accrued through February 28, 1989, pursuant to a rate amortization schedule that currently is scheduled to extend for 5.3 years. At December 31, 1990, the unamortized balance of these jurisdictional proceeds was approximately $139.4 million. LP&L believes that the March 1989 order should have the effect of providing approximately the same amount of additional net income available for common stock as would an annual rate increase of $45.9 million (the amount of LP&L's revenue deficiency as determined by the LPSC) over the 5.3-year period. LP&L agreed to a five-year base rate freeze, at the then current level, subject to certain conditions. LP&L may apply for rate relief in certain instances, such as changes in the federal tax laws or catastrophic events.

In April 1989 the Louisiana Energy Users Group (LEUG), a group of LP&L's large industrial customers, and the members of such group individually, filed a petition for appeal and judicial review of the March 1989 order in the Nineteenth Judicial District Court for the Parish of East Baton Rouge, Louisiana (State District Court). The LEUG contends that the LPSC was without jurisdiction or authority to permit LP&L to retain the judgment proceeds. Further, the LEUG requests that LP&L be directed to keep and maintain in a separate account, pending a decision of the State District Court, the judgment proceeds, or alternatively, the remainder of the proceeds after payment of the initial amount required to meet the first year's revenue requirements of approximately $45.9 million. Trial of the appeal had been scheduled for March 22, 1990. However, on March 1, 1990, the LEUG filed a motion with the State District Court requesting continuance, without date, of these proceedings. LP&L did not oppose this continuance and the State District Court granted such continuance on March 1, 1990. LP&L will defend vigorously against the appeal if it is prosecuted. The LEUG has stated its intention to offer a witness at the trial of the appeal. If this occurs, LP&L intends, and the LPSC has stated its intention, to offer countervailing witnesses. The trial judge has stated his intention to send a

transcript of the proceeding to the LPSC for its consideration. Should this occur, the LPSC may take further actions in accordance with the additional evidence. As permitted by the March 1989 order, LP&L is expending the judgment proceeds in the normal course of its business. LP&L believes the intent of the March 1989 order is that the LPSC recognizes that LP&L is entitled to an annual revenue increase of approximately $45.9 million and that such intent and the March 1989 order will be upheld by the courts if the matter is prosecuted. The matter is pending.

Proposed NOPSI Negotiated Buyout

On March 29, 1988, the New Orleans City Council proposed to Entergy to discuss a negotiated buyout of NOPSI (and of LP&L's electric distribution facilities in Algiers) by the city of New Orleans. Entergy responded by indicating a willingness to consider any alternatives that the council might propose if they are in the best interests of Entergy's stockholders, customers, and employees. In early March 1990, discussions by the city and Entergy culminated in a conceptual proposal setting forth terms and conditions of the negotiated buyout proposal. This proposal was the subject of public hearings by the council in April 1990, and at a council public meeting held on May 17, 1990, the council voted against the adoption of a resolution to proceed with the buyout proposal. In July 1990 the council adopted a resolution that provided a framework for further discussions and research concerning several issues of interest to the council, NOPSI, and LP&L. Members of the council, NOPSI, and LP&L are continuing to meet to discuss three specific areas of study: rate matters, including rate disparity, deferral collection, and consolidation of LP&L and NOPSI; capacity matters, including least cost planning and NOPSI's gas distribution properties; and socio-economic development, including industrial development.

Entergy Power

Upon receipt of all necessary regulatory approvals, Entergy Power was formed as a new subsidiary of Entergy. Some of the regulatory authorizations related to this transaction have been appealed. On August 28, 1990, Entergy Power (utilizing funds it had borrowed from Entergy) purchased AP&L's interests in Independence 2 and Ritchie 2 (with net capacity of 809 megawatts) for an aggregate purchase price of approximately $173.4 million. Entergy Power will market its capacity on a wholesale basis outside Arkansas and Missouri and in markets not currently served by the System. Although not a party to the System Agreement, Entergy Power will sell energy, when not required by its customers, to AP&L. AP&L may then, at its option, sell such energy to the other System operating companies. For the period August 28, 1990, through December 31, 1990, Entergy Power operated at a loss.

Keeping The Lid On Costs

NOPSI's Edward Decossas balked at the price he was quoted for plant replacement parts, shopped around, and found identical equipment for half the price.

FERC Complaint Case

On February 1, 1990, the Arkansas Public Service Commission (APSC), the LPSC, the Mississippi Public Service Commission (MPSC), the Mississippi Attorney General, and the city of New Orleans (collectively, Complainants) filed a complaint with the FERC against System Energy and Entergy Services (as agent for Entergy and the System operating companies), alleging that the rates currently being charged to the System operating companies by System Energy for capacity and energy from Grand Gulf 1 are not just and reasonable. The issues raised by the complaint involve: (1) reducing System Energy's rate of return on common equity from 14%; (2) placing a ceiling for rate-making purposes on System Energy's common equity ratio; (3) reducing System Energy's cash working capital allowance; (4) investigating the transfer of certain Grand Gulf 2 assets to Grand Gulf 1; and (5) investigating plant costs related to income tax accounting issues. (See "FERC Audit" below for more information on income tax accounting issues.)

A reduction in System Energy's rate of return on common equity by 1% would cause annual revenues to be reduced by approximately $16 million. System Energy's cash working capital allowance currently produces annual revenues of approximately $4 million. Revenues currently being collected relative to equipment determined to be useful and transferred to Grand Gulf 1 at the time of the Grand Gulf 2 write-off (see "Project Olive Branch Settlements" herein) are approximately $3 million annually.

On May 24, 1990, the FERC issued an order that, among other things, set these matters for investigation, consolidated these issues with System Energy's pending decommissioning filing (see Note 8, "Commitments and Contingencies – Spent Nuclear Fuel and Decommissioning Costs") and established April 2, 1990, as the refund effective date. Any adjustments to System Energy's rates found necessary by the FERC pursuant to this complaint would be effective retroactively to the refund effective date. In addition, testimony has been filed by the Complainants and the FERC staff proposing certain modifications to System Energy's rate accounting for the portion of Grand Gulf 1 sold and leased back. Such modifications, if adopted by the FERC, would reduce System Energy's revenues by approximately $1.8 million annually. A public hearing is scheduled to commence on September 11, 1991. Entergy cannot predict the ultimate outcome of this case. Accordingly, no provision has been made in the consolidated financial statements for the possible effects of a decision adverse to System Energy with respect to any of the issues raised in the complaint. However, the cumulative effect through December 31, 1990, of a potential reduction of System Energy's return on common equity and of the income tax issues referred to in "FERC Audit" below, in the event of adverse outcomes, would not be expected to have a material effect on Entergy's consolidated financial condition or results of operations.

FERC Audit

On December 21, 1990, the FERC Division of Audits issued an audit report for System Energy for the years 1986 through 1988. The report recommends that System Energy (1) write off and not recover in its rates approximately $95 million of Grand Gulf 1 costs included in utility plant related to the System's income tax allocation procedures (and System Energy's accounting resulting from certain allocated income tax charges) alleged to be inconsistent with FERC's accounting requirements and (2) compute refunds for the years 1987 to-date to correct for overcollections of depreciation and return on rate base related thereto from the System operating companies. System Energy believes the System's income tax allocation procedures are consistent with the SEC's rules and that System Energy's accounting for allocated benefits and costs pursuant thereto are just and reasonable under the FERC's accounting rules and rate-making policies. A write-off of $95 million by System Energy would be substantially offset by the write-off of corresponding deferred credits on the financial statements of the System operating companies, with no resulting significant effect on the consolidated financial statements.

Should this recommendation be adopted, System Energy would have a refund obligation to the System operating companies, which, as of December 31, 1990, would have been approximately $40 million (including interest). The ongoing effect of this change, if adopted, would be to reduce System Energy's 1991 revenues by approximately

$19 million and subsequent years' revenues by a comparable amount, but decreasing at the rate of approximately $0.5 million in each year thereafter. As of December 31, 1990, the after-tax effect on the consolidated financial statements would be to reduce net income by approximately $20 million.

System Energy intends to vigorously contest this issue through a hearing, scheduled August 13, 1991, before a FERC administrative law judge, and believes that its income tax accounting procedures are in compliance with FERC and SEC requirements. However, the ultimate resolution of this issue is uncertain. Accordingly, no provision has been made in the consolidated financial statements for the possible effects of a decision adverse to System Energy.

System Agreement

On August 9, 1990, the LPSC filed a complaint with the FERC seeking a reduction, from 14%, in the FERC-approved rate of return on common equity as a component of intercompany capacity equalization charges under the System Agreement, and requesting that the complaint be consolidated with pending proceedings before the FERC involving System Energy (see "FERC Complaint Case," herein). Petitions to intervene have been filed by various parties. On September 13, 1990, Entergy requested that the FERC dismiss the LPSC's complaint. In February 1991 the FERC consolidated this proceeding with the FERC proceeding involving System Energy discussed under "FERC Complaint Case" and set the refund effective date for December 24, 1990.

On August 20, 1990, the city of New Orleans filed a complaint at the FERC against Entergy, the System operating companies, and System Energy requesting the FERC to investigate certain issues related to the transfer of Independence 2 and Ritchie 2 to Entergy Power and its effect upon the System operating companies and their ratepayers. On September 21, 1990, Entergy, the System operating companies, and System Energy filed with the FERC an answer to the city's complaint asking that the complaint be dismissed. Numerous parties have intervened in this proceeding. In the first quarter of 1991, the FERC issued an order (1) denying motions to dismiss the complaint, (2) dismissing the complaint, in part, without prejudice, (3) setting for investigation the question of whether overall billings under the System Agreement will increase as a result of the transfer of the two units to Entergy Power and, if so, whether those higher charges reflect prudently incurred costs that may be reasonably passed through the System Agreement, and (4) providing that rates charged under the System Agreement after the transfer of the two units be subject to refund, effective October 19, 1990. The matter is pending.

Settlement Agreement with Gas Supplier

During 1990 three lawsuits, filed during the period 1986-90 by MP&L against United Gas Pipe Line Company (United), arising out of a December 8, 1967 "Gas Sales Agreement" between MP&L and United were settled. A settlement agreement between the parties was approved by the MPSC on October 29, 1990, and the three suits were dismissed by the U.S. District Court for the Southern District of Mississippi on November 1, 1990. Pursuant to the settlement agreement, MP&L received approximately $8.2 million that was applied, pursuant to a December 1990 MPSC order, to reduce the phase-in/recovery adjustment portion of MP&L's rate deferral balance. In addition, MP&L and United entered into a new four-year gas purchase agreement under which MP&L will purchase from United approximately 34.1 billion cubic feet of gas.

Other Rate and Regulatory Matters

See Note 8, "Commitments and Contingencies – NOPSI Prudence Disallowance," for information with respect to the NOPSI prudence disallowance.

NOTE 3. INCOME TAXES

Income tax expense (credit) consists of the following:

For the years ended December 31, (In thousands)	*1990*	*1989*	*1988*
Current:			
Federal	$ 35,000	–	$ 17,144
State	35,231	$ 25,004	14,509
Total	70,231	25,004	31,653
Deferred – net:			
Reclassification due to net operating loss carryforward	112,046	(43,652)	227,278
Tax gain on sale and leaseback transactions	(12,060)	(78,980)	(126,286)
Rate deferrals – net	4,274	48,304	102,789
Gas contract settlement	13,325	10,458	(69,201)
Liberalized depreciation	109,616	95,016	72,001
Amortization of excess deferred income taxes	(5,304)	(17,860)	(22,644)
Unbilled revenue	(4,901)	(24,307)	(20,455)
Customer deposits	(23)	(717)	18,735
Project Olive Branch Settlements	8,299	14,319	–
Nuclear refueling and maintenance	(8,881)	1,991	11,827
Deferred fuel	(4,534)	898	11,498
Alternative minimum tax	(58,578)	(1,808)	(15,864)
Other	7,959	(3,687)	7,157
Total	161,238	(25)	196,835
Investment tax credit adjustments – net	83,805	(19,382)	12,390
Recorded income tax expense	$315,274	$ 5,597	$240,878
Charged to operations	$265,419	$260,277	$255,427
Charged (credited) to other income	49,855	(254,680)	(14,549)
Recorded income tax expense	315,274	5,597	240,878
Income taxes applied against the debt component of AFUDC	471	556	(8,520)
Total income taxes	$315,745	$ 6,153	$232,358

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are:

For the years ended December 31,	*1990*		*1989*		*1988*	
(Dollars in thousands)	*Amount*	*% of Pre-Tax Income*	*Amount*	*% of Pre-Tax Loss*	*Amount*	*% of Pre-Tax Income*
Computed at statutory rate	$291,169	34.0	$(132,954)	34.0	$251,149	34.0
Increases (reductions) in tax resulting from:						
Project Olive Branch Settlements	–	–	150,191	(38.4)	–	–
Amortization of excess deferred income taxes	(5,304)	(0.6)	(17,860)	4.6	(22,644)	(3.1)
State income taxes net of federal income tax effect	28,696	3.4	(242)	0.1	4,833	0.7
Amortization of investment tax credit	(16,655)	(1.9)	(7,747)	2.0	(17,758)	(2.4)
Depreciation	10,701	1.2	23,790	(6.1)	17,262	2.4
Other – net	6,667	0.7	(9,581)	2.4	8,036	1.0
Recorded income tax expense	315,274	36.8	5,597	(1.4)	240,878	32.6
Income taxes applied against the debt component of AFUDC	471	0.1	556	(0.1)	(8,520)	(1.1)
Total income taxes	$315,745	36.9	$ 6,153	(1.5)	$232,358	31.5

During 1990 the Entergy System fully utilized its consolidated net operating loss carryforward. Unused investment tax credits at December 31, 1990, amounted to $330.2 million after the 35% reduction required by the Tax Reform Act of 1986. These credits may be applied against federal income tax liabilities in future years. If not used, they will expire in the years 1992 through 2004.

The alternative minimum tax (AMT) credit at December 31, 1990, was $92.1 million. This AMT credit can be carried forward indefinitely and will reduce federal regular income tax in the future.

Cumulative income tax timing differences for which deferred income tax expenses have not been provided are $554.9 million, $515.1 million, and $538.7 million at December 31, 1990, 1989, and 1988, respectively.

Trees For Tomorrow

LP&L's Karen Ballard organized tree giveaways for Entergy's Earth Day celebrations.

In December 1987 the Financial Accounting Standards Board (FASB) issued SFAS No. 96, "Accounting for Income Taxes," which was scheduled to be effective for fiscal years beginning after December 15, 1988. The FASB subsequently issued statement numbers 100 and 103, which delay the effective date of SFAS No. 96 to fiscal years beginning after December 15, 1991. The FASB is expected to issue a new exposure draft in the second quarter of 1991. This exposure draft may further delay the effective date and simplify the implementation of SFAS No. 96. SFAS No. 96 expands the requirements to record deferred income taxes for all temporary differences that are reported in one year for financial reporting purposes and a different year for tax purposes. This will require the recognition of deferred tax balances for certain items not previously reflected in the financial statements, such as a deferred tax liability relating to AFUDC. Under the liability method adopted by SFAS No. 96, deferred tax balances will be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse.

It is expected that reductions in deferred taxes resulting from the lower corporate federal income tax rates will be reflected as liabilities to customers since the regulators may require any such savings to be passed through to the ratepayers. Based on a preliminary study, Entergy, the System operating companies, and System Energy expect that the adoption of SFAS No. 96 in its present form would result in a net increase in accumulated deferred income taxes with a corresponding increase in assets. It is not expected that results of operations for Entergy, the System operating companies, and System Energy would be significantly impacted by the adoption of SFAS No. 96 in its present form.

Note 4. Lines Of Credit And Related Borrowings

The System operating companies and System Energy are authorized through November 1992 by the SEC to effect short-term borrowings in an aggregate amount outstanding at any one time of up to a specified dollar amount for each company (AP&L – $125 million; LP&L – $125 million; MP&L – $100 million; NOPSI – $30 million; and System Energy – $125 million), subject to increase to a maximum of a specified dollar amount for each company (AP&L – $240 million; LP&L – $260 million; MP&L – $110 million; NOPSI – $35 million; and System Energy – $290 million), with further SEC approval. However, the ability of each of the System operating companies and System Energy to borrow is subject to the availability of funds through bank lines and other credit sources. MP&L and NOPSI are limited by the terms of their respective General and Refunding Mortgage Bonds (G&R Bonds) indentures to short-term borrowings in an aggregate amount not exceeding, in general, the greater of 10% of capitalization or 50% of Grand Gulf 1 rate deferrals available to support the issuance of G&R Bonds. In addition, NOPSI is subject to an SEC order that prohibits incurrence of short-term indebtedness if common stock equity (including retained earnings) is, or would thereby become, less than 30% of the sum of total capitalization plus short-term indebtedness. As a result of NOPSI's $135 million write-off of previously deferred Grand Gulf 1-related costs and the reduction of NOPSI's common stock equity caused thereby (NOPSI's common equity ratio was 27.2% of total capitalization as of December 31, 1990), NOPSI is currently precluded from effecting any short-term borrowings, whether through bank loans or money pool borrowings, and will continue to be so restricted unless the 30% common equity restraint is eliminated or modified, or until NOPSI's common equity ratio exceeds 30%.

AP&L, LP&L, and MP&L have lines of credit, not requiring commitment fees, providing for short-term borrowings of $180 million through loans from banks within their service territory. Additionally, the four System operating companies, together with Entergy, System Energy, Entergy Services, Entergy Operations, and System Fuels, are authorized to participate in a System money pool, whereby those companies with available funds can invest in the money pool while other companies (except Entergy) having short-term needs can borrow from the money pool, thereby reducing the System's dependence on external short-term borrowings. The maximum borrowing and average borrowing by participants from the money pool during 1990 were $94.5 million and $48.9 million, respectively. At December 31, 1990, the funds available in the money pool for borrowing aggregated $595.5 million. In addition, Entergy Services, Entergy Operations, and Entergy Power have authorization for borrowing from Entergy (at an interest rate of prime) of $35 million, $15 million, and $200 million, respectively, of which only Entergy Power had borrowings (of $148.9 million) outstanding at December 31, 1990.

System Fuels has two bank credit agreements for use in financing its fuel oil and nuclear fuel inventories, respectively. The fuel oil financing agreement allows for borrowings of up to $30 million subject to a limit equivalent to 80% of the lower of cost or fair market value of its fuel oil inventory stored at certain sites. The nuclear fuel financing agreement allows for borrowings of up to $45 million. Borrowings under these agreements are restricted as to use and are secured respectively by System Fuels' fuel oil and nuclear fuel inventories and certain accounts receivable arising from the sales of these inventories. In addition, AP&L, LP&L, and System Energy have agreed to purchase the nuclear fuel inventory in the event System Fuels is unable to fulfill its obligation under the agreement. Fees are paid on the unused portion of these agreements. At December 31, 1990, there were no borrowings outstanding under these agreements.

The short-term borrowings (excluding money pool borrowings) and the interest rates (determined by dividing applicable interest expense by the average amount borrowed) for the System were:

Years ended December 31, (Dollars in thousands)	*1990*	*1989*	*1988*
Average Borrowing:			
Bank loans	$ 7,953	$ 6,023	$ 52,933
Commercial paper	–	–	$ 53,216
Other	$ 667	$ 2,097	$ 19,127
Maximum Borrowing:			
Bank loans	$62,465	$30,300	$100,805
Commercial paper	–	–	$ 65,000
Other	$ 667	$ 4,137	$ 32,667
Year-End Borrowing:			
Commercial paper	–	–	$ 26,000
Other	$ 667	$ 667	$ 21,657
Average Interest Rate:			
During period –			
Bank loans	9.9%	11.1%	9.3%
Commercial paper	–	–	9.1%
Other	10.0%	9.0%	10.4%
At end of period –			
Commercial paper	–	–	9.3%
Other	10.0%	10.5%	11.0%

Credit facilities (excluding the money pool) and borrowings thereunder of the System companies were:

Years ended December 31,	*1990*		*1989*		*1988*	
(In thousands)	*Credit Facilities*	*Borrowings*	*Credit Facilities*	*Borrowings*	*Credit Facilities*	*Borrowings*
Short-term:						
System Fuels	–	–	–	–	$105,000	$43,500
System operating companies	$180,015	$667	$166,415	$667	$140,588	$ 4,157
Long-term:						
System Fuels	$ 75,000	–	$ 75,000	–	–	–

NOTE 5. PREFERRED AND COMMON STOCK

The number of shares of the System operating companies' preferred stock as of the end of 1990 and 1989 was:

	Shares Authorized	Shares Outstanding		
At December 31,	1990	1990	1989	Call Price Per Share
Cumulative, $100 par value				
Without sinking fund:				
4.16% – 5.56%	1,070,774	1,070,106	1,070,106	$102.50 to $107.00
6.08% – 8.56%	1,180,000	1,180,000	1,180,000	$102.80 to $103.78
9.16% – 11.48%	795,000	795,000	795,000	$104.06 to $108.24
Total	3,045,774	3,045,106	3,045,106	
With sinking fund:				
8.52% – 9.76%	1,185,000	1,185,000	1,200,000	$106.51 to $109.00
10.60% – 12.00%	277,700	277,700	317,700	$104.09 to $109.00
15.44% – 16.16%	139,495	139,495	169,495	$107.72 to $112.12
Total	1,602,195	1,602,195	1,687,195	
Unissued	5,451,500			
Total	10,099,469			
Cumulative, $25 par value				
Without sinking fund:				
8.84%	400,000	400,000	400,000	$27.11
10.40%	600,000	600,000	600,000	$27.30
Total	1,000,000	1,000,000	1,000,000	
With sinking fund:				
9.92% – 12.64%	4,171,666	4,171,666	4,778,099	$26.34 to $27.37
13.12% – 15.20%	2,376,697	2,376,697	3,056,697	$26.64 to $28.22
Total	6,548,363	6,548,363	7,834,796	
Uniss .	15,838,915			
Total	23,387,278			
Cumulative, $0.01 par value				
Unissued	15,000,000			
Total	15,000,000			

Changes in the number of shares of preferred stock of the System operating companies, all of which were with sinking fund, during the last three years were:

	Number of Shares		
	1990	1989	1988
Retirements:			
AP&L			
8.52%, $100 par	(15,000)	–	–
9.92%, $ 25 par	(66,433)	(81,960)	(137,043)
10.60%, $100 par	(10,000)	(8,000)	(18,012)
11.04%, $100 par	(20,000)	(40,000)	(35,325)
13.28%, $ 25 par	(200,000)	(117,126)	(200,175)
LP&L			
10.72%, $ 25 par	(240,000)	(116,004)	(93,635)
12.64%, $ 25 par	(300,000)	(300,000)	(165,130)
13.12%, $ 25 par	(160,000)	(160,000)	(291,390)
14.72%, $ 25 par	(200,000)	(832,000)	(900)
15.20%, $ 25 par	(120,000)	(480,000)	(119,880)
19.20%, $ 25 par	–	(2,000,000)	–
MP&L			
12.00%, $100 par	(10,000)	(7,300)	(5,000)
16.16%, $100 par	(15,000)	(90,000)	–
NOPSI			
15.44%, $100 par	(15,000)	(7,500)	–
Total	(1,371,433)	(4,239,890)	(1,066,490)

The amounts of preferred stock of the System operating companies at December 31, 1990 and 1989 were:

(In thousands)	1990	1989
Without sinking fund:		
Stated at $100 a share	$304,511	$304,511
Stated at $25 a share	25,000	25,000
Premium	1,456	1,456
Total without sinking fund	$330,967	$330,967
With sinking fund:		
Stated at $100 a share	$160,220	$168,720
Stated at $25 a share	163,709	195,870
Premium	463	518
Issuance and discount expense	(13,162)	(14,745)
Total with sinking fund	$311,230	$350,363

Cash sinking fund requirements for the ensuing five years for preferred stock outstanding at December 31, 1990, are (in thousands): 1991, $31,750; 1992, $31,750; 1993, $38,750; 1994, $38,629; and 1995, $37,250.

In 1989 Entergy received SEC authorization to repurchase, from time to time, through December 31, 1991, up to 20,458,109 shares of its outstanding common stock either on the open market or through negotiated purchases or tender offers. As of December 31, 1990, Entergy had repurchased and retired (returned to authorized but unissued status) 19,323,900 shares of its common stock at an aggregate cost of approximately $382.3 million. Of this amount, 18,734,400 shares were repurchased and retired in 1990 at an aggregate cost of approximately $369.1 million. The effect of these transactions reduced common stock, paid-in capital, and retained earnings by approximately $93.7 million, $143.5 million, and $131.9 million, respectively, in 1990 and $3 million, $4.5 million, and $5.7 million, respectively, in 1989.

In November 1990 Entergy received further SEC authorization to repurchase, from time to time, through December 31, 1992, up to an additional 18,575,909 shares of its outstanding common stock either on the open market or through negotiated purchases or tender offers.

Under the repurchase program, purchases are made from time to time depending upon favorable market conditions and authorization of the Entergy board. There is no assurance as to the actual amount of purchases that will occur.

NOTE 6. LONG-TERM DEBT

The long-term debt of Entergy and its subsidiaries at December 31, 1990 and 1989 was:

(In thousands)	*1990*	*1989*
First mortgage bonds	$3,870,529	$3,830,313
G&R Bonds – due 1991-97, 9.90% – 14.95%	320,000	290,000
Other:		
Long-term obligation – Department of Energy (Note 8)	89,053	82,393
Municipal revenue bonds – due serially through 2004, 2.75% – 8%	17,464	20,466
Pollution control revenue bonds and installment purchase contracts:		
Due serially through 2014, 6.4% – 9.5%	57,235	58,600
Due 1995-2016, 6 1/8% – 12 1/2%	915,710	896,050
Purchase obligations under inventory supply agreement	25,131	26,163
Grand Gulf 1 lease obligations (Note 9)	500,000	500,000
Waterford 3 lease obligations (Note 9)	353,600	353,600
Miscellaneous	279	–
Total other	1,958,472	1,937,272
Unamortized premium and discount – net	(43,399)	(37,074)
Total long-term debt	6,105,602	6,020,511
Less – amount due within one year	339,717	29,427
Long-term debt excluding amount due within one year	$5,765,885	$5,991,084

Maturities and sinking fund requirements for the ensuing five years on long-term debt outstanding at December 31, 1990 are:

(In thousands)	*Maturities*	*Sinking Fund Requirements*	
		Cash	*Other**
1991	$328,162**	$ 800	$15,928
1992	$188,510	$16,550	$15,948
1993	$304,655	$45,800	$15,748
1994	$278,892	$45,800	$15,748
1995	$182,793	$45,800	$15,248

**These sinking fund requirements may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.*

***These maturities exclude MP&L's $10 million 9 1/2% series pollution control revenue bonds, which reach their next fixed interest rate date on July 1, 1991. Bondholders will have the right to have their bonds repurchased by MP&L on the fixed rate date. MP&L's intent is to remarket these bonds on July 1, 1991. Also excluded are $755,000 of AP&L's pollution control revenue bonds, which are subject to redemption at the optio . of the holders of such bonds at a redemption price of 100%.*

The outstanding first mortgage bonds of Entergy's subsidiaries as of December 31 1990 were:

Maturity (In thousands)	*4 5/8% – 5 7/8%*	*6% – 8 3/4%*	*9% – 11 5/8%*	*12% – 14 1/2%*	*Total*
1991	$ 27,000	–	$294,000	–	$ 321,000
1992	$ 8,000	–	–	$175,000	183,000
1993	$ 15,000	–	$200,000	–	215,000
1994	$ 25,000	–	–	$200,000	225,000
1995	$ 45,000	–	$ 75,000	–	120,000
1996-2005	$166,250	$504,110	$830,850	–	1,501,210
2006-2015	–	$ 40,000	$285,000	–	325,000
2016-2020	–	–	$980,319	–	980,319
Total first mortgage bonds					$3,870,529

Out Of Harm's Way

MP&L's Paul Wynne, left, and Tony Harrison invented a clip to secure the service boxes that cover underground utilities — preventing tampering and saving time and money.

Note 7. Retained Earnings

The provisions of various agreements relating to the long-term debt and preferred stock of Entergy's subsidiaries restrict the amount of dividends or other distributions on common stock of the subsidiaries. In addition, without approval of the SEC under the Public Utility Holding Company Act of 1935 (PUHCA), the unrestricted, undistributed retained earnings of any Entergy subsidiary are not available for distribution to the common stockholders of Entergy until such earnings are made available to Entergy through the declaration of dividends by such subsidiary.

Consolidated retained earnings at December 31, 1990, included $689.6 million of retained earnings of Entergy, which are unrestricted as to the payment of dividends, and $166.7 million of unrestricted, undistributed retained earnings of Entergy's subsidiaries.

In addition to retained earnings distribution restrictions, the PUHCA prohibits Entergy's subsidiaries from making loans or advances to Entergy. The total investment of Entergy in the common equity of its subsidiaries at December 31, 1990, amounted to approximately $3,736 million. Of this amount, approximately $326 million, including $166.7 million of unrestricted, undistributed retained earnings, was available for distribution to Entergy under the restrictive agreements discussed herein.

Note 8. Commitments And Contingencies

NOPSI Prudence Disallowance

A disallowance by the New Orleans City Council in the February 4 Resolution of $135 million of NOPSI's previously deferred Grand Gulf 1-related costs is still being litigated by NOPSI in both federal and state courts. (The $135 million disallowance was written off in 1987.) NOPSI believes that the February 4 Resolution is contrary to the evidence presented to the council. However, NOPSI cannot predict the outcome of the federal and state court proceedings or whether the February 4 Resolution will ultimately be overturned by the courts.

The February 4 Resolution continues to constrain NOPSI's ability, over the near term, to raise funds from external sources. However, even if there were no judicial reversal of the February 4 Resolution and assuming no catastrophic or other extraordinary event, NOPSI now estimates that its available cash resources should be sufficient to permit it to meet its projected cash requirements for the foreseeable future.

Capital Requirements and Financing

Construction expenditures for the System during the years 1991, 1992, and 1993 are estimated to aggregate $412.3 million, $447.8 million, and $441.9 million, respectively. In addition to construction expenditure requirements, the System will require approximately $986.8 million during the period 1991-93 to meet long-term debt maturities and to satisfy sinking fund requirements. It is expected that a substantial portion of the above requirements during the period 1991-93 will be satisfied from internally generated funds and cash on hand. AP&L, LP&L, and MP&L will require funds from external sources during the period. In this regard, AP&L essentially satisfied its full estimated requirements for external financing for the period 1991-93 during January 1991. (See "ANO Operations Improvement Plan" herein for information on increases in AP&L's capital expenditures and operations and maintenance expenses in connection with the comprehensive action plan to improve performance at ANO, and its effect on AP&L's ability to obtain external financing.)

Pursuant to their rate phase-in plans, during the period 1991-93, AP&L, MP&L, and NOPSI will be collecting Grand Gulf 1 costs and LP&L will be collecting Waterford 3 costs incurred but not collected in previous years. These collections constitute cash available to meet capital requirements and long-term debt obligations.

Certain System companies are proceeding with arrangements for the possible redemption, purchase, or other acquisition of all or a portion of certain outstanding series of high-cost debt and preferred stock. Further, AP&L has entered into arrangements (subject to regulatory approval) for the sale of its Missouri retail properties, Missouri accounts receivable, and material and supplies inventories for approximately $76 million (which is in excess of book value), of

which a portion of the proceeds (approximately $70 million) could be used to redeem all or a portion of certain series of AP&L's outstanding first mortgage bonds at special redemption prices, at or near par, pursuant to and in compliance with applicable provisions of AP&L's mortgage and deed of trust. The consummation of these arrangements depends upon, among other things, the receipt of regulatory approvals.

CAPITAL FUNDS, UNIT POWER SALES, AVAILABILITY, AND REALLOCATION AGREEMENTS

Under the June 21, 1974 Capital Funds Agreement, Entergy has agreed to supply or cause to be supplied to System Energy (1) such amounts of capital as may be required in order to maintain System Energy's equity capital at an amount equal to at least 35% of System Energy's total capitalization (excluding short-term debt) and (2) such amounts of capital as shall be required in order to permit the continuation of commercial operation of Grand Gulf 1 and to pay in full all indebtedness for borrowed money of System Energy, whether at maturity, on prepayment, on acceleration, or otherwise. In addition, Entergy has agreed to make cash capital contributions to enable System Energy to make payments when due on its long-term debt as specified therein. System Energy has, with the consent of Entergy, assigned its rights under the Capital Funds Agreement to certain creditors.

Pursuant to the allocation specified in the June 10, 1982 Unit Power Sales Agreement among System Energy and the System operating companies as ordered by FERC in the June 13 Decision, System Energy agreed to sell to the System operating companies all of its 90% owned and leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AP&L - 36%; LP&L - 14%; MP&L - 33%; and NOPSI - 17%). Charges under the Unit Power Sales Agreement, which are billed monthly, are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation, and capital costs. The Unit Power Sales Agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also severally obligated to System Energy under the June 21, 1974 Availability Agreement in accordance with stated percentages (AP&L - 17.1%, LP&L - 26.9%, MP&L - 31.3%, NOPSI - 24.7%) to make payments or subordinated advances in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of the operating expenses, including depreciation and interest charges, of System Energy. System Energy has, with the consent of the System operating companies, assigned its rights to payments and advances from the System operating companies to certain creditors as security for certain of its indebtedness for borrowed money. Payments or advances under the Availability Agreement are only required to be made to the extent System Energy's receipts from all sources, including under the Unit Power Sales

Streamlining With Sensitivity

Fred Johnson guided the realignment of AP&L's Little Rock organization from three districts into one, with speed and sensitivity to employee concerns.

Agreement as approved by the FERC, are less than the amount required under the Availability Agreement.

In June 1989 System Energy and the System operating companies, with the prior consent of such creditors, amended the Availability Agreement so that the Grand Gulf 2 write-off would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books. This amendment was made so that the write-off of Grand Gulf 2 in September 1989 would not cause a payment by the System operating companies to be required under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

In November 1981 the System operating companies entered into the Reallocation Agreement, which allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies thus agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to capacity and energy from the Grand Gulf Station. Each of the System operating companies, including AP&L, would have remained primarily liable to System Energy and its assignees for payments or advances under the Availability Agreement and assignments thereof. AP&L was obligated to make its share of the payments or advances only if the other System operating companies were unable to meet their contractual obligations. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement insofar as it relates to Grand Gulf 1.

Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L (26.23%), MP&L (43.97%), and NOPSI (29.80%) under the terms of the Reallocation Agreement. AP&L would be liable for its share of such amounts only if the other System operating companies were unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

ANO Operations Improvement Plan

Certain management, organizational, and technical problems at ANO are being addressed as part of a comprehensive action plan designed to significantly improve the operations and safety of ANO. This action plan has resulted in an increase in estimated capital expenditures averaging approximately $16 million per annum for the period 1991-93 and contemplates an approximate $33 million per annum average increase in operations and maintenance expenditures for that period. These increases in operations and maintenance expenditures, along with increased interest expense and preferred stock dividend requirements associated with external financing planned for the period 1991-93, are expected to have a negative effect on AP&L and Entergy's results of operations and on AP&L's earnings coverages required for the issuance of additional first mortgage bonds and preferred stock. AP&L estimates that its earnings coverages are likely to fall below the levels necessary to permit the issuance of additional bonds or preferred stock (except for refunding purposes) by late 1991 and may remain below such levels through 1992 in respect to bonds and through 1993 in respect to preferred stock. AP&L essentially satisfied its full estimated requirements for external financing for the period 1991-93 during January 1991.

Shareholder Litigation

Entergy and certain other System companies and individuals were defendants in a consolidated purported class action suit filed in the U.S. District Court for the Eastern District of Louisiana in 1985 by Entergy shareholders (purporting to represent classes that purchased Entergy common stock). On October 5, 1990, the parties to the suit entered into a settlement agreement, subject to the approval of the court, providing for, among other things, payment to the members of the asserted plaintiff classes from an interest-bearing $15.3 million settlement fund established by Entergy. On

January 31, 1991, the court entered an Order and Final Judgment approving the settlement agreement and dismissing the suit with prejudice. The time for filing appeals of this order expired with no such appeals being filed. The effects of the settlement agreement were recorded in 1990 on Entergy's consolidated financial statements with an insignificant effect on results of operations.

AP&L Flood Litigation

On May 19 and 20, 1990, exceptional amounts of rainfall caused flooding in the area around the city of Hot Springs, Arkansas. As a result of the flooding, lawsuits were filed in state and federal courts in Arkansas naming AP&L as defendant. The amount of damages sought was not specified. By agreement among AP&L and the plaintiffs in the state court lawsuit, that proceeding was dismissed on October 16, 1990, and on October 25, 1990, those persons were permitted to intervene in the federal court lawsuit. In the federal court lawsuit, which was filed in the U.S. District Court for the Western District of Arkansas, Hot Springs Division (Arkansas District Court) on June 22, 1990, the asserted liability of AP&L is based upon allegations of violations of the Federal Power Act in connection with its operation of two dams licensed by the FERC, common law negligence, and trespass. AP&L has responded denying substantially all of the allegations against it and asserting as affirmative defenses, among other things, that the events complained of resulted from an Act of God for which AP&L could not be held responsible; that AP&L owns and maintains flowage easements giving it the permanent right to inundate the lands owned or occupied by the plaintiffs in connection with the construction, maintenance, and operation of the dams; and that the plaintiffs were guilty of contributory negligence and assumed the risk of damage to their property due to flooding. AP&L also filed pleadings in opposition to the plaintiffs' request to be certified as representatives of a class of similarly situated persons and, on February 7, 1991, the federal judge assigned to the case denied the plaintiffs' motion for class certification. This lawsuit was consolidated in February 1991 with the litigation described in the following paragraph.

On November 30, 1990, an additional lawsuit relating to such flooding was filed in the Arkansas District Court naming, among others, AP&L and Entergy as defendants. The asserted liability of AP&L and Entergy is based upon allegations of violations of the Federal Power Act in connection with AP&L's operation of two dams licensed by the FERC, negligence and public nuisance, and, with respect to AP&L only, trespass and intentional infliction of emotional distress. The suit seeks, among other things, approximately $16 million in property losses and other compensatory damages and $500 million in punitive damages. Entergy filed a motion, which was denied, to be dismissed from the lawsuit asserting that there is no basis for the allegations made against it. AP&L responded to the complaint denying the

The Greatest Gift

Gene Costilow, a graduate of MP&L's first aid course, saved two lives last year: rescuing a choking 3-year-old and keeping a woman alive at the scene of an accident until paramedics arrived.

substantive allegations upon which the claims against it are based and asserting the affirmative defenses it asserted in connection with the federal court litigation previously discussed, among other things. AP&L further maintains that the dams' operators followed proper procedures in the operation of floodgates, did not violate any provisions of the Federal Power Act, and were not negligent in the performance of their duties. This lawsuit was consolidated in February 1991 with the federal court litigation previously described.

While the outcome of these matters and their impact, if any, on AP&L and Entergy's financial condition cannot be predicted with certainty at this time, AP&L believes it has meritorious defenses, which it intends to assert aggressively, and that the outcome will have no material adverse financial impact. The matters are pending.

Long-Term Contracts

The Entergy System has several long-term contracts to purchase various quantities of natural gas and low-sulfur coal for use as fuel at certain of its generating units.

LP&L has entered into a long-term purchase agreement with the owner of a hydroelectric generating facility, consisting of eight separate generating units, to purchase, at specified prices, certain percentages of the energy generated by and made available from the plant from the date of commercial operation through 2031. The plant began commercial operation with certain of the eight generating units in May 1990 and the remaining units went into commercial operation in the third quarter of 1990. Assuming LP&L purchases the maximum percentage (94%) of the energy made available to LP&L, and based on current production projections, required payments under the contract are estimated to be \$47.2 million, \$47.2 million, \$47.2 million, \$46.7 million, and \$46.7 million, for 1991-95, respectively, and a total of \$3.6 billion for the years 1996 through 2031. LP&L recovers the costs of purchased energy through its fuel adjustment clause pursuant to LPSC authorization.

Nuclear Insurance

The Price-Anderson Act provides a limit of public liability for a single nuclear incident. At December 31, 1990, the limit of public liability for such type of incident was approximately \$7.807 billion. AP&L, LP&L, and System Energy have protection with respect to this liability through a combination of private insurance (currently \$200 million) and an industry assessment program. Under the assessment program, the maximum amount AP&L, LP&L, or System Energy would be required to pay, with respect to each nuclear incident at a licensed nuclear facility, would be \$66.15 million per reactor (to be indexed every five years for inflation and includes a 5% surcharge in the event the total public liability claims and legal costs approach or exceed the limit of protection otherwise established), payable at a rate of \$10 million per licensed reactor per incident per year. As a co-licensee of Grand Gulf 1 with System Energy, South Mississippi Electric Power Association (SMEPA) would share in this obligation. The System has four licensed reactors.

AP&L, LP&L, and System Energy on behalf of themselves and other insured interests (including, in the case of System Energy and LP&L, the co-owners of Grand Gulf 1 and Waterford 3, respectively) are members of certain insurance programs that provide coverage for property damage, including decontamination expense, to members' nuclear generating plants. At December 31, 1990, each company was insured against such losses up to \$2.185 billion (increased to \$2.325 billion for LP&L as of January 1, 1991) with a \$200 million sublimit for premature decommissioning coverage for ANO and Grand Gulf 1. (This \$200 million sublimit was effective January 11, 1991, for Waterford 3.) In addition, AP&L, LP&L, MP&L, and NOPSI are members of an insurance program that provides insurance coverage for certain costs of replacement power incurred due to certain prolonged outages of nuclear units. Under the property damage and replacement power insurance programs, these System companies could be subject to assessments if losses exceed the accumulated funds available to the insurers. At December 31, 1990, the maximum amounts of such possible assessments were: AP&L – \$11.77 million; LP&L – \$17.61 million; MP&L – \$0.41 million; NOPSI – \$0.27 million; and System Energy – \$17.91 million. Under its agreement with System Energy, SMEPA would share in System Energy's obligation.

The amount of property insurance presently carried by AP&L, LP&L, and System Energy exceeds the Nuclear Regulatory Commission's (NRC) minimum requirement for nuclear power plant licensees of $1.06 billion per site. Effective April 2, 1990, NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition and, second, to complete required decontamination operations. Only after proceeds are used or dedicated for such use and appropriate regulatory approval is obtained would the balance of these proceeds, if any, be available for plant owners' or their creditors' benefit.

Spent Nuclear Fuel and Decommissioning Costs

Under the Nuclear Waste Policy Act of 1982 (NWPA), the Department of Energy (DOE) is required, for a specified fee, to construct storage facilities for and dispose of all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. The NRC, pursuant to the NWPA, also requires operators of nuclear power reactors to enter into spent fuel disposal contracts with the DOE. The affected System companies have entered into such contracts with the DOE whereby the DOE will furnish disposal service at a cost of one mill per kwh of net generation after April 7, 1983, plus a one-time fee for generation prior to that date. AP&L, the only System company that generated electricity with nuclear fuel prior to that date, has elected to pay the one-time fee, plus accrued interest, no earlier than 1998, and had recorded as a liability at December 31, 1990, approximately $89.1 million (including accrued interest) for this payment. The fees payable to the DOE may be adjusted in the future to assure full cost recovery. A 1989 federal court ruling effectively changed the basis for the fee to one mill per net kwh sold rather than generated, which could reduce the affected System companies' payments. AP&L, LP&L, and System Energy consider all costs incurred or to be incurred in connection with disposal of spent nuclear fuel to be proper components of nuclear fuel expense and provisions to recover such costs have been or will be made in applications to regulatory authorities.

By law, the DOE was to begin accepting spent fuel in 1998 and to continue accepting spent fuel until the disposal of all fuel from reactor sites is accomplished. However, the DOE's repository program has been delayed. Based on the DOE's current schedule for acceptance of spent nuclear fuel, initial shipments of spent fuel from ANO, Waterford 3, and Grand Gulf 1 to the DOE's storage facilities will occur in 2011, 2016, and 2016, respectively. In the meantime, the affected companies will be responsible for storage of spent fuel. Current on-site spent fuel storage capacity at ANO, Waterford 3, and Grand Gulf 1 is estimated to be sufficient to store fuel from normal operations until 1995, 2000, and 2004, respectively. It is expected that any additional storage capacity required due to, among other things, delay of the DOE repository program will have to be provided by the affected companies. Entergy Operations estimates that the cost of providing the additional on-site spent fuel storage capability required at ANO by 1995 will be approximately $10 million to $15 million (in 1990 dollars). In addition, approximately $5 million to $10 million (in 1990 dollars) will

Using A Teamwork Approach

Diane Park, left, Carolyn Coley, and Jeanne Scoles led the team that developed training, recognition, and orientation programs leading to improved performance for their employee group at Entergy Operations.

be required every two to three years subsequent to 1995 until the DOE's repository begins accepting ANO spent fuel. Entergy Operations projects that similar expenditures are likely to be required for additional on-site storage capability for Waterford 3 and Grand Gulf 1 for periodic additions as storage capability requirements occur in the early 2000s.

AP&L, LP&L, and System Energy are recovering decommissioning costs for ANO, Waterford 3, and Grand Gulf 1, respectively. These amounts are being deposited in external trust funds that can only be used for future decommissioning costs. At December 31, 1990, the after-tax market value of these external trusts aggregated approximately $72.6 million. AP&L, LP&L, and System Energy regularly review and update estimated decommissioning costs to reflect inflation and changes in regulatory requirements and technology. Decommissioning costs for ANO and Waterford 3 are estimated to be approximately $399.4 million (in 1986 dollars) and $203 million (in 1988 dollars), respectively. AP&L and LP&L have been authorized to recover through rates amounts that, when added to estimated trust investment income during the collection period, should be sufficient to meet currently estimated decommissioning costs. Applications will be made to the appropriate regulatory authorities to recover in rates any projected increase in decommissioning costs above that currently estimated.

On April 4, 1990, LP&L filed a request with the LPSC for approval of a decommissioning plan for Waterford 3. In orders issued May 29, 1990, the LPSC required that LP&L maintain a qualified nuclear decommissioning trust, including approximately $4.2 million of previously collected decommissioning funds. In its May 29, 1990 orders, the LPSC further authorized LP&L to increase its funding for Waterford 3 decommissioning costs from $2.1 million to $4 million annually, effective May 29, 1990 through 1993, as part of LP&L's existing cost of service. The recording of the increase to the new annual level of $4 million became effective June 1, 1990. In 1993 the LPSC will review the $4 million funding level and future funding levels to determine their appropriateness. The estimated cost of decommissioning for Waterford 3 will be periodically reviewed during the licensed operating life of the unit.

With respect to System Energy, an outside engineering firm completed a new decommissioning study for Grand Gulf 1 in 1989. Based upon the study, System Energy estimates that the costs of decommissioning System Energy's 90% owned and leased interest in Grand Gulf 1 would approximate $248.7 million in 1989 dollars. In a petition filed with the FERC on September 29, 1989, System Energy requested an increase in annual decommissioning expense collections from $1.1 million per year to $9.7 million effective January 1990. The FERC accepted System Energy's proposed rates for filing and suspended the proposed rates for five months, to become effective June 1, 1990, subject to refund. On May 24, 1990, the FERC issued an order that consolidated System Energy's decommissioning filing with a pending FERC proceeding concerning System Energy's rates under the Unit Power Sales Agreement. (See Note 2, "Rate and Regulatory Matters – FERC Complaint Case.")

Settlement Agreement with Gas Supplier

A dispute between a gas supplier and LP&L arising from the gas supplier's claimed inability to deliver the full quantities of fuel gas due LP&L under several natural gas contracts was settled by the execution of a settlement agreement in 1982. The settlement agreement provides for the payment of $1.087 billion in cash plus a guaranty of savings of at least $585 million in certain gas acquisition costs between 1982 and 1996. In 1983 the LPSC ordered LP&L to refund the settlement proceeds to customers over the period 1983-93. At December 31, 1990, the remaining liability to customers was approximately $168.8 million (of which $56.4 million was classified as a current liability).

Other Commitments and Contingencies

See Note 2, "Rate and Regulatory Matters," for information with respect to the LEUG appeal of the March 1989 order, the FERC Complaint Case, the FERC Audit, and the System Agreement complaints.

Note 9. Leases

General

In accordance with SFAS No. 13, "Accounting for Leases," the System records the assets and related obligations applicable to capital leases as required by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

At December 31, 1990, the System companies had capital leases and noncancelable operating leases (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum rental commitments as follows:

(In thousands)	*Capital Leases*	*Operating Leases*
1991	$ 29,615	$ 48,448
1992	29,317	43,996
1993	28,488	40,982
1994	24,269	37,767
1995	20,122	31,594
Years thereafter	107,084	125,345
Minimum rental commitments	238,895	$328,132
Less: amount representing interest	99,069	
Present value of net minimum lease payments	$139,826	

Rental expense for capital and operating leases (excluding nuclear fuel leases and the sale and leaseback transactions) amounted to approximately $81.3 million, $80 million, and $85.3 million in 1990, 1989, and 1988, respectively.

Nuclear Fuel Leases

AP&L, LP&L, and System Energy have nuclear fuel leasing arrangements that permit the leasing of nuclear fuel with an aggregate value of $540 million. Under the current arrangements, which were entered into in December 1988 by AP&L and in February 1989 by LP&L and System Energy, each lessor finances its acquisition and ownership of nuclear fuel

An Individual "Point Of Light"

MP&L's Jacky Boyd gave one night a week for more than a year teaching a 50-year-old student to read and write — a skill that led to employment.

under a credit agreement and through the issuance of intermediate term notes. The credit agreements all have terms of five years and the intermediate term notes have varying maturities of one and one-half to 10 years. It is contemplated that these arrangements will be extended or alternative financing will be secured by each lessor upon the maturity of the current arrangements, based on the particular lessee's nuclear fuel requirements. If a lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, the particular lessee must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings. Each of these companies had prior nuclear fuel leasing arrangements that were effectively canceled with the start of the new nuclear fuel lease arrangements.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense of $199.9 million, $188.9 million, and $219.7 million was charged to operations in 1990, 1989, and 1988, respectively. The unrecovered cost base of the leases was $367.5 million, $420.1 million, and $396.1 million at December 31, 1990, 1989, and 1988, respectively.

Sale and Leaseback Transactions

Arrangements for the sales and leasebacks of an aggregate 11.5% undivided ownership interest in Grand Gulf 1 and of three undivided portions of Waterford 3, equivalent on an aggregate cost basis to 9.3% of Waterford 3, were entered into by System Energy on December 28, 1988, and by LP&L on September 28, 1989, for aggregate cash considerations of $500 million and $353.6 million, respectively. The sales were made to owner trustees under trust agreements with owner participants. System Energy and LP&L are leasing back the sold interests on a net lease basis over 26 1/2-year and 28-year basic lease terms, respectively. System Energy and LP&L have options to terminate the leases and to repurchase the sold interests in Grand Gulf 1 and Waterford 3 at certain intervals during the basic lease terms. Further, at the end of the basic lease terms, both companies have an option to renew the leases or to repurchase the interests sold in Grand Gulf 1 and Waterford 3.

In connection with the equity funding of System Energy's sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable by System Energy under the leases. The initial letters of credit, which were scheduled to expire on December 28, 1991, were replaced on January 14, 1991, with new letters of credit that are scheduled to expire on January 15, 1994.

In connection with System Energy's sale and leaseback transactions, the amounts charged, for financial reporting purposes, to expense include the interest portion of the lease obligations and depreciation of the plant. However, operating revenues include the recovery of the lease payments since the transactions are accounted for as sales and leasebacks for rate-making purposes. Total interest and depreciation expense exceeds the corresponding revenues realized during the early part of the lease term. In December 1990, consistent with a recommendation contained in a recent FERC audit report, System Energy recorded as a deferred asset the current and prior year difference between the recovery of the lease payments and the amounts expensed for interest and depreciation, resulting in an increase in net income on the consolidated financial statements of approximately $24 million in 1990. The effect of the deferral was to decrease depreciation expense by approximately $30 million and interest expense by approximately $2 million and increase related taxes by approximately $8 million. The deferral will increase in the early years of the lease term and reverse over the later years of the lease term as the revenues associated with the leases exceed the charges for depreciation and lease interest.

In connection with LP&L's sale and leaseback arrangement, if LP&L does not exercise its option to repurchase the undivided interests in Waterford 3 on the fifth anniversary of the closing date of the sale and leaseback transactions, LP&L will be required to provide collateral to the owner participants for the equity portion of certain amounts payable by LP&L under the lease. Such collateral requirements are to be in the form of either a bank letter of credit or new series of first mortgage bonds issued by LP&L under its first mortgage bond indenture. (See Note 1, "Summary of Significant Accounting Policies – Utility Plant and Depreciation," for information with respect to the financial reporting treatment of the sale and leaseback transactions.)

At December 31, 1990, System Energy and LP&L had future minimum lease payments (reflecting overall implicit rates of 9.86% and 8.76%, respectively) in connection with the sale and leaseback transactions as follows:

(In thousands)	System Energy	LP&L
1991	$ 49,333	$ 32,571
1992	49,333	32,569
1993	49,333	32,568
1994	51,295	32,569
1995	52,247	32,569
Years thereafter	1,195,873	843,159
Total	$1,447,414	$1,006,005

Note 10. Postretirement Benefits

The System companies have various postretirement benefit plans covering substantially all of their employees. The pension plans are noncontributory and provide pension benefits that are based on the employees' credited service and average compensation, generally during the last five years before retirement. The policy of Entergy and its subsidiaries is to fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended.

Effective October 1, 1988, NOPSI terminated its defined benefit pension plan and as of that same date adopted, as a participating employer, a defined benefit pension plan sponsored by LP&L. This successor plan provides employees with substantially the same benefit program with no loss of accrued benefits as provided under the terminated plan. In January 1989 the accumulated benefit obligation of the terminated plan was settled by purchasing annuity contracts. As a result, NOPSI recorded a settlement gain, net of applicable taxes, of approximately $8.4 million in the first quarter of 1989, in accordance with the provisions of SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." On January 31, 1989, NOPSI was refunded approximately $16.7 million (net of a 10% excise tax) from the terminated plan in excess of amounts required to purchase the annuity contracts, pay certain plan participants a pro-rata portion (approximately $1.3 million) of excess plan assets as required by law, and satisfy other related costs and expenses connected with the settlement.

Total 1990, 1989, and 1988 pension cost of Entergy and its subsidiaries, including amounts capitalized, was:

(In thousands)	1990	1989	1988
Service cost-benefits earned during the period	$ 19,482	$ 16,291	$ 16,391
Interest cost on projected benefit obligation	40,117	36,689	40,504
Actual return on plan assets	2,858	(105,129)	(67,794)
Net amortization and deferral	(52,978)	56,517	5,167
1988 LP&L/NOPSI early retirement program	–	–	12,150
Net pension cost	$ 9,479	$ 4,368	$ 6,418

The assets of the plans consist primarily of common and preferred stocks, fixed income securities, interest in a money market fund, and insurance contracts.

The funded status of Entergy's various pension plans at December 31, 1990 and 1989 was:

(In thousands)	*1990*	*1989*
Actuarial present value of accumulated pension plan benefits:		
Vested	$363,805	$337,300
Nonvested	24,366	27,045
Accumulated benefit obligation	$388,171	$364,345
Plan assets at fair value	$546,161	$578,402
Projected benefit obligation	505,375	478,908
Plan assets in excess of projected benefit obligation	40,786	99,494
Unrecognized prior service cost	12,439	5,164
Unrecognized transition asset	(83,619)	(90,971)
Unrecognized net gain	(25,070)	(59,672)
Accrued pension liability	$ (55,464)	$(45,985)

Weighted average discount rates of 8.75% in 1990 and 8.5% in 1989, and a 5.6% rate of increase in future compensation were used in determining the 1990 and 1989 actuarial present value of the projected benefit obligation. The expected long-term rate of return on plan assets for 1990, 1989, and 1988 was 8.5%. Transition assets are being amortized over the greater of the remaining service period of active participants or 15 years.

The System companies also provide certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for the System companies. The cost of providing postretirement health care and life insurance benefits is recorded on a cash basis. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The total cost of providing these benefits and the number of active employees and retirees for the last three years were:

	1990	*1989*	*1988*
Total cost of health care and life insurance (in thousands)	$42,547	$41,100	$35,730
Number of active employees	12,920	12,884	13,049
Number of retirees	3,709	3,528	3,322

In December 1990 the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change in accounting requirements for postretirement benefits other than pensions from a cash method to an accrual method. The impact of this new standard has not been fully determined, but the change likely will result in significantly greater expense being recognized for provision of these benefits. The effect of the increased benefit expense on net income could be reduced to the extent such increased costs are recovered through rates or through the recording of a regulatory asset to be recovered in the future. Entergy plans to adopt this statement in 1993.

NOTE 11. CASH AND CASH EQUIVALENTS

For purposes of the Statements of Consolidated Cash Flows, Entergy considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Temporary cash investments are stated at cost, which approximates the market value. The supplemental disclosures required by SFAS No. 95, "Statement of Cash Flows," are given in the table below:

For the years ended December 31, (In thousands)	*1990*	*1989*	*1988*
Cash paid during the period for:			
Interest (net of amount capitalized of $5,739, $4,213, and $6,954 in 1990, 1989, and 1988, respectively)	$659,415	$702,668	$767,311
Income taxes	$ 62,864	$ 16,301	$ 4,098
Noncash investing and financing:			
Capital lease obligations incurred	$ 69,615	$381,792	$129,629
First mortgage bonds assumed in the sale by AP&L of Associated Natural Gas	–	–	$ (3,780)

NOTE 12. QUARTERLY RESULTS (UNAUDITED)

Consolidated operating results for the four quarters of 1990 and 1989 were:

Quarter Ended (In thousands, except per share amounts)	*Operating Revenues*	*Operating Income*	*Net Income (Loss)*	*Earnings (Loss) Per Share*
1990:				
March	$ 889,430	$ 225,702	$ 88,676	$ 0.44
June	$ 939,281	$ 248,928	$ 109,371	$ 0.55
September	$1,227,248	$ 349,076	$ 209,593	$ 1.07
December	$ 926,103	$ 223,379	$ 70,678	$ 0.38
1989:				
March	$ 836,630	$ 247,872	$ 97,033	$ 0.47
June	$ 901,282	$ 243,110	$ 94,566	$ 0.46
September	$1,103,273	$ 312,679	$ (679,257)*	$(3.32)*
December	$ 882,820	$ 196,724	$ 15,073*	$ 0.08*

**The quarters ended September 30 and December 31, 1989, include certain write-offs related to the Project Olive Branch Settlements. (See Note 2, "Rate and Regulatory Matters – Project Olive Branch Settlements.")*

The business of the System is subject to seasonal fluctuations, with the peak period occurring during the summer months. Accordingly, earnings information for any three-month period should not be considered as a basis for estimating results of operations for a full year.

	(Dollars in thousands, except per share amounts)	*1990*	*1989*	*1988*	*1987*
Selected Financial Data:	Operating revenues	$ 3,982,062	$ 3,724,004	$ 3,565,405	$ 3,454,820
	Net income (loss)[1]	$ 478,318	$ (472,585)	$ 411,028	$ 356,604
	Earnings (loss) per share[1]	$ 2.44	$ (2.31)	$ 2.01	$ 1.74
	Dividends declared per share	$ 1.05	$ 0.90	$ 0.20	–
	Book value per share, year-end	$ 22.25	$ 20.68	$ 23.96	$ 22.13
	Total assets	$14,831,394	$14,715,241	$15,941,816	$15,156,832
	Long-term obligations[2]	$ 6,383,252	$ 6,697,282	$ 6,911,265	$ 6,686,936
	Capitalization:				
	Preferred stock *(including premium and issuance expense)*:				
	Without sinking fund	$ 330,967	$ 330,967	$ 330,967	$ 330,967
	With sinking fund	311,230	350,363	462,965	496,405
	Long-term debt *(excluding currently maturing debt)*	5,765,885	5,991,084	6,187,442	5,945,054
	Common stock and paid-in capital	2,346,169	2,583,271	2,590,686	2,588,371
	Retained earnings	1,775,000	1,636,254	2,310,242	1,939,757
	Total capitalization	$10,529,251	$10,891,939	$11,882,302	$11,300,554
	Utility plant	$14,591,341	$14,296,742	$14,101,255	$13,955,459
	Less – accumulated depreciation and amortization	3,663,287	3,298,370	2,989,863	2,715,314
	Utility plant – net	$10,928,054	$10,998,372	$11,111,392	$11,240,145
Electric Revenues:	Residential	$ 1,449,768	$ 1,331,154	$ 1,285,472	$ 1,239,877
	Commercial	988,409	930,345	877,029	814,586
	Industrial	1,051,796	1,021,456	956,165	938,541
	Governmental	124,597	121,912	121,983	121,234
	Total retail	3,614,570	3,404,867	3,240,649	3,114,238
	Sales for resale	212,504	177,014	185,255	181,411
	Other	67,045	51,756	47,648	31,468
	Total	$ 3,894,119	$ 3,633,637	$ 3,473,552	$ 3,327,117
Energy Sales:	*(Millions of kwh)*				
	Residential	18,174	17,245	17,155	17,053
	Commercial	12,977	12,533	12,192	11,693
	Industrial	22,795	22,396	21,282	20,615
	Governmental	1,831	1,833	1,946	2,050
	Total retail	55,777	54,007	52,575	51,411
	Sales for resale	6,292	4,857	5,496	6,220
	Total	62,069	58,864	58,071	57,631
Number of Customers:	*(At December 31)*				
	Residential	1,497,121	1,485,102	1,475,022	1,462,917
	Commercial	186,435	183,666	181,054	178,504
	Industrial	29,255	28,412	27,801	27,379
	Governmental	9,211	9,399	9,715	9,484
	Total retail	1,722,022	1,706,579	1,693,592	1,678,284
	Sales for resale	16	16	17	18
	Total	1,722,038	1,706,595	1,693,609	1,678,302

(1) *The year 1989 includes certain write-offs related to the Project Olive Branch Settlements (see Note 2, "Rate and Regulatory Matters – Project Olive Branch Settlements").*

(2) *Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations. Prior to 1986, capital lease obligations were not required to be recorded as assets and liabilities on the balance sheet.*

Consolidated Summary of Financial Information

1986	1985	1984	1983	1982	1981	1980
$ 3,485,912	$ 3,238,459	$ 3,146,035	$ 2,909,657	$ 2,846,264	$ 2,722,020	$ 2,295,299
$ 454,465	$ 215,598	$ 508,437	$ 378,050	$ 310,595	$ 281,483	$ 195,907
$ 2.22	$ 1.08	$ 2.86	$ 2.46	$ 2.33	$ 2.44	$ 2.01
–	$ 0.89	$ 1.75	$ 1.71	$ 1.67	$ 1.63	$ 1.59
$ 20.39	$ 18.19	$ 18.36	$ 18.07	$ 17.81	$ 17.66	$ 17.71
$14,090,431	$13,390,015	$12,565,546	$11,107,166	$10,364,653	$ 8,318,556	$ 7,334,030
$ 6,499,530	$ 6,147,883	$ 6,342,232	$ 5,461,776	$ 4,784,404	$ 4,196,589	$ 3,675,474
$ 330,967	$ 330,967	$ 330,967	$ 330,967	$ 330,967	$ 330,967	$ 330,967
508,165	467,293	476,928	429,601	354,957	300,219	283,165
5,983,029	5,680,590	5,865,304	5,032,175	4,429,447	3,896,370	3,392,309
2,588,794	2,590,771	2,381,407	2,101,563	1,691,429	1,479,770	1,285,956
1,583,402	1,130,995	1,090,839	899,979	790,487	705,776	615,248
$10,994,357	$10,200,616	$10,145,445	$ 8,794,285	$ 7,597,287	$ 6,713,102	$ 5,907,645
$13,193,137	$13,866,838	$13,294,825	$11,942,417	$10,464,188	$ 9,080,436	$ 7,893,636
2,386,723	2,078,960	1,856,279	1,694,475	1,551,700	1,407,584	1,264,525
$10,806,414	$11,787,878	$11,438,546	$10,247,942	$ 8,912,488	$ 7,672,852	$ 6,629,111
$ 1,228,556	$ 1,083,865	$ 1,034,940	$ 958,540	$ 926,645	$ 874,505	$ 732,202
799,256	702,318	660,337	590,380	566,656	533,721	443,940
936,573	965,688	1,022,873	931,369	954,195	925,413	718,358
118,360	111,922	115,755	108,805	107,791	97,042	76,746
3,082,745	2,863,793	2,833,905	2,589,094	2,555,287	2,430,681	1,971,246
220,076	171,039	90,397	90,720	95,959	127,996	184,760
36,311	50,045	35,268	36,515	22,326	24,101	23,226
$ 3,339,132	$ 3,084,877	$ 2,959,570	$ 2,716,329	$ 2,673,572	$ 2,582,778	$ 2,179,232
17,118	16,748	16,069	15,465	15,596	15,472	16,065
11,539	11,235	10,516	9,776	9,620	9,396	9,277
19,460	21,206	22,494	21,084	22,092	23,462	22,876
2,016	2,043	2,059	2,025	2,045	1,902	1,837
50,133	51,232	51,138	48,350	49,353	50,232	50,055
7,674	5,031	1,852	2,072	2,103	2,803	5,099
57,807	56,263	52,990	50,422	51,456	53,035	55,154
1,456,594	1,447,121	1,432,022	1,409,022	1,387,389	1,372,106	1,351,838
177,054	176,050	172,662	168,652	165,460	164,070	161,864
27,468	27,957	26,637	26,134	24,390	24,631	23,880
9,293	9,062	10,370	9,989	9,635	9,444	9,079
1,670,409	1,660,190	1,641,691	1,613,797	1,586,874	1,570,251	1,546,661
21	22	25	32	30	43	72
1,670,430	1,660,212	1,641,716	1,613,829	1,586,904	1,570,294	1,546,733

Entergy Corporation

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Retired President and Chief Executive Officer of Fieldcrest Mills, Inc.
Ivy, Virginia

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Group President, Communications Products, AT&T Company
Basking Ridge, New Jersey

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Jackson, Mississippi

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Bella Vista, Arkansas

Brooke H. Duncan
President of Foster Company, Inc.
New Orleans, Louisiana

Kaneaster Hodges Jr.
Attorney
Newport, Arkansas

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New Orleans, Louisiana

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Oxford, Maryland

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Senior Vice President, System Executive — Nuclear, President and CEO of Entergy Operations

Jack L. King
Senior Vice President, System Executive — Operations

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Vice President, Governmental Affairs

Glenn H. Parsons
Vice President, Corporate Communications

Alan M. Wright
Vice President, Finance

H. Stuart Ball
Treasurer

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AP&L

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Cathy Cunningham
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LP&L

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Greenwood Commonwealth
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Edwin Lupberger

Jerry L. Maulden

Adm. Kinnaird R. McKee

Robert D. Pugh

Wm. Clifford Smith

For those directors whose affiliations are not listed, *see page seventy*

Annual Meeting

The 1991 Annual Meeting of Stockholders will be held on Friday, May 17, 1991, at the Pine Bluff Convention Center, 500 East 8th Street, Pine Bluff, Arkansas. The meeting will begin at 10 a.m. (CDT) and will be followed by a tour of the System Operations Center. A notice of the meeting, proxy statement, and proxy card will be mailed to stockholders in early April. Stockholders unable to attend this year's meeting are encouraged to request an *Annual Meeting Review*, described below.

Investor Publications

Form 10-K and Financial and Statistical Review

Copies of the Entergy System's 1990 Annual Report on Form 10-K to the Securities and Exchange Commission and 1990 Financial and Statistical Review, a statistical supplement to the 1990 annual report and Form 10-K that includes 11 years of financial and operating data, may be obtained without charge by calling 1-800-292-9960; or by writing to: Entergy Corporation, System Investor Relations, P.O. Box 61005, New Orleans, LA 70161.

Annual and Quarterly Reports

Entergy maintains a mailing list of stockholders whose shares are held in "street name," i.e., in the name of their broker, to provide more timely receipt of annual and quarterly reports. To be added to our direct mailing list, call System Investor Relations, 1-800-292-9960.

Public Policy Newsletter

Copies of *The Entergy Constituent*, Entergy's newsletter on legislation and public policy issues, may be obtained without charge by writing to: *The Entergy Constituent*, Entergy Corporation, Stockholders Public Policy Information Organization, P.O. Box 61236, New Orleans, LA 70161-9968.

Annual Meeting Review

Copies of Entergy's 1991 *Annual Meeting Review*, a report on business conducted and presentations made at the 1991 Annual Meeting of Stockholders, may be obtained without charge by calling System Investor Relations, 1-800-292-9960.

Investor Contacts

Shareholder Account Information

The Chase Manhattan Bank, N.A. is the transfer agent, registrar, and dividend paying agent for the common stock of Entergy Corporation. Communications concerning dividend payments, dividend reinvestment, stock transfer, address changes, replacement of lost certificates, and other administrative matters should be directed to: The Chase Manhattan Bank, N.A., 1 New York Plaza – 14th Floor, New York, NY 10081; 1-800-526-0801.

Financial Information

Inquiries regarding financial and operating performance of Entergy Corporation and its subsidiaries should be directed to: Richard M. Strawn, Manager, System Investor Relations, 1-800-292-9960.

Common Stock Listing

The common stock of Entergy Corporation is listed and traded on the New York, Midwest, and Pacific stock exchanges. The ticker symbol is "ETR." Daily trading prices and volume can be found in the "NYSE Composite" section of most major newspapers. The stock table listing is "Entergy."

Common Stock Ownership

At the close of 1990, there were 74,175 stockholders of record of Entergy Corporation. Approximately 70 percent of Entergy's common stock is held by institutional investors, with the balance held by individuals.

Investor Information

Common Stock Price Range

Quarter	1990 High	1990 Low	1989 High	1989 Low
First	23 3/8	19 1/2	17 7/8	15 1/2
Second	21 1/8	18 3/8	19 5/8	16 7/8
Third	20 1/8	18	23	19 1/8
Fourth	23 1/8	19	23 3/8	20 1/8

Common Stock Dividends

Common stock dividends paid per share were:

Quarter	1991	1990	1989
First	$0.30	$0.25	$0.20
Second		$0.25	$0.20
Third		$0.25	$0.25
Fourth		$0.30	$0.25

The entire amount of common stock dividends paid during 1990 is taxable as ordinary income.

Dividends are payable as declared by Entergy's board of directors. Anticipated common stock dividend declaration, record, and payment dates for the remainder of 1991 are:

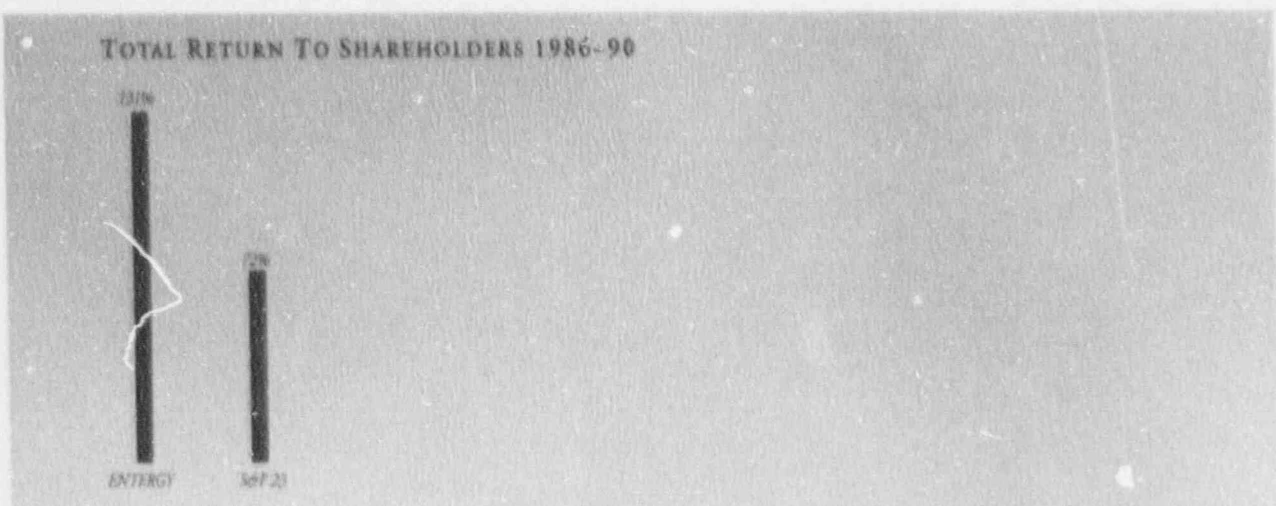
Declaration Dates	Record Dates	Payment Dates
March 22	May 10	June 3
July 26	August 9	September 3
October 24	November 8	December 3

Dividend Reinvestment Plan

Entergy Corporation offers an automatic Dividend Reinvestment Plan that provides shareholders a convenient and economical way of investing cash dividends and optional cash payments in additional shares of Entergy common stock. The plan is administered by The Chase Manhattan Bank, N.A. Twenty-one percent of Entergy's stockholders of record were participating in the plan at year-end 1990. To enroll or to obtain more information, call The Chase Manhattan Bank, N.A., 1-800-526-0801.

Common Stock Investment Performance

From year-end 1985 through 1990, Entergy provided its shareholders a cumulative total return — the sum of market price change and cash dividends — exceeding that posted by the electric utility industry in general, as measured by the 23 companies that comprise the Standard & Poor's Electric Power Company Index.



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