

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## **ETR - Q4 2009 Entergy Earnings Conference Call**

**Event Date/Time: Feb. 02. 2010 / 4:00PM GMT**



Feb. 02. 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

## CORPORATE PARTICIPANTS

**Michele Lopiccolo**

*Entergy - IR*

**Wayne Leonard**

*Entergy - Chairman of the Board & CEO*

**Leo Denault**

*Entergy - EVP & CFO*

**Gary Taylor**

*Entergy - Group President, Utility Operations*

**Rick Smith**

*Entergy - President & COO*

## CONFERENCE CALL PARTICIPANTS

**Jonathan Arnold**

*Deutsche Bank - Analyst*

**Leslie Rich**

*Columbia Management - Analyst*

**Paul Patterson**

*Glenrock Associates - Analyst*

**Steve Fleishman**

*Bank of America - Analyst*

**Andrew Levy**

*First New York - Analyst*

**Neo Maday**

*Goldman Sachs - Analyst*

## PRESENTATION

**Operator**

Ladies and gentlemen, we thank you for your patience in holding. Good day to everyone, and welcome to the Entergy Corporation fourth quarter 2009 earnings conference call. Today's call is being recorded.

At this time for introductions and opening comments, I would like to turn the call over to Ms. Michele Lopiccolo of Investor Relations. Please go ahead, maam.

---

**Michele Lopiccolo** - *Entergy - IR*

Good morning. And thank you for joining us. We'll begin this morning with comments from our Chairman and CEO, Wayne Leonard, and then Leo Denault, our CFO, will review results. In an effort to accommodate everyone with questions this morning, we request that each person ask no more than two questions. After the Q&A session, I will close with the applicable legal statements.

Wayne.

---



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Wayne Leonard** - *Entergy - Chairman of the Board & CEO*

Good morning. I will start with what's in the news most these days, the New Orleans Saints are going to the Super Bowl. At least that's what's in the news down here. For most of you and what's most relevant to our discussion of course is Vermont Yankee.

In an official statement on January 27, Governor Douglas indicated recent events at Vermont Yankee have raised many questions that need answers and actions before any decisions on the spin off or license renewal can be made in Vermont. Those events include the finding of tritium in ground water monitoring well on the plant site, as well as conflicting information provided to state officials about the existence and the extent of underground piping that carries radio-nucleides at Vermont Yankee.

In addition to the time-out in order to allow investigations to be completed, Governor Douglas called for Entergy to make immediate necessary changes in management to begin the process of restoring trust and credibility. The Governor also indicated that he can no longer ask legislators to vote this year on the issue of who should be allowed to decide the request for license renewal.

First, let me say, Entergy Corporation and the Entergy Nuclear Vermont Yankee management team take with utmost seriousness the responsibility to provide complete and accurate information to regulators and other stakeholders. In conversations with Governor Douglas, I made a personal commitment to not only resolve the known inconsistencies, but also to seek out and find any and all discrepancies or less than clear information supplied by anyone in this process and correct the record. This is how Entergy operates.

We will be both thorough and fully transparent in our investigation and findings, and we will restore trust and credibility with our stakeholders.

The inconsistencies that the Governor is referring to pertain to information provided by Entergy on underground piping systems and the reliability assessment that was performed and finalized as required by law by the Vermont Public Service Board in the fourth quarter of 2008. The questions extend to a review of the report findings made in the first half of 2009, and may have influenced the contractor's final report that was presented to the Legislature. A comprehensive internal investigation conducted by an independent council is now under way to get to the bottom of this matter.

I cannot comment on all matters related to the ongoing investigation, but I can tell you what I know that is already in the public record as it now stands. The report by the state contractor was issued on December 22, 2008, and indicated that there were no underground pipes carrying radioactive nucleides. At the same time, the report referenced 14 pages of documentation provided by Entergy that clearly indicated there were such pipes.

To my knowledge, while we commented on the report, we did not note the discrepancy between the report findings and the data that we had provided about three months earlier in September of 2008. In January 2009, about a month after the report was first issued, we submitted a response to a discovery request that indicated no such pipes existed now or in the past. That response was not accurate. It has been corrected and refiled.

In May 2009, an Entergy executive testified in a hearing on the state's report that he didn't think we had any such pipes but he would get back to them. He did not get back to them. He has issued a public apology and made clear that he failed to provide full and complete information, either on the witness stand or by failing to get back to them. He has been permanently relieved of his duties in Vermont, and placed on administrative leave pending the outcome of the full investigation.

There are other allegations or statements that have been made in the press about what Entergy may have said or not said. Those are all part of the investigation process, which is examining computer records, emails, calendars, notebooks, prep notes, of any and all of those involved, including the attorneys who represented Company witnesses in the proceedings. In a letter to David O'Brien, Rick Smith also pledged that the Company will cooperate fully with the investigation of this matter and assist the state's independent inspection of the applicable piping systems.

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

Meanwhile, work of a multi-disciplined technical team continues to investigate the tritium matter, leaving no stone unturned and wasting no time on the clock. Based on the experience of the United States nuclear plants and an industry wide program, Entergy has paid significant attention to this issue in the past and we will continue to do so.

The concentration level of tritium in a well dug exactly for that purpose of finding any potential leaks in a timely fashion has varied, and over the weekend we observed the first reading just above the threshold level requiring regulatory reporting. It is important to note that there have been no elevated tritium level found in any drinking water well samples. The existence of tritium in such low levels does not present a risk to public health or safety. We continue to believe Vermont Yankee represents a vital source of clean, economical power that is safe, secure, and reliable.

It is a model plant in many respects. We do not comment on specific ratings of specific plants, but Vermont Yankee is among the elite in operating performance. Further, we remain unwavering in our belief that Vermont Yankee should continue operations for at least another 20 years beyond March 2012. For that to happen, the plant has to be safe. And we will resolve questions related to that issue in the coming weeks.

Secondly, it has to be profitable. And today, it is simply not covering its cost of capital. In an effort to advance the license renewal process in the Legislature, in December Enexus submitted a letter to the Vermont Public Service Board of its notice of intent to file a proposed power purchase agreement. The letter outlined the terms of the expected offer, whereby Vermont Yankee will offer the two Vermont utilities the opportunity to exchange their 55% interest in the existing ten year value sharing arrangement for a new 115 megawatt, 20-year power purchase agreement.

Using the Department of Public Service recently approved wholesale price forecast, this would be a below market PPA, which would provide a benefit of approximately \$500 million. Furthermore, the benefit of the PPA would be over \$800 million if the PPA were to be replaced with new renewable sources of power that have similar low carbon emissions as Vermont Yankee. Add in retention of 650 high quality jobs, plus local and state revenues, and estimated total economic benefits to the state quickly exceed the \$1 billion mark (inaudible) year period.

Despite the current turmoil, which I clearly acknowledge was of our own making and should never have happened, when all is said and done, the results of an independent and thorough investigation, and corrective actions that will be put in place, should comfort the Legislature and the Vermont Public Service Board to look beyond our missteps and focus on what is in the long-term best interests of the citizens of Vermont. Particularly, the economic benefits in excess of \$1 billion, and the value of proven, safe, secure reliable and clean source of power, a plant with an exemplary operating record.

While Vermont Yankee's license expires in 2012, March of 2012, we do not have anywhere near that long to make decisions on the future of Vermont Yankee. Key dates for substantial commitments may occur as early as the second quarter of 2011. The Governor has clearly put the ball in our court now. We will do everything possible to give it back to Vermont as soon as possible, so no action doesn't result in the decision by default.

Next, let's turn to the spin. It should come as no surprise to positively resolving this spin off is a top priority of the Company. We continue to believe that executing the spin is the best path forward for all stakeholders. Since we last met at EEI, the NRCD determined good cause had been shown, and in January extended the approval to execute the spin off to August 1 of this year.

In Vermont, the Company responded to data requests submitted by the Vermont Public Service Board in response to an earlier memorandum of understanding reached with the Vermont Department of Public Service resolving outstanding issues. Of course, that was before Governor Douglas directed the Department of Public Service to request a stay in the proceedings until Entergy resolved its current concerns about Entergy.

In New York, remaining milestones outlined in the ALJ's procedural schedule were concluded. The procedural schedule established by the New York ALJ supports as potential decision by the New York Commission at its February 11 meeting. Many of you have asked what actions we might consider in the event we receive a decision from the New York Public Service Commission



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

substantially different than what we are seeking. Given where we are in the proceeding, and the wide range of possible outcomes, we simply won't speculate on any specific what ifs.

However, once the New York Commission acts, I can say that our Board of Directors has already committed to a timely schedule for briefing, evaluation, and assessment on what comes next. An acceptable outcome in New York moves us back to Vermont, to determine the ultimate path forward for the spin off. Even with or without Vermont Yankee, a path with an acceptable Vermont outcome by the end of the first quarter enables Entergy to promptly undertake, during the second quarter, the remaining activities to establish Enexus and EquaGen separate from Entergy. A path without Vermont would extend the time to spin into the second half of this year.

If the New York ruling, however, simply does not support moving forward in the best interest of our stakeholders, we'll take decisive actions to eliminate synergies, and implement other plans to capture maximum benefits over time, some of which could be achieved in the near term with others requiring more time. In all cases, the Board will also evaluate the appropriate course of action for the dividend, which has remained unchanged since July of 2007 pending the spin off. You may also recall last October the Board authorized the \$750 million share repurchase program that will be considered for immediate implementation along with any changes in the dividend payout.

Now let's turn to a discussion of other notable events during the quarter, and a discussion of other 2010 goals. I will continue with Entergy Nuclear. The fleet continued its outstanding performance during the fourth quarter running at an approximate 99% capacity factor. Our new Entergy Nuclear Chief Executive and Chief Nuclear Officer, John Herron, took over the top box on December 1 upon the retirement of Mike Kansler.

Many of you know Mike well. Mike made invaluable contributions since joining Entergy in 1998, and planned well ahead for an orderly succession by selecting and developing an outstanding leader and operator, prepared and eager to continue the record of achievement set by Mike, Gary Taylor, Jerry Yelverton, and Don Hintz before him. Mike remains involved in a consulting role to ensure an efficient transition, and in particular, to assist in efforts related to the spin off and license renewal at Indian Point.

John Herron, who is on the call with us this morning, previously served as Entergy's Chief Senior Vice President for Nuclear Operations, handling the operational side of the entire fleet, bringing capability factors up to record levels. He has been the heir apparent to Mike for some time. (Inaudible) in the same mold as Mike Kansler and his predecessors, I am sure you will enjoy visiting with him at future investor conferences.

In other matters, Entergy Nuclear was pleased to report it's agreed to extend its nuclear services agreement with the Nebraska Public Power district's Cooper nuclear station for an additional 15 years. Nebraska Public Power's decision to extend the agreement was based on the significant improvements in regulatory and operational performance realized since the beginning of the agreement in 2003, when Entergy took over operations. The support service contract is a model for the industry, demonstrating the fleet leverage that can add value and assist single unit or single site operators. The contract is also an example of the opportunities John Herron will continue to pursue in his role as CEO designate of EquaGen.

Regarding goals for 2010, the commitment to safety, security and operational excellence for the nuclear fleet remains at the forefront, followed by license renewal. We're expecting license renewal from the NRC in 2010 for both Vermont Yankee and Pilgrim.

You may recall that both plants successfully completed the NOC license renewal process, including obtaining favorable rulings in hearings before the atomic safety licensing board. In both processes, appeals were ultimately filed with the NRC. By Pilgrim Watch for the Pilgrim renewal and the New England Coalition for Vermont Yankee renewal. Those appeals remain outstanding. At Indian Point, activities will continue in 2010 consistent with the NRC schedule, targeting a 2011 decision on license renewal.

We were encouraged by the final energy plan recently adopted by the New York State Energy Planning Board. That plan incorporated modifications to the original draft that was somewhat dismissive of the magnitude of the problem of replacing

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

Indian Point in New York with other sources of power. The report acknowledged that the Indian Point energy center is important from a reliability perspective due to critical voltage support provided to the New York City Hudson Valley regions. And further explained the risk the retirement of the Indian Point energy center would present, and substantial trade offs such as higher electric prices and CO2 emissions.

In the new addition to the final plan, the report goes a step further and acknowledges that further studies must be done in order to ascertain the potential impacts of not having the Indian Point energy center on the ability to transfer power to down state load areas, to transfer capability and transmission system into the area, reactive power sources in the lower Hudson Valley, and overall system reliability. We agreed, and of course we do have a strong point of view on what objective analysis of these issues will demonstrate.

Turning to the utility, constructive regulatory outcomes dominated the quarter. Entergy Texas concluded storm recovery for hurricanes Gustav and Ike, following successful issuances of \$545.9 million of securitization bonds in November.

In Louisiana, Entergy Gulf States Louisiana and Entergy Louisiana entered into a black box stipulation agreement with the Louisiana Public Service Commission staff that allows total recoverable storm costs for hurricanes Gustav and Ike of \$627.9 million including carrying charges through June 15, 2010. That represents over 98% of the Company's requests.

Further, staff and the companies agreed that when Act 55 financing is accomplished, Entergy Louisiana and Entergy Gulf States Louisiana will also establish securitized storm reserves in a collective amount of \$290 million, bringing the total amount to be securitized to just under \$700 million. Recall that the Louisiana companies previously accessed nearly \$220 million from funded storm reserves shortly after damage from the hurricanes. That's how you get to the \$700 million number.

Also, at the end of the year Entergy Texas continued to push forward in its 15 year quest to actually earn a fair return on its investment in order to continue to attract capital to support the substantial investment that adds greatly improved reliability and customer service in Texas, since the acquisition of Gulf States Utilities in the mid-90s. For example, in the two years between April 2007 and June 2009, Entergy Texas completed \$376.5 million in capital projects to improve and maintain transmission and distribution systems. Over \$600 million of projects are planned for the next three years, bringing the Company's infrastructure investments to \$1.6 billion since 1999 alone.

In addition, there is much more to the \$198.7 million rate request than improving and maintaining the infrastructure. A large portion of the request should be indisputable, simply recovery of purchase power to meet customer usage. There is no profit on these purchases for the Company, and we have no mechanism to keep the Company whole for these outlays at the present time. The rate case provides a rider to recover these costs, consistent with protections under the law for prudently incurred costs on behalf of customers. In addition, the Company is proposing a more streamlined rate making process, while still providing for full regulatory oversight by the PUCT.

Entergy Texas has proposed a cost of service adjustment or COSA rider, similar to the mechanism used by the railroad commission regulating gas utilities in Texas, and the formula rate plan mechanisms in place at other Entergy operating companies. This would serve to mitigate the need to what has been near back to back full rate filings and litigation before the Commission. This rate case would also serve to establish the baseline value to be used in future annual updates to the transmission costs recovery rider authorized by the Legislature for Entergy Texas last year. Entergy Texas is negotiating with the parties to develop a procedural schedule that will provide for a Commission decision before the end of 2010.

In Mississippi, a second fuel audit undertaken at the request of the Commission thoroughly investigated Entergy Mississippi's fuel and purchased energy costs. The audit result was very positive, as it did not recommend that any costs be disallowed. The report did suggest that some costs, in fact less than 1% of the \$1.66 billion in fuel and purchased energy during the audit period may have been more recently charged to customers through base rates rather than through fuel charges. More importantly, the report did not suggest the customers should not have paid for those costs.



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

These audit findings are consistent with an earlier Commission ordered audit that found to a great degree energy, fuel, transmission rights in access and other related products are purchased on an integrated basis, meaning system wide, at the lowest overall cost to all utility subsidiaries.

For 2010, utility has its usual full regulatory agenda. And let me assure you that continuing to work on the spin is not deflecting any attention or commitment away from achieving these important objectives. The top priority is to ensure each Company has a real opportunity to earn fair ROEs that are comparable to alternative investments.

You may recall that the Louisiana utility operating companies obtained constructive outcomes in 2009, with Entergy New Orleans entering into a definitive settlement agreement last spring, and Entergy Louisiana and Entergy Gulf States Louisiana agreeing to extend formula rate plans last fall. Both Entergy Gulf States Louisiana and Entergy Louisiana will continue efforts to obtain a rider to recover the costs of incremental investments in the transmission system.

Despite obtaining a rate increase in 2009, Entergy Mississippi will continue to under-earn its allowed ROE, absent implementing modifications being sought to its formula rate plan, or reducing the quality of service to its customers. And that we will not do.

Simply put, due to its particular cost structure and investment needs, Entergy Mississippi doesn't have the same return on capital opportunity as other Mississippi utilities it competes with for capital to service customers. Current base rates are also inadequate for Entergy Arkansas and Entergy Texas, with those seeking fair and reasonable outcomes in 2010 for rate cases initiated in 2009.

Yesterday Entergy Arkansas initiated a filing to pursue securitization of the 2009 ice storm as an alternative to the base rate recovery request in its rate base filing. You may recall a securitization bill was enacted last year in Arkansas for any major storm from January 1, 2009, forward. A prudent decision, considering another ice storm struck Arkansas just last week.

Fortunately the ice storm did far less damage than originally forecasted. Nonetheless, Entergy Arkansas was well prepared for the storm, and has restored power as of yesterday to all the related 30,000 customer outages.

In other regulatory matters, Entergy Louisiana and Entergy Gulf States Louisiana expect to close the book on hurricanes Gustav and Ike by executing storm securitization and financing before the peak storm season begins next summer. In addition, Entergy Louisiana expects to conclude its cost recovery efforts associated with the Little Gypsy project, will also take any necessary steps to gain approval for the Acadia Power Plant acquisition announced last October.

The portfolio transformation strategy also remains a high priority, focused on both generation and transmission solutions. The utility operating companies will continue efforts to enhance the RFP process, considering market opportunities and system needs, and will press forward on efforts to resolve outstanding issues associated with the system agreement. In fact, FERC has already acted to remove the uncertainties resulting from the differences of opinion on the issue of continuing obligations under the system agreement.

In a November ruling, FERC accepted notices of cancellation and determined Entergy Arkansas and Entergy Mississippi are permitted to withdraw from the system agreement following the 96 month notice period without payment of any exit fee or being required to otherwise compensate remaining operating companies as a result of their withdrawal. Rehearing requests for this ruling from the Louisiana Public Service Commission and the city council of New Orleans are pending before FERC.

Turning to transmission, utility operating companies working closely with the newly formed Entergy Regional State Committee, the ERSC, to determine the appropriate path forward following expiration of the independent coordinator of transmission approval this November. Again, that's the Entergy Regional State Committee, and that's a mouthful, so we will refer to it as the ERSC, and you can probably expect to hear that many times in the coming months, and they will be very active.



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

In a filing with FERC last November, the utility operating companies indicated that the two primary alternatives under consideration were adoption of certain modifications to the current ICT arrangements or transition to membership in the SPP RTO. A critical factor in our proposal will be the opinion and recommendation of the ERSC. We expect the ERSC will rely heavily on the cost benefit analysis being jointly sponsored by both the ERSC and FERC, comparing the current ICT arrangement to joining STP. That analysis is anticipated to be finalized during the third quarter this year.

In addition, the ERSC is currently considering potential modifications to the ICT arrangement, including among others providing the ECSC with authority upon the unanimous vote to propose modifications to the cost allocation policy for transmission upgrades, and the ability to add projects to the operating company's transmission construction plan. Given the timing required to complete this work, an extension of the ICT for some period will likely be required under either scenario being considered. If the SPP RTO is ultimately deemed the preferred alternative, STP has indicated the implementation process may take at least twelve to eighteen months after the decision is made.

Before closing, I would like to point out one of our proudest accomplishments for 2009. More specifically, it was the safest year in Entergy's history. Yet our employees still aren't satisfied. As they continue their march toward reaching the ultimate goal of targeted zero accidents. And this has been a march. 2009 was no aberration. In seven of the last 10 years, a new safety record was established. Zero accidents seems like an ideal to some but at Entergy it is our annual goal. Persistence, perseverance and awareness are three qualities of an employee whose mind is focused on safety.

Likewise a parallel can be drawn to financial outcomes in 2009. Top quartile shareholder return is not simply a vision but it is our annual goal. In 2009, we not only missed the target, we missed the size of the barn completely, to mix metaphors. It was extremely disappointing, particularly in light of how much was actually accomplished relative to our ongoing goals and that were consistent with our corporate values. Not only was 2009 the safest year in Company history but also Entergy was recognized as the best utility safety program in the world by Dow Jones sustainability index. 2009 was the second best year on record for reliability of service as defined by outage frequency.

2009 was the best year ever for output from our collective nuclear fleet. Vermont Yankee, FitzPatrick, River Bend and Grand Gulf all achieved or are on record runs. 2009 was the highest operational earnings and reported earnings per share in Company history. That's new records in safety, operational excellence, and profitability.

But even given all of that, total shareholder returns was stunningly below our expectations and our aspirations. We still believe we're focused on the right things, the things that drive success and sustainability. Obviously we still have some things to accomplish and to prove, not just in Vermont but to all of you. And we will.

Now I will turn the call over to Leo.

---

**Leo Denault - Entergy - EVP & CFO**

Thank you, Wayne. And good morning, everyone. In my remarks today I will cover fourth quarter and full year 2009 financial results, our cash performance for the quarter and year-to-date periods, and a review of our 2010 earnings guidance, including some comments on the quarterly build up.

Looking first at our financial results for the quarter, slide two shows an increase in fourth quarter 2009 as reported and operational earnings compared to one year ago. This increase came as a result of higher earnings at utility, parent and other, as well as the non-nuclear wholesale business partially offset by lower results at Entergy nuclear.

Operational earnings continue to exclude special items related to the planned for spin off for incremental dis synergies at Entergy nuclear in 2009, and outside service expenses at the parent in 2008 and 2009. The third special item impacted 2008 results at



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

each of the business segments resulting from the change in the fully diluted EPS calculation that we described in our fourth quarter 2008 earnings release, due to the unsuccessful remarketing of the equity units earlier this year.

In reviewing the overall quarterly results, two factors stand out. We saw positive sales trends in all utility customer classes, and the nonutility nuclear fleet had a near perfect run for the second quarter in a row.

Slide three presents the factors that drove the quarter on quarter results in more detail. Starting with Entergy Nuclear, the nonutility nuclear fleet delivered a solid quarter, posting a 99% capacity factor. However, results were down versus fourth quarter of 2008 due primarily to higher income taxes. An increase in nonfuel O&M expense also contributed to the lower earnings, consistent with a quarter with no refueling outages.

Higher taxes were associated with a net effect of consolidated tax adjustments in 2009 compared to 2008. Entergy Nuclear received a significant benefit from the annual allocation last year. These adjustments typically made in the fourth quarter of each year net to zero on a consolidated basis.

Looking at operational results on a pretax basis, Entergy Nuclear's earnings increased by approximately \$70 million versus the fourth quarter of 2008, or nearly 30% quarter over quarter. The factors driving this improvement in pretax income were higher net revenue due to higher pricing and higher production as a result of no scheduled refueling outages in the current quarter, and higher other income including realized earnings on decommissioning trust investments. Also contributing to the increase in other income was a smaller decommissioning impairment in the current quarter.

Next, at nonnuclear wholesale asset business, fourth quarter 2009 earnings were higher compared to last year. Tax benefits were the primary drivers in both periods.

Now turning to utility, parent and other, operational earnings in the fourth quarter of 2009 exceeded results last year. The major drivers for the higher earnings were lower income tax expense, a decline in nonfuel operation and maintenance expense due primarily to the absence of regulatory charges at Entergy Arkansas in 2008, and higher utility net revenue.

With regard to tax expense, the primary factor producing the lower expense was the net effect of consolidated tax adjustments, again these adjustments are made across the Entergy Companies and net to zero on a consolidated basis. The lower income tax expense was also due to the absence of flow through effects of last year's regulatory charges previously noted, and a favorable tax reserve adjustment in the current quarter based on a private letter ruling from a Louisiana taxing authority on securitization of hurricanes Katrina and Rita costs.

Turning to sales, you will notice on table four of our earnings release, retail sales grew by 5% on a weather adjusted basis. Slide four shows the monthly trends in retail build sales since December 2008 for the utility in total and by customer class. Each data point represents the rolling three month change in usage compared to the prior year adjusted for weather. We have seen a steady improvement in utility sales in 2009, that's the red line, particularly in the industrial segment which is the blue line. As you know, however, a portion of this growth in 2009 is due to the recovery from hurricanes Gustav and Ike last September. Slide five shows this same information adjusted for the hurricane effects.

Two key points can be taken from this slide. First, after adjusting for hurricanes, industrial sales declined about 1% compared to fourth quarter of 2008, a significant improvement from the 7% drop at the end of September. This improvement in the most recent quarter was led by large industrial customers, particularly in the hardest hit chemicals and refining sectors.

Second, weather adjusted residential sales growth, the green line, turned positive around the middle of the year, ending the fourth quarter at 1.5% above last year on a weather and hurricane adjusted basis. While it is certainly too early to say the risk of further economic contraction is over, we're encouraged by the steady improvement in utility sales for all of our customer classes through most of 2009. Given the strong finish to last year, we now project 2010 retail sales growth between 2.5% and 3% excluding industrial expansions, and 4.5% when you add the expansions in.



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

Moving to full-year results, slide six compares as reported and operational earnings in 2009 to 2008. Higher earnings at utility, parent and other, and the nonnuclear wholesale generation business were partially offset by lower results at Entergy Nuclear.

On an operational basis, 2009 earnings ended the year at \$6.67 per share, up 2.5% over 2008. The main drivers for this increase were higher net revenue, including the absence of customer outages resulting from Gustav and Ike last year, and results of rate actions, as well as higher other income. Items providing a partial offset include an increase in other than temporary impairments on decommissioning trust investments, higher nonfuel O&M and depreciation expense, which was partially offset by the absence of the regulatory charges of Entergy Arkansas in 2008, and higher income tax expense.

Looking more closely at the factors that drove the year-over-year changes at each of the segments, utility, parent and other, earnings increased in 2009 due primarily to an increase in net revenue for the reasons noted before, the absence of regulatory charges at Entergy Arkansas in 2008 and a lower effective income tax rate. Higher depreciation and amortization expense due to increased plant and service partially offset these items.

For Entergy Nuclear, earnings fell primarily due to a higher effective income tax rate driven by the net effects of consolidated tax adjustments discussed earlier, an increase in OEM expense and an increase in impairments on decommissioning trust investments.

Results for the nonnuclear wholesale assets business were higher in 2009 compared to last year, due primarily to lower income tax expense.

Slide seven provides a recap of our cash flow performance this quarter, which shows an increase compared to the same period last year. Operating cash flow was nearly \$300 million higher due to the absence in the current quarter of the negative effects of Gustav and Ike in 2008, higher net revenue at the utility and Entergy Nuclear, and a decrease in refueling outage costs and lower working capital requirements also at Entergy Nuclear. These were partially offset by lower deferred fuel collections at the utility.

For the year 2009, operating cash flow was down by approximately \$400 million. This is due primarily to the absence of just under \$1 billion of securitization proceeds in Louisiana received in 2008 for hurricanes Katrina and Rita. Other factors largely at the utility provided a partial offset.

Slide eight details our 2010 earnings guidance, which we are affirming today. 2010 guidance ranges from \$6.40 to \$7.20 per share on an operational basis, and \$6.15 to \$6.95 per share on an as reported basis. Guidance assumes business as usual operations for the full year. Operational earnings guidance also excludes \$0.25 per share in special items associated with the planned spin off.

The details shown on slide eight should be familiar to you, as it has not changed since we initiated guidance last October. In keeping with past practice, we have however, adjusted a few line items in the utility, parent and other, section to reflected 2009 actual results.

As a reminder, earnings guidance ranges for utility, parent and other, now include the nonnuclear wholesale assets business. We will be reporting actual results in this manner in our earnings releases starting next quarter.

One last point on earnings guidance relates to the build up on a quarterly basis as reflected on slide nine. Key events to keep in mind when considering the quarters, the estimated increase in utility net revenue includes an expected decision in Arkansas, which is assumed to go into effect in mid-year in our guidance. The estimated decrease in net revenue at Entergy Nuclear includes lower volume due to one additional refueling outages. Four refueling outages are planned this year, two in the Fall, two in the Spring, compared to three in the Spring of 2009. Entergy Nuclear's results in 2009 included \$0.24 per share of impairments mostly in the second quarter.



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

Share repurchases of \$750 million are assumed to occur ratably in guidance resulting in a back end loaded accretion effect, purchases under this program will be dependent on the timing of the spin.

Finally, tax items are lumpy by nature, and the significant tax benefits in 2009 were realized in the second and the fourth quarters.

One last comment before closing, as many of you may have noted, we did not include longer term forward-looking information in our release at this time. Given where we are in the spin off process, we'll defer until the appropriate time any discussion on post spin outlooks such as financial aspirations, earnings and/or EBITDA for each company on a stand alone basis, and other similar forward-looking information. However, both the utility and nuclear businesses continue to have fundamental operational and strategic opportunities to create value and drive growth regardless of the spin off. Let me assure you we have not lost sight on these objectives.

And now the Entergy senior team is available for your questions.

---

## QUESTIONS AND ANSWERS

### Operator

Thank you very much. (Operator Instructions). We'll take our first question from Jonathan Arnold of Deutsche Bank. Your line is open, sir.

---

**Jonathan Arnold** - *Deutsche Bank - Analyst*

Good morning.

---

**Wayne Leonard** - *Entergy - Chairman of the Board & CEO*

Good morning.

---

**Jonathan Arnold** - *Deutsche Bank - Analyst*

My question relates to the comments you made around the timing of completing the spin, and Vermont and the need to rebuild trust and your investigation. I think you said that you would hope to get things done if you were going to go forward with Vermont in the second quarter. Do you see, when do you anticipate the investigation into what's going on there being completed, and how do you reconcile getting things done on that kind of timeframe, with just everything that would have to be completed between now and then?

---

**Wayne Leonard** - *Entergy - Chairman of the Board & CEO*

The investigation was initiated well before, not well before but before the Governor asked for it, we on our own accord we took that action, given what we already knew. Tomorrow I will get a full briefing of where we're at on the investigation. I think the investigation is actually drawing to a close with regard to all of our own people and our own information.

Of course, we are not at liberty at this point in time to seek out all the information that everyone else has that might be involved in the process, which might be very helpful to a complete investigation, but all of our own people and all of our own data records and all of those have been, I think, virtually complete. And it is a matter of assimilating all of the information in a report, which again I will -- we have all day tomorrow reserved for an update on that.

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

The tritium issue itself, like I said, is huge in all of this, and our people, this is one of the things that we are really, really good at as a fleet operator. We can put a lot of people with a lot of experience who have seen a lot of different things on this, and develop some pretty good plans, and point ourselves in some pretty good directions on where and how this could happen, and that's what's happening. We're not in, certainly in a position at this point in time so say that we know, but we have very good leads and we're narrowing it down pretty quickly. I don't think that will be a hindrance either.

So we hope, we're hopeful that in the next few -- I don't really want to say days but in the next few weeks that we will be able to present results in Vermont on where we're at, and that will satisfy them that their worst fears are not real, and we have taken care of the problems and the steps that we have and it won't happen again.

---

**Jonathan Arnold** - *Deutsche Bank - Analyst*

Okay. Thank you. If I may just ask one other. Thanks for the additional color on the pace of the sales improvement within the utilities. Is it safe to assume that in the next couple of months beyond December you have continued to see the same kind of rate of improvement that we had going on in the fourth quarter, as you get the last few weeks' number there?

---

**Wayne Leonard** - *Entergy - Chairman of the Board & CEO*

Go ahead, Gary.

---

**Gary Taylor** - *Entergy - Group President, Utility Operations*

Jonathan, it is Gary Taylor. Yes, we would. I think if you look at how our projections turned out off of this last year, we were very close to our plan. And based on the things that we have seen, we're encouraged as we continue to see growth in exports and inventory rebuilding, auto sales, kind of a return to normal of our residential growth as you have seen in all the classes. And so, yes, I think we're very, as Leo has said, feel very, very comfortable that the projections we have are quite accurate.

---

**Jonathan Arnold** - *Deutsche Bank - Analyst*

Thanks very much.

---

**Operator**

Thank you, sir. We'll take our next question from Leslie Rich with Columbia Management.

---

**Leslie Rich** - *Columbia Management - Analyst*

Actually just wanted to follow up on that a little bit. Leo, in your prepared remarks I thought I heard you say that industrial sales were down 1% in the fourth quarter versus fourth quarter of '08, if you adjusted for weather and the hurricanes. Is that what you said?

---

**Leo Denault** - *Entergy - EVP & CFO*

Yes.

Feb. 02. 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Leslie Rich** - *Columbia Management - Analyst*

Okay. So the 5% weather adjusted increase in sales does not take into consideration the hurricanes?

**Leo Denault** - *Entergy - EVP & CFO*

It doesn't net the hurricanes out, right.

**Leslie Rich** - *Columbia Management - Analyst*

Okay. Just want a clarification on that. Thank you.

**Operator**

Thank you. We'll next go to Glenrock Associates Paul Patterson. Your line is open.

**Paul Patterson** - *Glenrock Associates - Analyst*

Good morning, guys. Can you hear me?

**Wayne Leonard** - *Entergy - Chairman of the Board & CEO*

Yes, Paul.

**Paul Patterson** - *Glenrock Associates - Analyst*

I was wondering if you can give us a flavor for, I guess worst case scenario the plant shuts down, what the ongoing expense level we should expect during that kind of a process? In other words, you guys won't be getting revenues, but what will happen to the expense line? Will it go down or how should we think about that in the event there is a shutdown at Vermont Yankee?

**Wayne Leonard** - *Entergy - Chairman of the Board & CEO*

I will let Rick answer that, but we, keep in mind like I said that right now Vermont Yankee is not covering its costs of capital. Over the next two years it is projected to lose money on the net income line, so from an economic perspective that's a pretty big number when you're having a net income loss and you're not covering any return on your cost of capital, which is a real expense. So, in the absence of a PPA that greatly changes that situation, there is virtually no impact on Entergy at that point in time.

To kind of put it bluntly, without some changes in the PPA, it is fairly clear that Vermont has more to lose here than we do. This is a very valuable resource in Vermont, and I expect that we will come to an agreement given that fact. But the option of it not, of shutting it down is very distasteful. We have a lot of employees up there that do an excellent job. It is a terrific plant. It would be a great loss to society as a whole to shut that plant down, but from a financial standpoint, without some changes for Entergy it wouldn't be, it wouldn't make much difference in the bottom line.

Rick.

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Rick Smith** - Entergy - President & COO

Well, I think that's the bottom line, not much effect on really, whether it be ETR or Enexus, it is not a significant contributor to the overall financial results. To shut the plant down, I mean, we have to demobilize the site, we have to deal with fuel that is in the core and unloading it. And we'll have to look at the capital plan because everything that we have been focused on to date has been that plant runs past 2012.

**Paul Patterson** - Glenrock Associates - Analyst

Just to clarify this, if I understand your statements correctly, the revenue decrease from not producing any power will be offset from the operational savings of not having to produce that power. Is that how we should think about it, as opposed to the costs of doing all the things you are talking about when you actually shut down the plant, all the clean up and all the work that has to continue there. The offset from not producing the power would more than offset that so we shouldn't see a negative impact from the lack of revenues coming out of there because you will save it on the cost side.

**Rick Smith** - Entergy - President & COO

It is just not significant, one way or another. Until we kind of get there, it is hard to say if it is a small negative or a small positive.

**Paul Patterson** - Glenrock Associates - Analyst

Okay, when I was on the third quarter conference call, I asked you guys about the need to get some sort of clarification on this issue from the state Legislature, and you guys indicated that, I believe my understanding was that this Legislative session would be key because in the absence of a decision, it would make you guys have to come up with some tough decisions in the Spring of this year. Now it sounds like that has been moved back to 2011. What's caused the change there? Is it because of things you guys have-- what kind of activities have you taken I guess to make that less of an issue?

**Rick Smith** - Entergy - President & COO

Well, we're working through all of those issues right now, Paul. As you can imagine, this just unfolded in the last couple of weeks, so it would be much more, easier from a planning perspective, operating this plant going forward or shutting it down if we had an answer this year. But we have done some additional analysis that, we'll have some decisions to make throughout the year, but we have a little more window that gets us into 2011, but that's not our preference. That creates some uncertainties and some costs that we'll have to work through this year.

**Paul Patterson** - Glenrock Associates - Analyst

Okay, thank you very much.

**Operator**

Our next question is from Steve Fleishman with Bank of America. Your line is open, sir.

**Steve Fleishman** - Bank of America - Analyst

Hi, everyone.

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Hi, Steve.

**Rick Smith** - Entergy - President & COO

Good morning.

**Steve Fleishman** - Bank of America - Analyst

With respect to Vermont Yankee, just a quick question, if we look at your whole nuclear fleet and the average cost of your nuclear fleet, I would assume that Vermont Yankee's costs per unit are well above the average of the fleet just because it is a single unit. Is that correct?

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Everybody is nodding. So I think that's correct.

**Steve Fleishman** - Bank of America - Analyst

Okay. And then one other separate question on the share buyback. It sounded like, from your comments, you have not done any of the \$750 million as of to date, the \$750 million buyback?

**Leo Denault** - Entergy - EVP & CFO

Steve, we report that on a quarterly basis, so I am not going to really comment on what we have or haven't done, but certainly at the end of the year that's correct.

**Steve Fleishman** - Bank of America - Analyst

Okay.

**Leo Denault** - Entergy - EVP & CFO

Because this is a fourth quarter discussion. I know it is February but that's the reporting period that we're talking about, so we'll report that on a quarterly basis just like we always have and through the end of 2009, that is correct.

**Steve Fleishman** - Bank of America - Analyst

Okay. Maybe then I will just ask, I think Wayne had made a comment that after we get a decision on the spin either way in New York, the Board would decide kind of what to do, and mention the dividend and executing on the share buyback. So I thought that implied, I guess I would just clarify what that implied, then?

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Well, at that point in time, given where we stand in New York, given where we're at in Vermont, the corporate strategy and alternatives that we have that kind of mimic the spin value and the alternative investment strategies that might be available if you went a different route. Then we're going currently on the spin, all needs to be put back on the table, and a consistent financial strategy developed with the corporate strategy, which might be modified somewhat given, maybe the spin would not take place and we would go down a different route.

I know that sounds cryptic, but if you think through what we have described as maybe an alternative plan, it does open up some other possibilities for investments or other things along the way. And we need to make sure that we're using the money in the best possible way, whether it is the dividend or the buyback. And the Board will make sure that those are integrated well together, and in particular that we're managing the overall risk of the Company and putting the capital to best use.

**Steve Fleishman** - Bank of America - Analyst

Okay. Thank you.

**Operator**

Our next question is from Andrew Levy with First New York. Your line is open, sir. Welcome.

**Andrew Levy** - First New York - Analyst

Hi, guys. Just two clarifications. Just back on the dividend/stock buyback, just to understand the timing, I guess assuming the next two weeks, I forget the exact date but I think it is February 11, you get a final order from New York State Commission, if it is not in your favor or whatever the case you still want to go ahead with the spin, when will we actually hear from you on this dividend and stock buyback?

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

That's a tough question to speculate on at this point in time. We have a Board retreat coming up here at the end of March. We have a schedule set with the Board to brief them immediately upon getting the decision from New York, and then we have a follow-up meeting which will provide analysis, recommendations, things of that nature, which would occur before the retreat.

But actually our expectation is that at the Board retreat in late March these major decisions will be discussed face-to-face and hopefully decided at that point in time. But the Board, again may or may not be in the mood to make those decisions at that point in time depending upon, again just how cut and dried the alternatives are, and the points of view that we have in the room and any information we may need to follow up on, But that's probably--.

**Andrew Levy** - First New York - Analyst

But if New York State comes out and rejects it, so it is cut and dry, we still won't hear until March/April timeframe from your Board?

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

As to the dividend and the buyback?



Feb. 02. 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Andrew Levy** - First New York - Analyst

Yes, what your next step is.

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Well, again, I don't want to speculate on what the Board will be comfortable with saying at that point in time, because what they'll be looking at, we're not looking at a strategy of packing it up and giving in and just moving on. We're looking at alternatives to capture the value that is lost today and would be lost if the spin is not approved. So that may take some time for the Board to decide which one of those is the best course of action. And again I don't want to speculate with regard to how long it may take the Board to do that, and again the financial strategy needs to be married up with the corporate strategy, and that may take a little while.

**Andrew Levy** - First New York - Analyst

Is it possible that your stock buyback, since it is authorized could start or have started before we hear from the Board? If so, I mean you've authorized it, so just not sure based on Leo's comments about fourth quarter and all of that, I think was Steve's question, just kind of what you can tell us.

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

I mean, it is possible. It is authorized. It is unlikely given if the spin is not approved that we would go forward without consulting with the Board and a great deal of comfort at that meeting that the Board believes they have enough information to move forward on one piece of the overall strategy.

Again, given the fact we are as close as we are to February 11, we will be in close contact with the Board on everything we do at this point in time. It doesn't mean, like I said that they might not make some decisions without making the full decisions because they are just obvious to everyone, but so it is possible.

**Andrew Levy** - First New York - Analyst

Okay. One really quick question on Vermont Yankee. I guess, I don't know if you guys read the report but there was a report out within the last week by a south side guy kind of outlining the earnings implications of Vermont Yankee, and if I am not mistaken the numbers are somewhat different than what you're implying, so he had some type of earnings. I don't know if it was \$0.20 or \$0.30, but you guys are basically saying that a closure of Vermont Yankee is earnings neutral because of the economics of the plant at this point?

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Yes, I will let Leo hit that. I think that was based upon the expectation that Vermont Yankee would go to market or something close to market for the prices.

**Andrew Levy** - First New York - Analyst

Okay. I understand. Okay. It is based on market, not based on your current revenue stream from it?



Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Or what we're being led to believe they're willing to pay.

**Andrew Levy** - First New York - Analyst

Got it. Okay. Great. I will let someone else go.

**Wayne Leonard** - Entergy - Chairman of the Board & CEO

Thanks.

**Operator**

We'll take our last question from Michael Lapidés with Goldman Sachs. Welcome, sir, your line is open.

**Neo Maday** - Goldman Sachs - Analyst

Hi, this is [Neo Maday] in for Michael Lapidés. Quick question regarding the utility. Are there any jurisdictions where we can expect to see a structural change in how the rate making process works? For example, at Mississippi the subsidiary got the ability for forward test years, reducing lag, that's a pretty significant structural change. Where can we expect other structural changes in regulations?

**Gary Taylor** - Entergy - Group President, Utility Operations

This is Gary again. First, we don't have that approved in Mississippi. That is what we filed in September, and we're hopeful that will come out. If you really look at it, the real two cases if you look to Arkansas and Texas. We're really trying to move Arkansas to what we believe is a more streamlined effect, make it more clearer with riders and in FRP, so that is a structural change from a base case. And as Wayne talked about in his script, a significant movement in Texas, again, as far as streamlining as to the COSA, the cost of service that we talked about, that's a rider similar to what's already there, and a transmission cost recovery rider and a competitive generation tariff rider. So we also in Louisiana are looking to come up with a transmission rider, Wayne alluded to that in his script. That's fundamentally what we see on the horizon here as what we're filing, and we believe that would make things clearer and definitely a lot more efficient for the investors, and as well as attracting capital to meet our reliability goals.

**Neo Maday** - Goldman Sachs - Analyst

Terrific. Thank you.

**Operator**

Thank you very much, ladies and gentlemen. That concludes the question and answer session today. At this time, Ms. Lopiccio, I would like to turn the conference back over to you for any additional or closing remarks.

Feb. 02, 2010 / 4:00PM, ETR - Q4 2009 Entergy Earnings Conference Call

**Michele Lopiccio** - Entergy - IR

Thank you, operator, and thanks to all for participating this morning. Before we close, we remind you to refer to our release and website for safe harbor and Regulation G compliance statements. Our call was recorded and can be accessed for the next seven days by dialing 719-457-0820, replay code 6584600. This concludes our call. Thank you.

**Operator**

Ladies and gentlemen, we thank you for your participation.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2010, Thomson Reuters. All Rights Reserved.