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SHAW PITTMAN
POTTS & TROWBRIDGE
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

DOCKETED
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REDACTED VERSION

April 15, 1999

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555-0001

Docket No. 50-293 -LT
License No. DPR-35

Subject: Boston Edison Company and Entergy Nuclear Generation Company
Additional Information Provided in Support of the Request for Transfer of the Pilgrim Nuclear Power Station Facility Operating License and Materials License

References:
1. BECo Ltr. 2.98163 (ENGC Ltr. 98-01) dated December 21, 1998
2. BECo Ltr. 2.99.009 (ENGC Ltr. 99-01) dated January 28, 1999

Ladies and Gentlemen:

Attachments A and B are hereby provided in support of the request for transfer of the Pilgrim Station Facility Operating License and NRC Material License from Boston Edison Company (BECo) to Entergy Nuclear Generation Company (Entergy Nuclear) as submitted in Reference 1. This information is provided in response to a request by the NRC Staff at a meeting held on April 13, 1999.

Attachment A are the consolidated statements of financial position for Entergy International Ltd. LLC for the years 1997 and 1998. Attachment A contains information that expands on previous information provided in Reference 1 of which portions were requested to be withheld from public disclosure pursuant to 10 CFR 2.790(a)(4) and 10 CFR 9.17(a)(4). The Affidavit in support of this request was included in Reference 1. Therefore, there are redacted and non-redacted versions of Attachment A of this submittal.

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SHAW PITTMAN
POTTS & TROWBRIDGE
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Attachment B is the report on audit of financial statements for the year ended December 31, 1997 for Entergy International Ltd. LLC.

Please feel free to contact Mr. Jack Alexander at Pilgrim (508)830-8269 or Ms. Connie Wells at Entergy Nuclear (601)368-5345 if you have any questions or require any additional information.

Sincerely,

Jay E. Silberg

Jay E. Silberg
Counsel for Boston Edison Company

Document #: 748065 v.1

Boston Edison Company
Entergy Nuclear Generation Company

Docket No. 50/293
Licensee No. DPR-35

cc:

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Project Directorate I-3
Office of Nuclear Reactor Regulation
Mail Stop: OWFN 14B20
1 White Flint North
11555 Rockville Pike
Rockville, MD 20852
(10 copies)

Mr. Hubert J. Miller
Region I Administrator
U.S. Nuclear Regulatory Commission
Region I
475 Allendale Road
King of Prussia, PA 19406

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555-0001

Senior Resident Inspector
Pilgrim Nuclear Power Station

Secretary
U.S. Nuclear Regulatory Commission
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ATTACHMENT A

ENTERGY INTERNATIONAL LTD LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
ASSETS

	December 31,	
	~~1998~~	1997
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash		$ 13,561
Temporary cash investments - at cost, which approximates market		49,517
Total cash and cash equivalents		63,078
Notes receivable		7,363
Accounts receivable:		
Customer (less allowance for doubtful accounts of $22.6 million as of Dec. 31, 1997)		155,555
Associated companies		1,278
Other		44,698
Accrued unbilled revenues		287,803
Accumulated deferred income taxes		12,401
Inventory		15,705
Prepayments and other		17,367
Total		605,248
Property, Plant and Equipment		
Property, plant and equipment		2,899,931
Less - accumulated depreciation and amortization		119,760
Property, plant and equipment - net		2,780,171
Other Property, Investments and Assets:		
Investments, long-term		69,797
CitiPower license [illegible] accumulated amortization of $25.6 million as of Dec. 31, 1997)		486,153
London Electricity license (net of accumulated amortization of $31.1 million as of Dec. 31, 1997)		1,327,312
Long-term receivables		17,172
Prepaid pension asset		241,216
Other		28,757
Total		2,170,407
TOTAL		$ 5,555,826

See Notes to Consolidated Financial Statements.

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ENTERGY INTERNATIONAL LTD LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
LIABILITIES AND MEMBER'S CAPITAL

	December 31, 1998	December 31, 1997
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt		$ 33,814
Notes payable		240,794
Accounts payable:		
Associated companies		7,225
Other		378,774
Customer deposits		28,016
Taxes accrued		114,449
Interest accrued		40,580
Other		1,651
Total		845,303
Other Liabilities:		
Accumulated deferred income taxes		1,010,024
Other		312,397
Total		1,322,421
Long-term debt		2,512,950
Company-obligated redeemable preferred securities of subsidiary partnership holding solely junior subordinated deferrable debentures		300,000
Member's capital		621,271
Cumulative foreign currency translation adjustment		(46,119)
Total		575,152
TOTAL		$ 5,555,826

See Notes to Consolidated Financial Statements.

ENTERGY INTERNATIONAL LTD LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Years Ended December 31,	
	1998	1997
	(In Thousands)	
Operating Revenues		$ 2,191,682
Operating Expenses:		
Operation and maintenance:		
Purchased power		1,351,778
Other operation and maintenance		365,001
Depreciation and amortization		154,067
Taxes other than income taxes		35,653
Total		1,906,499
Operating Income		285,183
Other Income (Deductions):		
Interest income		26,736
Gain on sales of subsidiaries and property		8,613
Miscellaneous - net		(9,416)
Total		25,933
Interest Expense:		
Distribution on preferred securities of subsidiary		3,019
Other interest-net		245,996
Total		249,015
Income Before Income Taxes		62,101
Income Taxes		182,109
Net Income (Loss)		(120,008)
Other Comprehensive Income:		
Foreign Currency Translation Adjustments		(67,844)
Comprehensive Net Income (Loss)		$ (187,852)

See Notes to Consolidated Financial Statements.

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ENTERGY INTERNATIONAL LTD LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	1998	1997
	(In Thousands)	
Operating Activities:		
Net income (loss)		$ (120,008)
Noncash items included in net income (loss):		
Depreciation and amortization		154,067
Deferred income taxes		(40,152)
Gain on the sale of subsidiaries and property		(8,613)
Changes in working capital:		
Receivables		(21,480)
Accounts payable		103,469
Taxes accrued		75,192
Interest accrued		4,772
Other working capital accounts		(24,523)
Provision for liabilities		(439)
Other		38,433
Net cash flow provided by operating activities		160,718
Investing Activities:		
Construction/capital expenditures		(209,659)
Acquisition of London, net of cash acquired		(1,951,701)
Proceeds from the sale of subsidiaries		-
Purchase of notes receivable		-
Investment in nonregulated/nonutility properties		1,322
Net cash flow provided by (used in) investing activities		(2,160,038)
Financing Activities:		
Proceeds from the issuance of:		
Bank notes and other long-term debt		1,731,229
Preferred securities of subsidiary		300,000
Capital contribution		391,953
Retirement of long-term debt		(327,918)
Changes in short-term borrowings - net		(25,455)
Net cash flow provided by (used in) financing activities		2,069,809
Effect of exchange rates on cash and cash equivalents		(10,245)
Net increase in cash and cash equivalents		60,244
Cash and cash equivalents at beginning of period		2,834
Cash and cash equivalents at end of period		$ 63,078

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:		
Interest		212,513
Income Taxes		119,335

See Notes to Consolidated Financial Statements.

ATTACHMENT B

ENTERGY INTERNATIONAL LTD LLC

(A WHOLLY-OWNED SUBSIDIARY

OF ENTERGY CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1997

ENTERGY INTERNATIONAL LTD LLC

(a wholly-owned subsidiary of Entergy Corporation)

TABLE OF CONTENTS

Coopers
&Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Entergy International Ltd LLC:

We have audited the accompanying consolidated statement of financial position of Entergy International Ltd LLC, (a wholly-owned subsidiary of Entergy Corporation) and Subsidiaries ("the Company") as of December 31, 1997, and the related consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above represent fairly, in all material respects, the financial position of Entergy International Ltd LLC and Subsidiaries as of December 31, 1997, and the results of their operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

New Orleans, Louisiana
March 4, 1998

ENTERGY INTERNATIONAL LTD LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

	December 31, 1997 (In Thousands)
Current Assets:	
Cash and cash equivalents:	
Cash	$ 13,561
Temporary cash investments - at cost, which approximates market	49,517
Total cash and cash equivalents	63,078
Notes receivable	7,363
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Other	44,698
Accrued unbilled revenues	287,803
Accumulated deferred income taxes	12,401
Inventory	15,705
Prepayments and other	17,367
Total	605,248
Property, Plant and Equipment	
Electric	2,809,977
Construction work in progress	89,954
Total	2,899,931
Less - accumulated depreciation and amortization	119,760
Property, plant and equipment - net	2,780,171
Other Property, Investments and Assets:	
Investments, long-term	69,797
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Total	2,170,407
TOTAL	$ 5,555,826

See Notes to Consolidated Financial Statements

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Current Liabilities:	
Currently maturing long-term debt	$ 33,814
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TOTAL	$ 5,555,826

See Notes to Consolidated Financial Statements

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Other interest-net	245,996
Total	249,015
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Income Taxes	182,109
Net Loss	$ (120,008)

See Notes to Consolidated Financial Statements

ENTERGY INTERNATIONAL LTD LLC
CONSOLIDATED STATEMENT OF CASH FLOWS

		For the Year Ended December 31, 1997 (In Thousands)
Operating Activities:		
Net loss	$	(120,008)
Noncash items included in net loss:		
Depreciation and amortization		154,067
Deferred income taxes		(40,152)
Gain on disposition of property		(8,613)
Changes in working capital:		
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:		
Interest	$	212,513
Income Taxes	$	119,335

See Notes to Consolidated Financial Statements

ENTERGY INTERNATIONAL LTD LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

Entergy International Ltd LLC (formerly Entergy Power Development International Corporation and referred to herein as "the Company" or "Entergy IL") is a wholly-owned subsidiary of Entergy Corporation (Entergy) which was formed for the purpose of holding other subsidiaries involved in foreign electric utility businesses. The principal subsidiaries of the Company include Entergy London Investments plc ("Entergy London"), CitiPower Pty. ("CitiPower"), and Entergy Power Edesur Holding, Ltd ("Edesur"). London Electricity, Entergy London's sole asset, distributes and supplies electricity to customers in the London metropolitan area. CitiPower supplies and distributes electricity to customers in Melbourne, Australia. Edesur owns a 5% interest in Distrilec, a consortium which owns a 51% interest in distribution facilities serving almost 2 million customers in Buenos Aires, Argentina.

The shareholder's equity of CitiPower as of January 1, 1997 represented the initial Member's Capital of Entergy IL. During 1997, Entergy Corporation made additional capital contributions to Member's Capital, consisting of its investments in Entergy London and Edesur. The companies combined were under common control prior to the combination and therefore the consolidated statement of operations includes all income (loss) for 1997.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of Entergy IL are presented in United States ("U.S.") dollars ($) and in conformity with accounting principles generally accepted in the United States ("US GAAP"). The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. Significant intercompany accounts and transactions are eliminated in consolidation.

The Company is not subject to rate regulation, but rather is subject to price cap regulation in certain instances and to competitive market forces in other instances, and, therefore, the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation", do not apply.

Use of Estimates in the Preparation of Financial Statements

The preparation of the Company's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

Revenue Recognition

Entergy London and CitiPower distribute electricity to commercial, residential and industrial customers within the London and Melbourne franchise areas, respectively. Additionally, both companies supply electricity to customers both inside and outside their franchise areas. Entergy London and CitiPower accrue estimated revenue for energy delivered since the latest billings and Entergy London records revenue net of value added tax. Both companies purchase power primarily from the wholesale trading market for electricity in their respective countries. The wholesale trading markets monitor supply and demand between generators and suppliers, set prices for generation and provide centralized settlement of amounts due between generators and suppliers.

Regulation and Price Control

The Company is a subsidiary of Entergy, which is a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), and is subject to the broad regulatory provisions of PUHCA, which requires, among other things, Securities and Exchange Commission ("SEC") approval for certain transactions, except as exempted under the provisions of the Energy Policy Act of 1992.

Certain supply customers of Entergy London and CitiPower are subject to price control formulas through December 1998 and December 2000, respectively, which allow a maximum charge per unit of electricity. Distribution customers are subject to price control formulas which allow a maximum charge per unit of electricity. Differences in the charges, or in the purchase cost of electricity, can result in the under or over-recovery of revenues in a particular year.

For Entergy London, where there is an over-recovery of supply or distribution business revenues against the regulated maximum allowable amount, revenues are deferred in an amount equivalent to the over-recovered amount. The deferred amount is deducted from operating revenues and included in other liabilities. Where there is an under-recovery, no asset is recorded in anticipation of any potential future recovery. At December 31, 1997, Entergy London had balances of $12.5 million and $32.9 million related to distribution revenue and supply revenue overrecoveries, respectively.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost and includes materials, labor and appropriate overhead costs. The Company is entitled, under certain conditions, to collect cash contributions from consumers to fund improvements to the Company's distribution networks. Consumer contributions are credited against the historical cost of the asset.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives (which range from five to forty years) and costs of removal of the various classes of property. Consumer contributions are amortized into income at a rate of 2.5% for Entergy London and, for CitiPower, reduce the depreciation for the associated assets.

Gains or losses on disposal of property, plant and equipment are recorded in the period in which the property is disposed.

Income Taxes

For U.S. tax purposes, the Company is an affiliate of Entergy, and as such, its operations are included in the filing of Entergy's U.S. consolidated federal income tax return. U.S. income taxes are allocated to certain of the Company's U.S. subsidiaries in proportion to their contribution to consolidated taxable income. SEC regulations require that no Entergy subsidiary pay more taxes than it would have paid if a separate income tax return had been filed. The company's United Kingdom ("UK") subsidiaries are members of an affiliated group in the UK and are eligible for group relief. Group relief enables current losses to be surrendered by one affiliated company to another affiliated company. It is the policy of the Company's UK affiliated group to apply the group relief provisions in order to minimize the UK corporation income tax of the group. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities and for certain credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Distribution Licenses

Distribution licenses represent the identifiable intangible assets related to London Electricity and CitiPower which exclusively permit distribution services to be provided within defined territories. These licenses are being amortized over forty years using the straight-line method. Entergy IL's future net cash flows are expected to be sufficient to recover the amortization of the cost of the CitiPower and London Electricity licenses.

London Electricity's Public Electricity Supply ("PES") license will continue in effect until at least 2025 unless revoked. Under ordinary circumstances, the license may not be revoked except on 25 years' prior notice, which notice may not be given until 2000. Otherwise, the Secretary of State may revoke a PES license by not less than 30 days' notice in writing to the licensee in certain specified circumstances including any failure to comply with a final order of the Regulator requiring the license holder to comply with its license conditions or requirements, or the insolvency of the licensee.

CitiPower's license will continue in effect unless revoked. The Office of the Regulator- General ("ORG") may at any time give at least 20 business days notice of revocation to the licensee if the licensee does not comply with an enforcement order or an undertaking, and the ORG decides that it is necessary or desirable to revoke the license in order to achieve the ORG's policy objectives.

Deferred Loan Costs

The Company capitalizes direct costs associated with loan originations and amortizes such costs over the expected life of the loan facilities, ranging from four to seven years.

Cash and Cash Equivalents

The Company considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

The Company accounts for investments whose fair market values are readily determinable in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Investments in Certain Debt and Equity Securities" ("SFAS 115"). These securities are considered available-for-sale securities under SFAS 115 and their fair values approximate cost. Other securities whose fair market values are not readily determinable and in which the Company does not have a significant interest are recorded at cost.

Investments in which the Company's ownership interest ranges from 20% to 50%, or which are less than 20% owned but over which the Company exercises significant influence over operating and financial policies, are accounted for using the equity method. The following are the Company's principal equity method investments as of December 31, 1997:

Investment	Percentage Ownership
Thames Valley Power Ltd	50%
London Total Energy Ltd	50%
Barking Power Limited	13.5%

The Company uses the cost method to account for Edesur's investment in the distribution facilities serving Buenos Aires, Argentina.

Foreign Currency Translation

In accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" ("SFAS 52"), all assets and liabilities of Entergy IL's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of the period, and revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation adjustments are reflected in a separate component of member's capital. Current exchange rates are used for U.S. dollar disclosures of future obligations denominated in foreign currencies. No representation is made that the foreign currency denominated amounts have been, could have been, or could be converted into U.S. dollars at the rates indicated or at any other rates.

Impairment of Long-Lived Assets

In accordance with the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), the Company periodically reviews its long-lived assets whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the net cash flows expected to result from such operations and assets. Projected net cash flows depend on the expected future operating costs associated with the assets and expected future market prices over the remaining life of the assets. Based on current estimates of future cash flows, management anticipates that future revenues from such assets and operations will fully recover all related costs.

Derivative Financial Instruments

Entergy IL uses a variety of derivative financial instruments, including interest rate and foreign currency swaps, energy trading swaps, and contracts for differences, as a part of its overall risk management strategy. Entergy IL accounts for its derivative financial instruments in accordance with Statement of Financial Accounting Standards No. 80, "Accounting for Futures Contracts", SFAS 52, and various Emerging Issues Task Force pronouncements. If the interest rate swaps were to be sold or terminated, any gain or loss would be deferred and amortized over the remaining life of the debt instrument being hedged by the interest rate swap. If the debt instrument being hedged by the interest rate swaps were to be extinguished, any gain or loss attributable to the swap would be recognized in the period of the transaction.

Entergy IL uses energy trading swaps and contracts for differences primarily to hedge its UK and Australian supply businesses against the price risk of electricity purchases. Use of these instruments is carried out within the framework of Entergy IL's purchasing strategy and hedging guidelines. Risk of loss is monitored through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings. Entergy IL recognizes gains or losses on these instruments when settlement is made on a basis consistent with the treatment of the underlying energy customer contract being hedged.

Fair Value Disclosures

The estimated fair value of financial instruments was determined using bid prices reported by dealer markets and by internationally recognized investment banking firms. The estimated fair value of derivative financial instruments is based on market quotes of the applicable interest or foreign currency exchange rates, or a survey of foreign wholesale trading market ("Electricity Pool") forward prices. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy IL could realize in a current market exchange. Entergy IL considers the carrying value of financial instruments classified as current assets and current liabilities to be a reasonable estimate of their fair values because of the short maturities of these instruments.

NOTE 3. REGULATORY MATTERS

London Electricity

The distribution business of London Electricity is regulated under its PES license in the UK, pursuant to which revenue of the distribution business is controlled by the Distribution Price Control Formula ("DPCF"). The DPCF determines the maximum average price per unit of electricity (expressed in kilowatt hours) that a Regional Electricity Company ("REC") may charge. The elements used in the DPCF are established for a five-year period and are subject to review by the Director General of Electricity Supply for the UK ("Regulator") at the end of each period and at other times at the discretion of the Regulator. At each review the Regulator can adjust the value of certain elements in the DPCF. Following a review by the Regulator in August 1994, a 14% price reduction was set for London Electricity, effective April 1, 1995. In July 1995, a further review of distribution prices was concluded by the Regulator for fiscal years 1997 to 2000. As a result of this further review, London Electricity's distribution prices were reduced an additional 11% effective April 1, 1996; 3% effective April 1, 1997, and will be reduced by a further 3% on both April 1, 1998 and 1999.

The supply business of London Electricity is also regulated by the Regulator, and prices are established based upon the Supply Price Control Formula ("SPCF") which is similar to the DPCF; however, the SPCF currently allows full pass-through for all properly incurred costs and is set for a four-year period by the Regulator.

At present, London Electricity has an exclusive right to supply electricity to residential and small industrial and commercial customers in its franchise area with demand of less than 100 KW. In late 1998, this segment of the supply business will become open to competition, subject to a six-month transition period. This means the market will be fully opened with all customers having access to competition by June 1999. Although the advent of competition for all customers will permit all RECs to compete on a national level, London Electricity may be more sensitive to competition from its neighboring RECs due to its high concentration. London Electricity is in the process of developing its strategy to meet expanded competition in its supply business, which will focus on active marketing and customer service to defend its residential customer base and expanding product offerings to larger business customers. Such strategy may include the development of strategic alliances in the provision of energy and related services and the increased use of hedging of electricity prices to mitigate the increased risk from the expansion of competition. There can be no assurance that this strategy will be successful in avoiding a significant loss of customers of London Electricity's supply business.

On October 16, 1997, the Regulator published final proposals for new supply price restraints to apply for two years beginning April 1, 1998. The proposals were accepted on November 16, 1997. Among other things, these proposals implement a price reduction for London Electricity's domestic and small business supply customers of 11.8% compared to the supply price tariff in effect in August 1997. A further 3% reduction is proposed to be effective on April 1, 1999. The 11.8% price reduction to be effective on April 1, 1998, would be decreased by the supply tariff reductions announced by London Electricity on September 29, 1997, and effective from October 1, 1997, which will return over-recoveries experienced under the current SPCF. The license modifications which took effect December 31, 1997, discontinued the automatic pass-through of all costs previously passed through to domestic and small business customers, including purchased power costs from the Electricity Pool.

London Electricity expects to incur approximately $49 million (a portion of which is expected to be capitalized) in fiscal year 1998 for re-engineering and technology costs to prepare infrastructure services for full competition in supply from September 1998. London Electricity, along with the other PES license-holders, petitioned the Regulator to recover such costs from customers. In the Regulator's supply price restraint proposals published on October 16, 1997, the Regulator proposed, within the SPCF, to provide for an annual allowance of $7.6 million for each PES license-holder over the 5 years ending March 31, 2003, to cover data management services set-up costs plus an annual allowance of $1.6 million plus $1.60 per customer to cover operating costs for the period 1998 through 2000. London Electricity estimates that these proposals will result in an aggregate allowance for London Electricity of approximately $12.6 million per annum for the period 1998 through 2000. On November 16, 1997, London Electricity accepted the Regulator's new SPCF to be applied beginning April 1, 1998. In its fiscal year 1998 (which ended March 31, 1998), London Electricity expects to also incur a total of $8.2 million to procure settlement software for the Electricity Pool designed to interface with RECs' data management software. These costs are expected to be recouped through Electricity Pool settlement charges.

The non-franchise supply market, which typically includes larger commercial and industrial customers, was opened to competition for all customers with usage above 1 MW upon privatization of the industry in 1990. The non-franchise supply markets of 100 KW or more were opened to full competition starting in April 1994.

CitiPower

On July 1 in each of the years 1997 through 2000 certain adjustments to CitiPower's allowed distribution revenues have been made by CitiPower's regulator. Such distribution revenues have been and will be adjusted by 1% less than the change in the consumer price index for each of the respective years. CitiPower has implemented certain cost efficiency and marketing initiatives to mitigate the impact of such revenue adjustments.

At present, CitiPower has an exclusive right in its franchise area to supply electricity to customers with annual usage of less than 750 MWH. In July 1998 and January 2001, CitiPower customers with annual usage of between 160 MWH to 750 MWH and less than 160 MWH, respectively, will become open to supply business competition.

Retail prices for CitiPower non-franchise supply customers are subject to competitive market forces and are not regulated except for network tariffs, which are based on a maximum average charge incorporating annual price changes of 1.5% less than the change in the consumer price index plus full recovery of transmission charges. These prices will apply through the year 2000.

Hedging

The London Electricity and CitiPower supply businesses generally involve entering into fixed price contracts to supply electricity to customers who have become subject to competition. The electricity is obtained primarily by purchases on a spot basis in which prices can be volatile. London Electricity and CitiPower are exposed to risks arising from differences between the fixed prices at which they sell electricity and the fluctuating prices at which electricity is purchased unless such exposure can be effectively hedged. This risk will be extended to additional supply business customers as described above as they become subject to competition.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consists of the following at December 31, 1997 (in thousands):

Transmission assets	$ 106,567
Distribution network assets	2,625,917
Land and buildings	162,959
Vehicles and mobile plant	269,304
Furniture, fixtures and equipment, including computer hardware and software	40,808
Consumer contributions to construction	(395,578)
Construction work in progress	89,954
	2,899,931
Less accumulated depreciation and amortization	119,760
Total	$ 2,780,171

ENTERGY INTERNATIONAL LTD LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 5. INCOME TAXES:

The Company's income tax expense for the year ended December 31, 1997 consists of the following (in thousands):

Current:	
Federal	$ (13,369)
Foreign	235,630
Total	222,261
Deferred -- net	(40,152)
Recorded income tax expense	$ 182,109

The Company's consolidated total income taxes differ from the amounts computed by applying the statutory income tax rates to income before taxes. The principal reasons for the differences for 1997 are (in thousands):

Computed at statutory rate (35%)	$ 21,736
Increases (reductions) in tax resulting from:	
UK windfall profits tax	234,080
Change in UK statutory rate	(64,670)
Difference between foreign and U.S. statutory rate	(2,852)
Foreign subsidiary basis difference	(15,519)
Franchise fees	11,207
Interest on perpetual debentures	5,914
Other-net	(7,787)
Total income taxes	$ 182,109
Effective income tax rate	293.2%

Significant components of the Company's net deferred tax liability at December 31, 1997 are as follows (in thousands):

Deferred Tax Liabilities:	
Plant-related basis differences	$ (599,336)
Prepaid pension asset	(74,777)
Distribution licenses	(411,467)
Unbilled revenues	(10,062)
Total	(1,095,642)
Deferred Tax Assets:	
Distribution licenses	9,234
Foreign tax credits (including foreign tax on unremitted earnings)	235,615
Other	87,250
Valuation allowance	(234,080)
Total	98,019
Net deferred tax liability	$ (997,623)

As a result of Parliamentary elections in the UK held on May 1, 1997, the Labour Party gained control of the UK Government. On July 31, 1997, the British government enacted a one-time "windfall profits tax" on privatized industries, including regional electric utilities such as London Electricity. London Electricity's windfall profits tax liability is approximately British Pounds Sterling ("BPS") 140 million (approximately $234 million), which will not be deductible for UK corporation tax purposes. Payment of the tax is required in two equal installments, the first of which was paid on December 1, 1997, and the second of which is due on December 1, 1998.

The UK Government also decreased the UK corporation tax rate from 33% to 31%, effective April 1, 1997. In accordance with SFAS 109, this reduction resulted in a one-time reduction in income tax expense of approximately BPS38 million (approximately $65 million). The liability for the windfall profits tax (with a corresponding increase in income tax expense) and the reduction in London electricity's deferred income tax liability (with a corresponding reduction in income tax expense) were recorded in July 1997.

On August 27, 1997, the Federal Court of Australia upheld a decision by the Australian Commissioner of taxation that franchise taxes paid by a resident electricity distribution business were not deductible for Australian income tax purposes. The impact of this decision on CitiPower, which also incurs such franchise taxes, is approximately $26 million. The provision for deferred income taxes was increased in December 1997 to reflect the impact of this decision.

The valuation allowance is provided primarily against foreign tax credit carryforwards and foreign tax credits on unremitted earnings which can be utilized against future taxable income in the United States.

NOTE 6. LINES OF CREDIT AND RELATED SHORT-TERM BORROWINGS

London Electricity currently has $452.5 million of short-term commitments, of which $370.2 million was unused as of December 31, 1997. The weighted average interest rate incurred on London Electricity's short-term borrowings was 7.64% for the period from February 1, 1997 to December 31, 1997. The commitment fees for London Electricity's $452.5 million credit facility range from .03% to .125% of the undrawn balance.

CitiPower currently has $22.8 million of short-term commitments, which had an outstanding balance of $11.2 million as of December 31, 1997. The weighted average interest rate incurred on such short-term borrowings was 5.72% for the year ended December 31, 1997. The commitment fee related to this credit facility is .10% of the undrawn balance.

In addition, CitiPower has a bank guarantee of $22.8 million for the purpose of satisfying the requirements of the Victorian Power Exchange. The fee related to this guarantee is .175% of the balance of $22.8 million.

NOTE 7. MEMBER'S CAPITAL

Member's Capital at December 31, 1997 is comprised of the following components (in thousands):

Member's capital at January 1, 1997	$ 290,129
Capital contribution -	
Edesur	59,197
Entergy London	391,953
Net loss for 1997	(120,008)
Member's capital at December 31, 1997	$ 621,271

NOTE 8. COMPANY -OBLIGATED REDEEMABLE PREFERRED SECURITIES

Entergy London Capital, L.P. (Entergy London Capital), a limited partnership, was established as a financing subsidiary of Entergy London for the purpose of issuing preferred securities. On November 19, 1997, the limited partnership issued $300 million in aggregate liquidation preference amount of 8.625% Cumulative Quarterly Income Preferred Securities in a public offering. All of the proceeds from the sale of these preferred securities were invested by Entergy London Capital in the Perpetual Junior Subordinated Debentures issued by Entergy London to Entergy London Capital. Entergy London used the net proceeds from such investment, together with other funds available to Entergy London, to repay a portion of indebtedness incurred in connection with the acquisition of London Electricity. Payment obligations with respect to these debentures will be payable in U.S. dollars. Management's estimate of the fair value of these preferred securities at December 31, 1997 was $303 million, based on the New York Stock Exchange closing price.

Entergy London has entered into currency exchange rate swap agreements to hedge the risk associated with exchange rate fluctuations on the preferred securities. The exchange rate swap agreements which hedge this risk involve the exchange of fixed rate U.S. dollars and BPS interest payments periodically over seven years for all

ENTERGY INTERNATIONAL LTD LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

of the interest associated with the preferred securities. Management's estimate of the fair value of the currency swaps outstanding at December 31, 1997, based on quoted interest and currency rates, is a net asset of approximately $2.0 million.

The preferred securities of the partnership, as well as the debentures, have no stated date of maturity. The preferred securities are redeemable at the option of Entergy London on or after November 19, 2002, at 100% of their principal amount, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the debentures. Entergy London is the sole General Partner in Entergy London Capital and has agreed to maintain ownership of 1% of Entergy London Capital.

NOTE 9. LONG-TERM DEBT

The long-term debt of the Company at December 31, 1997 is summarized as follows (in thousands):

8% Eurobonds repayable March 28, 2003		$ 162,964
8 5/8% Eurobonds repayable October 26, 2005		162,976
Loan notes due March 31, 2003 (a)		33,814
Revolving bank Debt facility:		
Facility A		1,332,774
Facility B		117,000
Other		715,330
Other bank debt		21,906
	Total	2,546,764
Less current maturities		33,814
Long-term debt, net of current maturities		$2,512,950
Fair Value of Long-Term Debt (b)		$2,398,597

(a) Loan notes are included as current maturities of long-term debt based on the option of the holders to redeem such notes on March 31 of each year until their final maturity on March 31, 2003.
(b) The fair value excludes other long-term debt and includes debt due within one year. It is determined using bid prices reported by dealer markets and by internationally recognized investment banking firms.

The annual long-term debt maturities for debt outstanding at December 31, 1997, for the next five years are as follows:

1998	$ 33,814
1999	-
2000	715,330
2001	-
2002	1,332,774

Entergy London

The 8% and 8 5/8% Eurobonds may become due prior to their stated maturity only upon the occurrence of certain events including default, liquidation or bankruptcy of London Electricity. The Company does not anticipate default under these agreements.

Entergy London executed a credit facility with several banks on December 17, 1996, to obtain credit facilities in the aggregate amount of approximately BPS1.25 billion ($2.1 billion). Proceeds of this facility, which was in three tranches, were used, together with $392 million of cash provided by Entergy, to fund the acquisition of London Electricity and to provide working capital for London Electricity. The facilities were refinanced in November 1997. New or restated borrowing facilities were negotiated and Cumulative Quarterly Income Preferred Securities were issued to partially replace one of the tranches. The restated credit facility is non-recourse to Entergy and is collateralized by assets of Entergy London, consisting of 65% of the shares of London Electricity. The maturity dates of the various tranches of the credit facility range from December 17, 2001, to October 31, 2002. The interest rate on these facilities is the London Interbank Offered Rate plus up to 1.00% depending on the capitalization ratio of Entergy London and its subsidiaries.

Entergy London entered into interest rate swaps to reduce the impact of interest rate changes on its debt related to the London Electricity acquisition. The interest rate swap agreements involve the exchange of floating rate interest payments for fixed rate interest payments over the life of the agreements. Entergy London recognizes interest expense currently based on the fixed rate of interest resulting from use of these swap agreements. If the counterparties to an interest rate swap agreement were to default on contractual payments, Entergy London could be exposed to increased costs related to replacing the original agreement. However, management does not anticipate nonperformance by any counterparty to any interest rate swap in effect as of December 31, 1997. As of December 31, 1997, Entergy London was party to a notional amount of BPS600 million of interest rate swaps with maturity dates ranging from March 1999 to September 2001, which effectively fixed the rate of interest at 7.48%. The estimated fair value of the interest rate swaps, which represents the estimated amount Entergy London would pay to terminate the swaps at December 31, 1997, based on quoted interest rates, is a net liability of $11 million.

CitiPower

CitiPower established a variable rate revolving credit facility in the aggregate amount of 1.2 billion Australian dollars ($780 million) on January 5, 1996. The facility is fully collateralized by all of CitiPower's assets and is non-recourse to Entergy. Borrowings have maturities of 30 to 185 days, and are continuously renewable for 30 to 185 day periods at CitiPower's option until the facility matures on June 30, 2000. As of December 31, 1997, the facility was drawn down to 1.1 billion Australian dollars ($715.3 million) at an average interest rate of 5.30%. Credit support is provided to facility banks in the form of a subordinated letter of credit supplied by the Commonwealth Bank of Australia. The letter of credit facility matures on January 21, 1999, and is for an amount of 70 million Australian dollars ($45.5 million). The letter of credit facility is fully collateralized by a second ranking security interest in all of CitiPower's assets and the facility is non-recourse to Entergy.

CitiPower entered into several interest rate swaps to reduce the impact of interest rate changes on the borrowings under its variable rate line of credit. The interest rate swap agreements which hedge this debt involve the exchange of fixed and floating rate interest payments periodically over the life of the agreements. Interest is recognized currently based on the fixed rate of interest resulting from use of these swap agreements. Market risks

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

arise from the movements in interest rates. If the counterparties to an interest rate swap agreement were to default on contractual payments, the subsidiary could be exposed to increased costs related to replacing the original agreement. However, CitiPower does not anticipate nonperformance by any counterparty to any interest rate swap in effect as of December 31, 1997. As of December 31, 1997, CitiPower was a party to interest rate swaps having a notional amount of 900 million Australian dollars ($585.3 million) with maturity dates ranging from February 1999 to December 2000, which effectively fixed the rate of interest on the CitiPower credit line at 7.70%. CitiPower is also a party to an additional swap with a notional amount of 32 million Australian dollars ($20.3 million) and a maturity date of December 2009. The estimated fair value of the interest rate swaps, which represents the estimated amount CitiPower would pay to terminate the swaps at December 31, 1997, based on quoted interest rates, is a net liability of $28 million.

NOTE 10. COMMITMENTS AND CONTINGENCIES

<u>Capital Requirements and Financing</u>

Construction expenditures for London Electricity for the years 1998, 1999, and 2000 are estimated to total $161 million, $163 million, and $158 million, respectively. London Electricity will also require $34 million during the period 1998-2000 to meet long-term debt maturities. London Electricity plans to meet the above requirements primarily with internally generated funds and cash on hand, supplemented by the issuance of debt, company-obligated mandatorily redeemable preferred securities, and the use of outstanding credit facilities.

Construction expenditures for CitiPower for the years 1998, 1999, and 2000 are estimated to total $30 million, $47 million, and $34 million, respectively. CitiPower will also require $715 million during the period 1998-2000 to meet long-term debt maturities. CitiPower plans to meet the above requirements primarily with internally generated funds and cash on hand, supplemented by the issuance of debt and the use of outstanding credit facilities.

<u>Sales Agreements/Power Purchases</u>

London Electricity uses contracts for differences (CFDs) and power purchase contracts with certain UK generators to fix the price of electricity for a contracted quantity over a specific period of time. As of December 31, 1997, London Electricity had outstanding CFDs and power purchase contracts for approximately 40,000 GWH of electricity. These include a long term power purchase contract with an affiliate, which is based on 27.5% of the affiliate's capacity from its 1000 MW facility through the year 2010. London Electricity's sales volumes were approximately 18,000 GWH in the year ended 1997. Management's estimate of the fair value of London Electricity's CFDs outstanding at December 31, 1997 is that fair value approximates contract value.

In accordance with the debt covenants included in the financing provisions of the CitiPower acquisition, CitiPower must hedge at least 80% of its energy purchases. CitiPower's current strategy is to hedge approximately 100% of its forecasted energy purchases through energy trading swaps entered into with certain generators. At December 31, 1997 CitiPower had outstanding energy trading swaps totaling a notional amount of 38,372 MW of average daily load of electricity. These contracts mature through the year 2000. Management's estimate of the fair value of such swaps outstanding at December 31, 1997 is a net liability of approximately $86.1 million.

Other Agreements and Contracts

Entergy London is subject to an agreement whereby the UK government is entitled to a proportion of certain property gains realized by London Electricity as a result of disposals or events treated as disposals occurring after March 31, 1990, of properties held at that date. This commitment is effective until March 31, 2000.

Entergy London has recorded approximately BPS100 million ($165 million) in reserves as of December 31, 1997, related to unfavorable long-term contracts. These reserves will be amortized over the remaining lives of the contracts which range from 14 to 18 years. The reserves recorded are based on the excess of estimated fair market value of these contracts over the present value of the future cash flows under the contracts at the applicable discount rate and prices.

Some of the Company's distribution activities produce waste but the Company believes that it has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment. There are no material legal or administrative proceedings pending against the Company with respect to any environmental matter.

NOTE 11. LEASES

The Company has entered into operating lease agreements for the use of buildings and vehicles with minimum future rental payments as of December 31, 1997 as follows (in thousands):

Year	
1998	$ 12,001
1999	10,906
2000	10,497
2001	9,931
2002	9,812
Years thereafter	124,398
Minimum lease payments	$ 177,545

Rental expense incurred under these lease agreements in 1997 was $13.0 million.

NOTE 12. PENSION BENEFITS

London Electricity participates in a defined benefit pension plan which provides pension and other related defined benefits, based on final pensionable pay, to substantially all employees throughout the electricity supply industry in the UK. London Electricity uses the projected unit credit actuarial method for funding purposes. Amounts funded to the pension plan are primarily invested in equity and fixed income securities.

CitiPower participates in the Victorian Electricity Superannuation Fund ("the Plan"), along with other electricity companies in Victoria. Most executives and employees hired after October 3, 1994, are members of the Accumulation plan, or Division D, a defined contribution plan. All other employees are members of Division B or Division C of the Plan, which are defined benefit plans. Division B provides benefits in the form of pensions while

Division C provides benefits in the form of lump sum distributions upon retirement. CitiPower has no legal liability to fund deficiencies in the Plan, however, CitiPower ensures that the Plan has sufficient assets to meet benefit payments of its retirees as they become due. Investments incorporated in the Plan include: public and fixed-interest securities, convertible notes, and short-term deposits. No significant non-benefit liabilities are associated with the Plan.

Total pension income for 1997 included the following components (in thousands):

Service cost - benefits earned during the period	$ 19,247
Interest cost on projected benefit obligation	101,465
Actual return on plan assets	(120,780)
Net pension income	$ (68)

The weighted-average discount rate, weighted-average rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation, and the expected long-term rate of return on plan assets for Entergy London were 9.0%, 6.5% and 9.0%, respectively, for 1997. These rates for CitiPower for 1997 were 6.5%, 5.0% and 7.5%, respectively.

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheet at December 31, 1997 (in thousands):

Actuarial present value of accumulated vested pension benefit	$ 1,052,849
Plan assets at fair value	1,564,136
Projected benefit obligation (PBO)	1,163,298
Plan assets in excess of PBO	400,838
Unrecognized net gain	(161,907)
	$ 238,931
Comprised of:	
Prepaid pension asset - London	$ 241,216
Accrued pension liability - CitiPower	$ (2,285)

NOTE 13. TRANSACTIONS WITH AFFILIATES

Entergy London and CitiPower receive technical, advisory, and administrative services from Entergy Services, Inc. and Entergy Enterprises, Inc., which are also wholly-owned subsidiaries of Entergy. Entergy London and CitiPower incurred approximately $5.3 million and $1.7 million, respectively, of expenses for such services in 1997.

NOTE 14. ACQUISITION OF LONDON ELECTRICITY

Effective February 1, 1997, Entergy IL, through a wholly-owned subsidiary, acquired London Electricity in a transaction accounted for as a purchase. Accordingly, the results of operations for the Company reported in its consolidated statements of operations and cash flows do not reflect London Electricity's results of operations for any period prior to February 1, 1997. Based on the purchase method of accounting, the Company has allocated the purchase price for London Electricity to London Electricity's assets and liabilities based on their estimated fair market value with the remainder allocated to London Electricity's distribution license which represents an other identifiable intangible asset.

The assets and liabilities acquired at February 1, 1997 were as follows (in millions):

Current assets	$ 518.2
Network assets	2,134.3
Other long term assets	1,601.2
Current liabilities	(614.8)
Long term debt	(333.9)
Other long term liabilities	(1,285.9)
Total purchase price	$ 2,019.1

Certain shareholders of London Electricity elected to receive Loan Notes issued by the Company in exchange for their shares as permitted by the terms of the Company's tender offer. Such debt instruments are included in long-term debt in the above analysis.

In accordance with the purchase method of accounting, the results of operations for Entergy IL reported in its consolidated statements of operations and cash flows do not reflect London Electricity's results of operations for any period prior to February 1, 1997. The pro forma combined revenue and net income of the Company presented below give effect to the acquisition as if it had occurred on January 1, 1997. The pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been consummated for the period for which it is being given effect.

	For the Year Ended December [illegible], 1997 (In Millions of U.S. Dollars)
Operating revenues	$ 2,413
Net loss	$ (117)

NOTE 15. RESTRUCTURING CHARGES

In 1995 and 1996, London Electricity implemented a restructuring program to reduce the number of employees in the Network Services, Customer Services, Corporate and Information Technology groups. An initial plan was approved by the Board of Directors in September 1994 and was based on a business plan developed subsequent to the 1994 Regulatory Review of Distribution (the Distribution Review).

ENTERGY INTERNATIONAL LTD LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Following the reopening of the Distribution Review during 1995, a further plan was proposed leading to further reduction of employees in the same areas. This plan was approved by the Board of Directors in May 1996.

The balance as of December 31, 1997 for restructuring charges is shown below along with the actual termination benefits paid under the restructuring plan for the year ended December 31, 1997 (in millions).

Provision for restructuring as of January 31, 1997(date of acquisition)	$ 41.7
Adjustments to restructuring provision in 1997	13.3
Payments made in 1997	(29.7)
Cumulative translation adjustment	1.0
Balance as of December 31, 1997	$ 26.3

The restructuring charges shown above primarily included employee severance costs related to the expected termination of approximately 1,372 employees in various groups. As of December 31, 1997, 895 employees had either been terminated or accepted voluntary separation packages under the restructuring plan.