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The Economic Impact of Entergy on the New Orleans Economy



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EXECUTIVE SUMMARY

- Entergy Corporation is a large national utility company headquartered in the City of New Orleans with regulated utility operations throughout the states of Louisiana, Arkansas, Mississippi and Texas. Entergy's corporate service company – Entergy Services Inc. (ESI) – provides corporate support for all of the Entergy operating utilities in the country. ESI is also headquartered in the City of New Orleans. Entergy also owns and operates nuclear power plants in the northeast section of the United States, including the state of New York.
- In 2010, Entergy and its employees spent \$312.83 million directly in the area economy. That direct spending created an additional \$265.12 million in secondary spending. **The total impact of the company in the City of New Orleans was \$577.95 million.** The impact on the entire New Orleans Metro Statistical Area (consisting of Orleans, Jefferson, St. Tammany, St. Charles, St. John, Plaquemines, and St. Bernard Parishes) **was \$494.36 million in direct spending, \$371.96 million in secondary spending, and \$866.32 million in total spending.**
- Entergy is the eleventh largest electric and natural gas utility in the United States.
- Entergy is the only Louisiana based company in the Fortune 300, ranked at 213 on the 2011 Fortune 500 list. Entergy is the only Fortune 500 company headquartered in the City of New Orleans.
- The presence of a Fortune 300 company in any city provides a significant economic development boost for that city. Business decision makers view the local business climate as one of the most important factors in choosing a location for their business. Having a Fortune 300 company located in the City sends the message that the City and area are indeed a viable location for successful business.
- In addition to the economic impact and the psychological impact of having Entergy's headquarters in the City, the economy of the City benefits from having a strong electric utility company producing affordable and reliable electric power for residential, commercial, and industrial customers. Almost every site selection list has "energy availability and costs" as one of the most important site selection criteria.
- Through its headquarters operations, Entergy Services Inc.'s support operations, Entergy Louisiana, LLC's operations in the New Orleans MSA, and through Entergy New Orleans operations, the company has a significant economic impact on the economy of the City and the surrounding region. The purpose of this

report is to estimate the economic impact of Entergy's operations and employees on the economy of New Orleans and the surrounding region.

- The most significant aspect of Entergy's operations in New Orleans and the area is the employment of people. The company employs a large number of employees in New Orleans at Entergy New Orleans, Inc. and at Entergy Services Inc. that is headquartered in the City. In addition, other Entergy companies have employees who reside in New Orleans and the surrounding area. Entergy employs 1,134 people in the City of New Orleans and a total of 2,601 in the New Orleans MSA.
- Entergy's activities in the City of New Orleans support, either wholly or in part, a total of 3,794 jobs in the area, creating \$278.68 million in income for residents of area. In addition to the 1,134 people who draw their paycheck from Entergy directly, an additional 2,660 jobs in the area are supported by the local spending of Entergy and its employees.
- The operations of Entergy in the New Orleans MSA created a total of \$391.99 million in income for local residents and supported 6,057 jobs in the area economy. Of the 6,057 jobs supported, 2,601 are direct employees of Entergy companies and 3,456 are people whose jobs are supported by company and employee spending.
- The operations of Entergy and its employees just in the City of New Orleans create a total of \$21.13 million in incremental revenue annually for the state of Louisiana and \$48.60 million of new revenue for local governments in the City. The combined impact is \$69.73 million. This is recurring revenue that is much needed in these tough economic times.
- In addition to the large number of jobs that Entergy supports in the local economy, mention must be made of the charitable and philanthropic contributions that the company makes annually.
- In 2010, Entergy contributed \$4,300,000 to support charitable causes in the New Orleans area. This does not include the volunteer hours that company employees spend on community support. In still troubled times for the New Orleans community, this support is critical for the redevelopment and restoration of New Orleans, its people and economy.
- The company and its employees are responsible for a total of \$76.65 million in taxes for the State of Louisiana and for local governments in the New Orleans MSA — \$26.35 million for the State and \$50.3 million for local governments in the New Orleans area on an annual basis.

TABLE S1

ENTERGY'S IMPACT ON NEW ORLEANS, 2010
(Dollar Figures in Millions)

Category	City of N.O. Impact	N. O. MSA Impact
Entergy Direct Employment	1,134	2,601
Related Employment	2,660	3,456
Total New Orleans Employment	3,794	6,057
Direct Spending*	\$312.83	\$494.36
Secondary Spending*	\$265.12	\$371.96
Total Impact in New Orleans*	\$577.95	\$866.32
Total Income Created	\$278.68	\$391.99
State Tax Revenues Created	\$21.13	\$26.35
Local Tax Revenues Created	\$48.60	\$50.30
Total Tax Revenue Created	\$69.73	\$76.65

* Direct Spending is defined as the total company spending on wages and salaries, local purchases, state and local taxes, and professional services in the local area economy. Secondary spending is the spending in the local economy by the companies receiving the direct spending. Total spending is the sum of direct and secondary spending.

INTRODUCTION

Entergy Corporation is a large national utility company headquartered in the City of New Orleans with operations throughout the states of Louisiana, Arkansas, Mississippi, and Texas. Entergy's corporate service company – Entergy Services Inc. (ESI) – provides corporate support for all of the Entergy operating utilities in the country. ESI is headquartered in the City of New Orleans. Entergy is one of only three Fortune 500 companies in the state of Louisiana [Source: Fortune Magazine Website – <http://money.cnn.com/magazines/fortune/fortune500/>]. Entergy is the only Louisiana based company in the Fortune 300, ranked at 213 on the 2011 Fortune 500 list. Entergy is the only Fortune 500 company headquartered in the City of New Orleans.

Entergy is the eleventh largest electric and natural gas utility in the United States. Entergy also owns and operates nuclear power plants in the northeast section of the United States, including the state of New York. Total company revenues are listed at \$11.48 billion [Source: Fortune Magazine]. Entergy is the fifth largest public utility in the south, trailing only the Southern Companies, Florida Power and Light, Richmond Power, and Duke Power.

Entergy is the sixth largest private sector employer in the New Orleans New Orleans Metro Statistical Area (consisting of Orleans, Jefferson, St. Tammany, St. Charles, St. John, Plaquemines, and St. Bernard Parishes) [Source: Greater New Orleans, Inc. Website – <http://gnoinc.org/research-statistics/largest-employers-region>]. The only companies with larger local employment are: Ochsner, Northrup Grumman, Tulane University and Hospital, East Jefferson Hospital, and Lockheed Martin. Of this list, two companies – Northrup Grumman and Lockheed Martin – will see significant reductions in the near future. With the elimination of the Space Shuttle, Lockheed will have just a fraction of their current employment level. Northrup Grumman has announced the closure of the Avondale Shipyard, which will result in the elimination of all of the jobs there. The other firms are all hospitals. Thus, in the next year or so, Entergy will be the largest non-hospital private sector employer in the region.

Clearly, as will be documented in this report, the economic impact of a company like Entergy is significant. In addition, business decision makers view the local business climate as one of the most important factors in choosing a location for their business. Having a Fortune 300 company located in the City sends the message that the City and area are indeed a viable location for successful business.

In addition to the economic impact and the psychological impact of having Entergy's headquarters in the City, the economy of the City benefits from having a strong electric utility company producing affordable and reliable electric power for residential, commercial, and industrial customers. Almost every site selection list has "energy availability and costs" as one of the most important site selection criteria. [See, for instance, Site Selection Magazine — <http://www.LocationSelector.com/>].

The availability and cost of reliable electric power is critical to the future of the New Orleans area economy. Two of the most important economic development initiatives are extremely reliant on power. The first is the continued diversification of the Michoud facility in New Orleans East. For over 50 years, Michoud was the home of the space program in New Orleans – from the production of the Saturn V Moon Rocket in the 1960's to the production of the External tank for the Space Shuttle since 1972. With the death of the Shuttle program, Michoud's survival depends on the ability of NASA, the City, and the State to attract other industrial customers to the facility. Reliable and reasonably price electric power is a key to that process. The second major initiative is the growth of the tourism industry. New Orleans is the home of several large – 1,000 rooms or more – major hotels and is in the process of adding another in the renovation of the Superdome Hyatt, damaged heavily by Hurricane Katrina.

Entergy New Orleans is the operating company that serves the electricity needs of the people and businesses of New Orleans and the natural gas needs of the East bank of New Orleans. Entergy New Orleans is the smallest operating company in the Entergy Corporation network. In spite of this, the company has chosen New Orleans as its corporate headquarters. Through its headquarters operations, Entergy Services Inc.'s support operations, and through Entergy New Orleans operations, the company has a significant economic impact on the economy of the City and the surrounding region. The purpose of this report is to estimate the economic impact of Entergy's operations and employees on the economy of New Orleans and the surrounding region. Entergy's operations outside of the New Orleans MSA are a critical component of the success of the company but this report will focus exclusively on Entergy's operations in the New Orleans area.

ENTERGY'S IMPACT ON THE ECONOMY OF THE CITY OF NEW ORLEANS

As a result of its local employment, local purchasing, and related activities in the New Orleans area economy, Entergy spends millions of dollars annually in the New Orleans economy. This spending creates significant economic activity in any community where the spending is located. Company activities employ local workers; generates local spending on supplies, materials, and services; and creates a ripple effect as workers purchase goods and services in the local economy. All of this creates new tax revenues for state and local governments. The purpose of this section is to estimate that economic impact on the New Orleans area economy.

The most significant aspect of Entergy's operations in New Orleans and the area is the employment of people. The company employs large number of employees in New Orleans at Entergy New Orleans and at Entergy Services Inc. that is headquartered in the City. In addition, other Entergy companies have employees who reside in New Orleans and the surrounding area. Entergy employs 1,134 people in the City of New Orleans and a total of 2,601 in the New Orleans MSA (see Table 1). These employees live in the City and the area and contribute significantly to the economy of the region through their purchases of housing, health care, banking services, insurance, automobiles, groceries, other retail purchase, and so forth.

TABLE 1

Entergy Employment in the New Orleans Area, 2010

Area	Entergy Employment
New Orleans	1,134
Other Parishes in MSA	1,467
Total MSA Employment	2,601

Source: Entergy

The direct spending of the company in the local economy and of the employees of the company is the spending that drives the entire economic impact. Direct spending is defined as the total dollar value of all monies spent by the company and their employees in the local economy. The direct, or primary, spending produces additional spending in the economy, which is referred to as indirect and induced spending. Indirect spending includes the spending of local firms that provide supplies to the firms involved in the

direct spending — such as the firm that sells the materials to Entergy. Induced spending is the spending by individuals who are directly employed by the companies. They spend part of their income in the local economy, which produces income for other local residents. Consider a hypothetical example. Suppose that the company hires a new employee whose salary is part of the direct impact. Now that he or she is employed, that employee might buy new clothes. The money spent on new clothes is additional "induced" spending. The owner of the clothing store now has additional income and will spend part of that additional income. The process continues to third, fourth, and higher rounds of spending.

The indirect and induced spending are added together to produce secondary spending, which is sometimes referred to as the "ripple" or multiplier effect. The multipliers used in this study are calculated by the Bureau of Economic Analysis and published in the following reference: United States Department of Commerce, Bureau of Economic Analysis, Regional Multipliers, 2011. These multipliers are specific to each industry in each geographic area.

Table 2 presents the direct spending, secondary spending, and total spending resulting from the activities of Entergy and its employees in the City of New Orleans. The wages and salaries figure in Table 2 is the actual wages paid to employees in New Orleans who are employed by Entergy New Orleans and Entergy Services Inc. and other Entergy companies. The category titled "Local Employee Spending" is the local area direct spending of the employees who work in the City of New Orleans for Entergy. The proportion of their income spent locally is derived from national data on consumer spending patterns based on the income of the consumer. [Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2009]. In 2010, Entergy and its employees spent \$312.83 million directly in the area economy. That direct spending created an additional \$265.12 million in secondary spending. The total impact of the company in the City of New Orleans was \$577.95 million.

TABLE 2**Economic Impact of Entergy on the New Orleans Economy, 2010**

(Dollar figures are in millions)

Category	Direct Spending	Secondary Spending	Total Spending
Wages and salaries & fringes	\$178.76	\$190.58	\$369.34
Local Employee Spending	\$68.28	\$17.21	\$85.49
Utilities	\$0.47	\$0.30	\$0.77
Professional Services	\$4.57	\$4.00	\$8.58
Advertising	\$0.09	\$0.07	\$0.16
State Taxes	\$3.65	\$3.75	\$7.40
Local Taxes	\$41.11	\$42.31	\$83.41
Charitable	\$4.30	\$3.97	\$8.27
Other	\$11.61	\$2.93	\$14.53
Total	\$312.83	\$265.12	\$577.95

Source: Entergy and Author's Calculations

All of the spending identified above employs people. In addition to the direct jobs at the company itself, other jobs in the economy are supported by the economic activities of Entergy. These jobs include support jobs as well as "spin-off" jobs. Company or employee spending in the local area supports the employment of various people in the area. Subsequently, the recipients of that second level of spending spend their income, which, in turn, supports the employment of additional people in the local economy. This is an on-going process.

Using the U. S. Bureau of Economic Analysis employment multipliers, we can estimate the total number of jobs and the income that is attributable to the economic activity generated by the company and its employees. The employment multipliers are estimated on the basis of the dollar spending in each category. Table 3 presents the total employment and total income that is generated by the spending associated with the construction phase of the projects. The spending by the direct employees will support, either wholly or in part, other employment in the local area. Entergy's activities in New Orleans support, either wholly or in part, a total of 3,794 jobs in the area, creating

\$278.68 million in income for residents of area. Of the 3,794 jobs created by the company's activities in the area, 1,134 are people employed at Entergy and 2,660 are other jobs that are due to Entergy's economic activity. Thus, in addition to the 1,134 people who draw their paycheck from Entergy directly, an additional 2,660 jobs in the area are supported by the local spending of Entergy and its employees.

TABLE 3
Income and Employment
Created by Entergy in the New Orleans Area, 2010
(Dollar figures in millions of \$s)

Category	Income	Employment
Wages and salaries & fringes	\$232.57	1,877
Local Employee Spending	\$12.71	885
Utilities	\$0.16	4
Professional Services	\$3.37	83
Advertising	\$0.07	1
State Taxes	\$2.05	57
Local Taxes	\$23.11	639
Charitable	\$2.48	98
Other	\$2.16	150
Total	\$278.68	3,794

Source: Author's Calculations

In addition to the income and employment totals in Table 3, the Bureau of Economic Analysis RIMS II model allows us to estimate the employment impact in related industries. Table 4 presents the top ten related industry employment that is created in the New Orleans MSA by the local spending of Entergy in New Orleans.

TABLE 4

**Employment in Related Industries
Created by Entergy in the New Orleans Area, 2010**

Industry	Employment
Retail trade	516
Food services	449
Health care	414
Professional, scientific, and technical services	340
Administrative	329
Construction	275
Transportation and warehousing	229
Real estate and rental and leasing	229
Other services	222
Finance and insurance	218

Source: BEA RIMS II Model and Author's Calculations

Thus, the local presence of Entergy in the New Orleans area supports over 500 jobs in retail trade; over 400 in health care (most of which are medical professionals); 340 jobs in professional fields such as engineering and technicians; over 325 jobs in the administration or management of companies (many small businesses); 275 jobs annually in construction; over 225 in real estate; and over 200 jobs in the banking and financial services industry. Entergy's impact is felt in many ways in providing good jobs for local professional, technical, and skilled employees.

In addition to the large number of jobs that Entergy supports in the local economy, mention must be made of the charitable and philanthropic contributions that the company makes annually. In 2010, Entergy contributed \$4,300,000 to support charitable causes in the New Orleans area. This does not include the volunteer hours that company employees spend on community support. In still troubled times for the New Orleans community, this support is critical for the redevelopment and restoration of New Orleans, its people and economy.

The final component of the calculation of the economic impact of the company on the

City's economy is the estimation of state and local taxes generated by the company and its related spending in the local economy. The company pays taxes directly to the state of Louisiana and to the local governments in the region. These direct taxes include corporate income, corporate franchise, sales, property, and various miscellaneous taxes. In addition, the economic activity created by the company creates additional state and local tax revenue.

State taxes that are generated by economic activity are taxes paid on the income generated by those operations and sales taxes paid directly on the sale of construction materials. Out of that income, the recipient pays his state income taxes; in addition, he buys goods and services and pays the taxes that apply to those goods and services. The retail sales tax applies to the purchase of some of those goods and services. The assumption used to estimate the revenue from all of these taxes is that the recipient of newly created income is no different from the average Louisiana consumer; thus, the proportion of income that is paid in these various taxes is equal to average values for the state as a whole.

State income taxes paid out of the income generated by the company's activities can be estimated by determining the proportion of income that the average person in the state pays in state income taxes. In 2009, the latest year for which data exists, the average person in the Louisiana paid 1.78% of his or her personal income in state income taxes (Source: United States Bureau of the Census, State Government Finances: 2009).

To estimate the amount of sales tax revenue attributable to the income generated, the same methodology is employed. According to the Census Bureau, Louisiana residents pay 1.76% of their income in the form of state sales taxes.

The next category of state tax revenue is specific excise taxes paid, sometimes referred to as selective sales taxes. In order to estimate the amount of these taxes paid as a result of the construction activities, we employ a methodology similar to the one used for the personal income tax. The Census Bureau provides estimates of the revenue raised by the state by the various excise taxes enumerated above. Dividing the total of this revenue by total state personal income produces the proportion of income that the average consumer spends on these taxes — the proportion is 1.22% for Louisiana and .186%. This proportion is then multiplied by the income generated by the company's activities, both direct and secondary, to produce an estimate of the amount of excise tax revenue.

The next category of taxes is business taxes. These include various license and state corporate income and franchise taxes. The sales and profits generated by the project will

create significant business tax revenue for the two states. According to the Census Bureau, for Louisiana the proportion is 1.05%.

Finally, there are local taxes. The main local taxes are the local sales and property taxes. The methodology used to estimate the local sales tax is the same as that used to estimate the state sales tax. Property taxes are estimated assuming that Entergy employees are similar to the average local resident with respect to homeownership and value of property. Thus, the assumptions was made that Entergy employees own their own homes in a similar proportion to the average resident of the parish they reside in. Further, it is assumed that the value of their home is similar to the average house value in that parish. Finally, the tax rate of that parish was applied to yield the estimate of property taxes paid by employees. The results of the tax estimates are presented in Table 5.

The operations of Entergy and its employees just in the City of New Orleans create a total of \$21.13 million in incremental revenue annually for the state of Louisiana and \$48.60 million of new revenue for local governments in the City. This is revenue that supports not just the City of New Orleans but also the Orleans Parish School Board, the Levee Board, the Sewerage and Water Board, and a host of other local government entities in the City. The combined impact is \$69.73 million. This is recurring revenue that is much needed in these tough economic times.

TABLE 5

State and Local Tax Revenue Created by the Entergy
Activities in New Orleans, 2010
(Dollar figures in millions of \$s)

Tax Source	State	Local	Total
Income Taxes	\$4.96	\$-	\$4.96
Sales Taxes	\$7.01	\$7.09	\$14.10
Excise Taxes	\$3.40	\$-	\$3.40
Business Taxes	\$5.76	\$-	\$5.76
Property Taxes	\$-	\$0.41	\$0.41
Other	\$-	\$41.11	\$41.11
Total State Taxes	\$21.13	\$48.60	\$69.73

Source: Entergy and Author's Calculations

THE IMPACT OF ENTERGY ON THE NEW ORLEANS AREA ECONOMY

This section estimates the impact of Entergy, its operations, and its employees on the economy of the entire New Orleans MSA. The methodology to estimate the various impacts is the same as that used to estimate the economic impact of the company on the economy of the City of New Orleans. Table 6 presents the direct, secondary, and total spending impacts of Entergy's operations in the entire region.

TABLE 6

Economic Impact of Entergy on the New Orleans MSA Economy, 2010

(Dollar figures are in millions)

Category	Direct Spending	Secondary Spending	Total Spending
Wages and salaries & fringes	\$243.56	\$259.66	\$503.23
Local Employee Spending	\$156.61	\$39.47	\$196.08
Utilities	\$0.49	\$0.31	\$0.80
Professional Services	\$17.30	\$15.15	\$32.45
Advertising	\$0.24	\$0.19	\$0.43
State Taxes	\$3.65	\$3.75	\$7.40
Local Taxes	\$41.11	\$42.31	\$83.41
Charitable	\$4.76	\$4.40	\$9.17
Other	\$26.64	\$6.72	\$33.36
Total	\$494.36	\$371.96	\$866.32

Source: Entergy and Author's Calculations

In 2010, the company and its employees created direct spending in the New Orleans MSA of \$494.36 million. That direct spending created an additional \$371.96 million in secondary spending for a total spending impact of \$866.32 million annual into the New Orleans economy.

Table 7 presents the income and employment impacts of the company's operations in New Orleans. In 2010, the operations of Entergy in the New Orleans MSA created a total of \$391.99 million in income for local residents and supported 6,057 jobs in the area economy. Of the 6,057 jobs supported, 2,601 are direct employees of Entergy companies and 3,456 are people whose jobs are supported by company and employee spending.

TABLE 7

Income and Employment
Created by Entergy in the New Orleans MSA, 2010
(Dollar figures in millions of \$s)

Category	Income	Employment
Wages and salaries & fringes	\$316.88	2,557
Local Employee Spending	\$29.14	2,029
Utilities	\$0.17	4
Professional Services	\$12.74	313
Advertising	\$0.19	4
State Taxes	\$2.05	57
Local Taxes	\$23.11	639
Charitable	\$2.75	108
Other	\$4.96	345
Total	\$391.99	6,057

Source: Author's Calculations

Table 8 presents the local tax revenues created by the operations of the company in the New Orleans area. Note that these are taxes for the State of Louisiana and all local governments in the region. The company and its employees are responsible for a total of \$76.65 million in taxes for the State of Louisiana and for local governments in the New Orleans region — \$26.35 million for the State and \$50.3 million for local governments in the New Orleans area on an annual basis.

TABLE 8

State and Local Tax Revenue Created by the Entergy
Activities in the New Orleans MSA, 2010

(Dollar figures in millions of \$s)

Tax Source	State	Local	Total
Income Taxes	\$6.98	\$-	\$6.98
Sales Taxes	\$7.96	\$7.22	\$15.19
Excise Taxes	\$4.78	\$-	\$4.78
Business Taxes	\$6.62	\$-	\$6.62
Property Taxes	\$-	\$1.97	\$1.97
Other	\$-	\$41.11	\$41.11
Total State Taxes	\$26.35	\$50.30	\$76.65

Source: Entergy and Author's Calculations

CONCLUSION

Entergy is a major force in the economy of the City of New Orleans and the New Orleans MSA. As the only Fortune 500 (ranked 219 by Fortune Magazine in 2010), Entergy provides significant economic development support for the area economy. Entergy's economic impact on the local economy is significant.

Just counting the operations of Entergy in the City of New Orleans, the company and its employees generate total spending of \$312.83 million. Counting the "ripple" effect, the total economic impact is \$577.95 million. Entergy's activities in New Orleans support, either wholly or in part, a total of 3,794 jobs in the area, creating \$278.68 million in income for residents of area. Of the 3,794 jobs created by the company's activities in the area, 1,134 are people employed at Entergy and 2,660 are other jobs that are due to Entergy's economic activity. Thus, in addition to the 1,134 people who draw their paycheck from Entergy directly, an additional 2,660 jobs in the area are supported by the local spending of Entergy and its employees. Finally, the operations of Entergy and its employees just in the City of New Orleans create a total of \$21.13 million in incremental revenue annually for the state of Louisiana and \$48.60 million of new revenue for local governments in the City. This is revenue that supports not just the City of New Orleans but also the Orleans Parish School Board, the Levee Board, the Sewerage and Water Board, and a host of other local government entities in the City. The combined impact is \$69.73 million.

Broadening the net somewhat, Entergy also has a major presence in the entire New Orleans metro area. In 2010, the company and its employees created direct spending in the New Orleans MSA of \$494.36 million. That direct spending created an additional \$371.96 million in secondary spending for a total spending impact of \$866.32 million annual into the New Orleans economy. The operations of Entergy in the New Orleans MSA created a total of \$391.99 million in income for local residents and supported 6,057 jobs in the area economy. Of the 6,057 jobs supported, 2,601 are direct employees of Entergy companies and 3,456 are people whose jobs re supported by company and employee spending. The company and its employees are responsible for a total of \$76.65 million in taxes for the State of Louisiana and for local governments in the New Orleans region — \$26.35 million for the State and \$50.3 million for local governments in the New Orleans area on an annual basis.