

Southern States Energy Board Keynote Speech

Entergy Chairman and CEO Leo Denault

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Thank you, Governor, for that kind introduction. We at Entergy appreciate your leadership here in Mississippi and in helping to advance this region.

I also want to thank the board for inviting me to speak today.

I consider it an honor to be offered the chance to address the South's top business and political leaders, men and women who are helping shape the future of this region.

It's an awesome responsibility, and I for one applaud your willingness to take on that job. It requires determination, strength and above all a vision of what your community, your region can be.

And as you would expect in a room filled with leaders, I know there are probably just as many ideas of what the future of the South, of your communities, should hold as there are people here today.

But no matter what differences there may be among us – whether you're in business or public service, whether you're a Southerner by birth or, like me, by

choice, whether you're a card carrying member of the Tea Party or a yellow dog Democrat – I would bet each of us imagines a future for our communities where:

- good-paying jobs are there for the taking,
- workers and their families are attracted by the quality of the public school systems,
- graduation rates are the highest in the nation,
- our state colleges and universities are known just as much for their research facilities as their football stadiums,
- and our social service agencies are wanting for clients.

Some of you might be saying that's a nice dream, now let's talk about the real world.

But the energy revolution – being driven at least in part by the abundance of natural gas -- gives all of us a window of opportunity to shape our future, to make real, lasting improvements to our social and physical infrastructure, to build the foundation for true economic sustainability across this region.

Let's be clear – this window is only going to be open for so long. As those of you in the energy industry know, most of the current wave of investment is due

to the difference in worldwide prices between oil and natural gas. That's not going to last forever. Commodity markets don't work that way.

As I thought about my comments here today, I thought about the role Entergy plays. And, we're in somewhat of a unique position, in that we really play three roles on this team – and I use the word *team* deliberately, because that's what I believe everyone in this room here today is – a *team*:

- First -- we're a business that provides a product – electricity – that is essential to every single other business' product or service. It's simple: our product *must* be competitively priced and reliable, so other businesses in the region can grow and prosper, and so that we attract new industry to the region.
- Second -- we're also a major corporation that is integral to the communities we serve. Helping address social issues that manifest themselves in communities, cities, and regions, is simply something we must do.
- Third, we're a large part of the energy industry in the region; a business that employs thousands of workers who themselves are part of these communities. We must take part in this revolution in a profitable way if we are to survive as a business.

And all three things are linked. If we – and this is a broad WE – don't get one right, we get none of them right. All of them need our collective focus, our collective efforts, and collective commitment to strive for what *is* possible, so that we do in fact achieve that vision I outlined a few minutes ago.

So let's start first with the *opportunity of near-term economic development*.

Right now, we have the advantage of relatively cheap natural resources, our extensive energy infrastructure and low-cost electricity – a combination that's attracted billions of dollars in investments and thousands of jobs to our region.

Entergy's four-state service territory has seen a significant wave of new industrial economic development activity in recent years:

- Announced or recently completed projects total more than \$65 billion in investment.
- Together, it's estimated these investments have the potential to create close to 30,000 new jobs, of which about 8,000 would be direct.

Louisiana continues to attract *significant* investment across a range of industries.

Right here in Mississippi, the state has a number of major projects that add to the overall region's economic diversity. For example:

- The Nissan plant in Canton last year announced an expansion in production creating another 1,000 jobs.¹
- Drax Biomass International is building a plant in Gloster that next year will start producing wood pellets to be exported to Great Britain for use as fuel to generate power.²
- And just a few weeks ago, Feuer (Few-er) Powertrain, a manufacturer of crankshafts, announced it was investing \$140 million to build its first US manufacturing plant in Tunica. It expects to create 300 new jobs.³

And in Arkansas, earlier this year Big River Steel announced plans to invest \$1 billion in a new steel mill that will employ 525 people.⁴

Obviously not all of these projects or these jobs will become reality.

But even with the qualifiers -- proposed, potential -- these are astounding numbers, numbers that should serve as the motivation for ALL of us here today to meet our shared challenges head on, and seize what I believe will be even more tremendous opportunities ahead for this region.

¹ <http://www.mississippi.org/press-room/governor-bryant-nissan-officials-announce-major-expansion-at-nissan-plant-in-canton-miss.html>

² <http://draxbiomass.com/our-projects/>

³ <http://www.governorbryant.com/feuer-powertrain-locating-first-u-s-manufacturing-operations-in-tunica/>

⁴ <http://swtimes.com/news/osceola-steel-mill-superproject-moving-forward>

And we don't have time to waste. As I said, someday in the not too distant future the oil-gas price differential will change and capital will flow elsewhere – so we have to make the most of it now before this window closes.

It is imperative that we focus on the fundamentals needed to allow this region to thrive today and be ready to capitalize on the next cycle of economic expansion.

That means our states – which are among the best in the nation in this area – must continue policies that encourage investment from a wide range of businesses.

But the unfortunate truth is this region's future will be limited and our economic potential never fully realized as long as poverty remains so pervasive.

And this is the *social* challenge and opportunity I mentioned earlier.

At Entergy, we estimate as many as 25 percent of our customer base requires government support just to make ends meet.

It's also time to address another long-standing problem, one intertwined with poverty – education.

It is without question the major driver of economic sustainability, one that's critical to strengthening our communities.

So we must use this time of economic growth to substantially increase investment in our public schools, to ensure all children have access to high quality pre-K education programs, and pay teachers a wage that will help attract and KEEP top college graduates in the classroom.

And wouldn't it be a shame if the thousands of jobs being created by the projects I mentioned earlier can't be filled by our residents because they don't have the right skill sets?

That's why we also need to ramp up investments in efficient, effective and flexible workforce training programs. I'm glad to say many of the states represented here today are doing a fantastic job in that arena.

But we can't afford to be complacent. Our programs must be ready to meet the needs of businesses today AND have the ability to adjust to emerging trends so we can take advantage of whatever opportunities the next business cycle offers.

These are all investments that need to be made NOW. If we come out of this economic cycle and the poverty rate hasn't changed, if all children don't have access to quality pre-K programs, if we haven't continued improving our graduation rates, if we haven't prepared our workers for 21st Century jobs we will have wasted this great opportunity.

I want to make it clear this responsibility doesn't rest solely on the back of government. We – and that's that broad we again – must all share the burden and that includes Entergy and the rest of the business community

I'm proud to say Entergy has been working for years with our nonprofit partners to strengthen the communities we serve.

Our company and its Charitable Foundation have invested more than \$150 million over the last 10 years to support programs that range from literacy campaigns to environmental initiatives to workforce development efforts.

More than \$60 million of that investment has been through our low-income initiative, a program that started about 14 years ago with the relatively simple goal of finding new ways to help our low-income customers pay their bills.

Thanks to our employees' commitment, it's evolved into a successful advocacy effort to fight poverty throughout our region. It's so effective, other companies look to it as a model.

The initiative attacks poverty on many fronts, including working to increase the flow of funds for utility assistance programs to help low-income and vulnerable households pay their energy bills.

For the most part, this involves working with our congressional delegations to secure adequate funding for the Low Income Home Energy Assistance Program as well as the federal program that weatherizes the homes of low-income residents.

We also work with governors and legislatures to institute and fund programs like public benefit funds to supplement what the federal government cannot supply.

But I believe the initiative's most significant work is helping our customers achieve economic self-sufficiency.

To that end, we focus on investing in education and promoting one of the nation's most effective tools for lifting low-income families out of poverty -- the Earned Income Tax Credit.

For the past decade Entergy has partnered with the IRS, local United Ways and others to help working families file for the refunds they have earned. Between 2009 and 2013, Entergy and our partners helped return more than \$60 million in EITC refunds to tens of thousands of customers.

As for education, over the last decade Entergy has invested more than \$43 million to improve our communities' schools.

That figure includes the almost \$2.5 million we've invested in the Teach for America program since (Hurricane) Katrina, helping inject the fresh ideas and energy of almost 1,000 of our nation's best and brightest college graduates in schools across Louisiana, Mississippi and Arkansas. In Southeast Louisiana alone, we are touching the lives of some 40,000 children who are in Teach for America-led classrooms.

We've also been an aggressive advocate for properly funding high quality early childhood education programs. Research shows that every dollar spent on early childhood education returns nine dollars in benefits to society. We've worked with partners across Arkansas, Louisiana and Mississippi to increase state funding for pre-K programs by \$185 million.

Entergy's own Haley Fisackerly has been among the business leaders at the forefront of that issue here in Mississippi. You can be sure Haley and his team will continue pushing to expand funding so every child in Mississippi has access to a high quality early education program.

All of those efforts strengthen our social infrastructure. Entergy is also addressing the physical and environmental threats to our region.

We're working with communities across the Gulf Coast to raise awareness of the need to invest in measures to adapt to our changing environment.

Three years ago, we commissioned the study, "Building a Resilient Energy Gulf Coast," a first-of-its-kind comprehensive analysis of risks and adaptation measures. It estimates rising sea levels and extreme weather will cost the Gulf Coast as much as \$350 billion in cumulative asset losses by 2030.

The study lays out a roadmap for policymakers on the most cost-effective steps we can take to make our infrastructure more resilient to extreme weather.

Results of an extensive public outreach effort were delivered to Washington in 2012 with the message that failure to take action to protect the Gulf Coast and its energy infrastructure would cause economic harm to the nation.⁵

One person who attended a community meeting held here in Biloxi hit the nail on the head with the comment that you can't have economic sustainability without environmental and cultural sustainability. They just go hand-in-hand.

Even with all of those initiatives, Entergy's primary focus remains on our core responsibility – providing reliable power at a reasonable cost.

⁵ <http://www.americaswetland.com/article.cfm?id=1785>

Meeting that responsibility is going to grow increasingly difficult for the utility industry as a whole in the years ahead.

Utilities are at the start of an investment cycle that will require \$1.5 to \$2.0 trillion⁶ through 2030, much of it driven by the need to upgrade aging infrastructure, meet new and evolving environmental regulations and other compliance requirements.

At the same time the industry is grappling with the rise of transformative technologies – solar, wind, demand-side management, energy efficiency, energy storage and micro grids.

Energy is not immune to the trends. Our capital expenditures have increased, hitting the highest level in more than a decade in 2012. And we're already starting to see the effect of energy efficiency-related actions in our sales to customers, with programs in Arkansas, Texas and New Orleans underway, and new ones soon to start in the rest of Louisiana as well as here in Mississippi.

These energy efficiency programs are really the first stage of a major shift in our relationship with customers and their changing expectations.

⁶ [http://www.eei.org/resourcesandmedia/magazine/Issues/July-August%202011%20\(Vol.36%20No.4\).pdf](http://www.eei.org/resourcesandmedia/magazine/Issues/July-August%202011%20(Vol.36%20No.4).pdf)

Technology has forever altered our interactions with customers: Today, customers want what they want, when they want it, and they all want it now.

And increasing numbers want control over the power they need. Depending upon the person, that could mean anything from controlling their home's energy use through an app on their smartphone to installing some form of distributed generation behind the meter.

The point of all of this is that as a utility "business" we need to adapt to remain profitable – and as service providers we need to manage costs to help support the region's quest for growth, stability and advancement.

If we truly are, as our vision at Entergy suggests, here to Power Life for our owners, customers and communities, we must adapt in ways our industry has yet to embrace, maintaining a low cost structure so our prices can be competitive, while striving for the profitability that allows us to contribute to the community through our job creation and our philanthropy.

If we don't find the right combination of strategies and innovative regulatory policies, utilities will be facing a vicious downward cycle with serious economic repercussions.

- Rising costs and competition from new technologies will erode demand.

- That inevitably leads to higher prices and further erosion of demand, pushing more and more of the cost onto a shrinking customer base.

That is not a recipe for long-term company success; and it is even more detrimental to the success of the region's economy if utilities are either unprofitable or high cost. But it is the worst case when your major infrastructure provider, your local utility, is both high cost and unprofitable.

If we are successful in helping to draw in the economic development projects I outlined earlier, we can keep customer rates low by allowing us to spread growing costs over a larger base. And the same low natural gas prices driving that growth is helping us keep our costs down – which in turn – should attract more load to our region.

That's for now – let's call it Entergy's own window of opportunity – and it's the third role on the team I referred to earlier. It gives us the chance to thoroughly examine our own organization and practices and make sure we are well prepared for this transformational change and what lies ahead.

We're executing key strategic imperatives to control our costs, increase our efficiencies and prepare to capitalize on the opportunities ahead. They include executing our move to MISO and our spin/merge with ITC Holdings; growing our

utility business; and developing and implementing effective and efficient regulatory constructs. Just to name a few.

Now, I realize that every business faces major change at one time or another. The difference is when there is transformative change in the utility business, it touches EVERYONE.

Standing as we do at the intersection of the public and private, I believe utilities like Entergy can serve as a catalyst for change – change that’s needed to build strong and economically sustainable communities.

So, where does all of this leave us, or better yet, direct us?

As I mentioned, our region, in fact, our country, has a tremendous opportunity staring us in the face. In addition to the near-term opportunity to create economic growth and the medium-term need/opportunity to create sustainability through improvements in education, adaptation of our region’s infrastructure, and a plan to turn near-term prosperity into a longer-term regional economic power house. Let’s add national energy independence to the list.

It’s time to open our minds to what is possible. To focus all of our efforts on not only capturing the opportunity immediately before us, but leveraging it so that

when this version of the commodity cycle ends, and they ALWAYS END, we are the ones ready to capture the next great opportunities.

But it is also time to open our hearts because without the hearts and minds of any organization, whether it be a company or a community, true success is never achieved, certainly not in the long-term.

We are in the midst of a once-in-a-generation opportunity. Let's all commit to focusing on how to use it to the advantage of our region, to become a region others turn to, learn from and envy for decades to come.

Thank you and all of us at Entergy look forward to working with each of you as we move this region into a very bright future.