

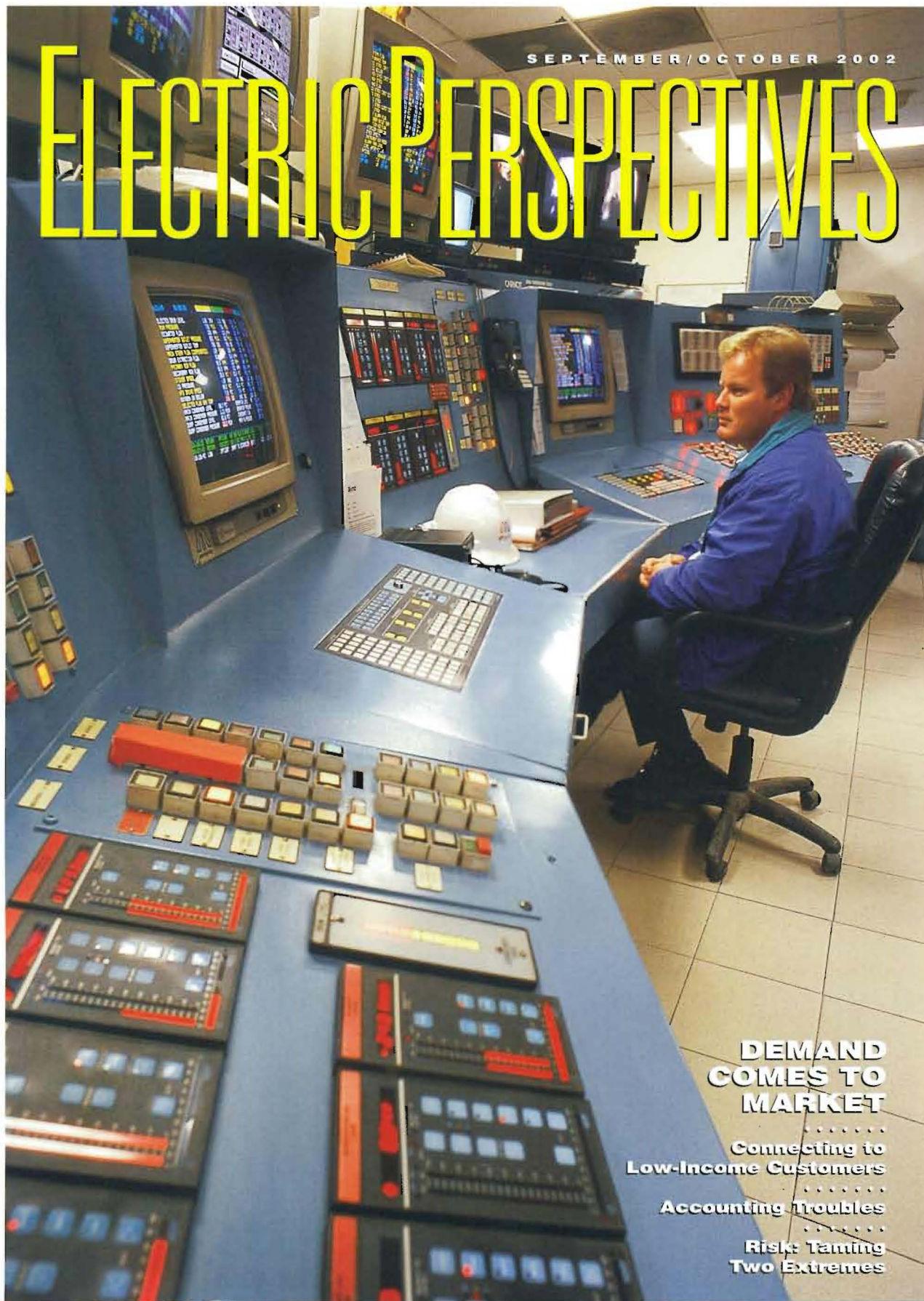
The Most Important Customer

By J. Wayne Leonard

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ELECTRIC PERSPECTIVES



DEMAND COMES TO MARKET

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Connecting to
Low-Income Customers

.....
Accounting Troubles

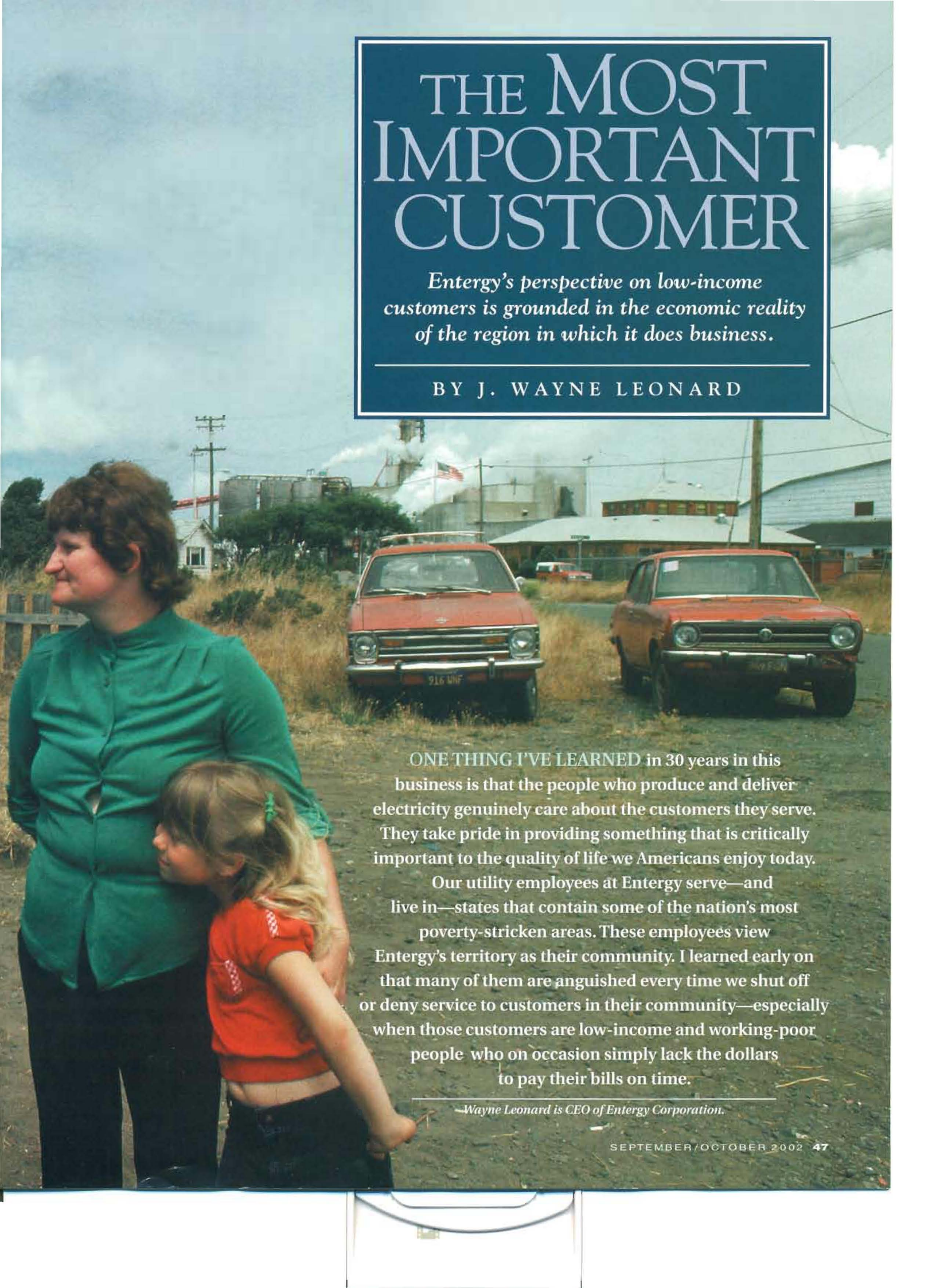
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Risk: Taming
Two Extremes



THE MOST IMPORTANT CUSTOMER

Entergy's perspective on low-income customers is grounded in the economic reality of the region in which it does business.

BY J. WAYNE LEONARD



ONE THING I'VE LEARNED in 30 years in this business is that the people who produce and deliver electricity genuinely care about the customers they serve. They take pride in providing something that is critically important to the quality of life we Americans enjoy today.

Our utility employees at Entergy serve—and live in—states that contain some of the nation's most poverty-stricken areas. These employees view Entergy's territory as their community. I learned early on that many of them are anguished every time we shut off or deny service to customers in their community—especially when those customers are low-income and working-poor people who on occasion simply lack the dollars to pay their bills on time.

—Wayne Leonard is CEO of Entergy Corporation.

At Entergy we believe we have failed any time we have to disconnect a customer who is unable to pay the utility bill. And when we look at the costs of providing electric service, the numbers tell us that usually there are better business solutions than disconnecting and reconnecting the same customers over and over. If we don't help customers find those better solutions, some desperate ones will attempt solutions with our wires that pose safety risks to themselves and potentially our employees. Since safety is Entergy's number-one priority, this is an additional reason for finding ways to keep the power on in the first place.

This spring, I told Entergy's shareholders that the most important customers we have are the ones who don't have service. It doesn't matter whether it's due to failed equipment, a storm-related event, or customers' inability to pay their bills at this moment in time.

I believe that no one in this country should have to worry about whether he can afford electricity for his home. To live in the richest country in the world and sit idly by as if it isn't our problem that some families must choose between food and heat is criminal.

Our employees are setting a national standard by proving that a corporation—a utility—can serve all its customers (including those having difficulty paying their bills) with dignity, respect, and compassion and still earn a fair profit. Some people will tell you, "Your only responsibilities are to the shareholder and to obeying the law. The law defines morality when it comes to your obligations to the environment and the impoverished." These attitudes are widespread in this country, particularly in the corporate world.

At Entergy, we don't accept this either/or approach to our responsibilities. In fact, we've proven that whole idea wrong. Growing returns to shareholders have gone hand in hand with social responsibility and improved service to customers. Since mid-1998, Entergy has had 16 straight quarters of

earnings growth exceeding the markets' expectations, average annual earnings growth of 16 percent per year for four years, and 18 percent average annual shareholder return over that period. That gives me confidence that we're on the right track in viewing profitability as an output of serving our stakeholders well and not an input that constrains our day-to-day decisions that affect real people's lives.

Why Act Aggressively for Low-Income Customers?

Entergy's perspective on low-income customers is grounded in reality—the reality of the region in which we live and do business.

We serve one of the most poverty-stricken areas of the nation—the Mississippi River Delta. According to statistics released by the Children's Defense Fund, three of the nation's ten counties with the highest child poverty rates are in Louisiana and Mississippi, states that Entergy serves. Eleven of the thirty-eight counties with child poverty rates higher than even the poorest U.S. cities are rural counties in Arkansas, Louisiana, and Mississippi—all in Entergy's service area. New Orleans, Entergy's headquarters city, has the third-highest child poverty rate in the nation. More than 40 percent of New Orleans children (51,707 out of 127,566 persons under age 18) live in poverty.

We have made it a priority to provide solutions to our low-income customers because, quite simply, it's the right thing to do. It's also the smart thing. Right now, approximately 25 percent of Entergy's 2.6 million customers fall below the poverty line. On a daily basis, many of our customers worry about whether they will be able to provide basic necessities to their family. Somehow, most of them manage to get by and pay their utility bills on time, in full. So there is a simple business basis for Entergy's low-income strategy—more than \$631 million. That's what low-income customers and the working poor contribute annually to Entergy's revenue.

Eleven of the thirty-eight counties with child poverty rates higher than even the poorest U.S. cities are rural counties in Arkansas, Louisiana, and Mississippi—all in Entergy's service area.





PictureQuest

The overwhelming majority of our low-income and working poor customers are no different from the rest of us. They are good people, responsible citizens, and good credit risks.... There is one big difference. Their “energy burden” is often three or four times what it is for the middle-income household.



Pat Lanza / Folio, Inc.

Social, Cultural, and Economic Myths

Like the bumper sticker that says, “Question Authority,” we need to question what we “know” about the poor.

Over the past three years, Entergy did that kind of questioning by studying our low-income customers. Though the research is far from complete, our current findings reveal that the whole debate about customers “at or below the federal poverty level” suffers from a series of myths and misconceptions about the poor.

We all have heard the conventional wisdoms:

■ “Welfare reform is working since the public assistance rolls are dropping.” That notion is highly debatable. The best that can be said, in my mind, is that welfare reform has transferred people off the welfare rolls to the ranks of the working poor. In our area, the

needs have not diminished, and the truly needy still are making wrenching decisions about whether to buy food or medicine or pay their utility bill.

■ “Benefits are generous and widely available to deserving poor people.” A recent survey asking Americans how much money they believe welfare recipients receive per month, showed that most think benefits are staggeringly higher than those actually paid. In other words, Americans believe welfare recipients get enough taxpayer money to live by standards most of us take for granted. As for being “deserving,” I know of very few people who choose to be poor—and they are members of the clergy who took a vow of poverty. No one inherently “deserves” to be penniless, so it’s hard for me to think of any poor person as more “deserving” than another.



Cameron Davidson / Folio, Inc.

■ “There are plenty of charities around to help the poor.” There are plenty that want to help, but their resources are stretched thin. Since September 11 and the downturn in the national economy, many auxiliary sources of assistance have been drying up. Charities have had a harder time raising money and faced more demands on their services. Many food pantries and homeless shelters across the nation are reporting increased pleas for support.

■ “Most poor people are deadbeats who choose to live wastefully, squander their money, and willfully refuse to pay their bills.” Our research showed just the opposite. As a class, poor customers exhibit no worse credit behavior than any other class. In fact, low-income customers are more reliable when it comes to paying their Entergy bills than those middle-in-

come families that have tremendous loads of consumer debt. Also, low-income customers, especially the elderly poor, tend to pay their bills on time since so many of them live on fixed incomes and have life experience in managing money.

Identifying Our Low-Income Customers' Needs

Myths about the poor have justified complacency about their needs. And for all the statistics that can be cited about how society has turned its back on the less fortunate, our analysis found that Entergy's historic track record had not been much better. Even though our company always has had many policies to assist customers, they often were unknown to the vast majority of customers, especially those with low incomes who were harder to reach

Many working poor and elderly are among the 31 million people in the United States at or below the poverty level. For a family of four, that level is an annual income of \$17,184.

by traditional communication channels. Many times even our own employees were unaware of these policies. An example is the availability of fuel fund payroll deductions, which were not promoted until very recently.

With the launch of Entergy's low-income initiative in 1999, we began questioning misconceptions about the poorer customers in our region, and we moved to rebuild our customer service policies based on all our customers' needs.

The overwhelming majority of our low-income and working poor customers are no different from the rest of us. They are good people, responsible



AP / Wide World

A resident of Tunica County, MS—part of Entergy's territory—where 45 percent of the population is below the poverty line.

citizens, and good credit risks. In fact, most have never received a late-payment notice or had a disconnection. They pay their bills, often as soon as they arrive in the mail. Unforeseen things sometimes happen in their lives as they do to us all. But, unlike those of us who are more fortunate, they have little or no safety net to help them handle these crises.

There are other realities about low-income people that need to be recognized:

- Too many of them scrimp on food, drugs, and healthcare in order to keep the lights and gas on.
- They have jobs—often two of them that both pay minimum wage.
- They often are elderly, living on fixed incomes in homes that are old, leaky, and substandard, with inefficient appliances and heating systems.
- They don't have paid lobbyists to champion their cause or seek changes in laws to improve their lot.
- They have big hearts. They try to help their neighbors. Despite poverty, they contribute to others.

■ They are loyal customers, rarely complain, and almost never call our phone centers or seek special service or attention. They give us high customer satisfaction scores.

Customers like this would be an asset to any business. We want to keep them as customers, keep them satisfied with excellent service, and help them when they need it. We also don't want them to stay poor. If you don't believe in the logic of this business strategy, take a look at the world's largest company—Wal-Mart—and tell me its balance sheet hasn't benefited from the goodwill and service it provides to struggling people who want and need to save money.

But while our low-income and working poor customers are pretty much like the rest of us, there is one big difference. As their advocates put it, their "energy burden" is often three or four times what it is for the middle-income household. They have to spend as much as 20 percent of their monthly income on utilities, compared to 4 or 5 percent for the national average household.

Imagine having to spend one-fifth of your entire income just to pay the energy bill. Then add to it the fact that so

We decided to stop battling and start helping our low-income customers. We are leveraging our corporate size and strength to become the nation's best ally of those who are dedicated to helping the poor.



Courtesy: Entergy

many of these poor households must pay astronomical bills for healthcare and medications (frequently without insurance), feed their families, make rent or mortgage payments, and pay disproportionately high transportation costs for driving older, clunker automobiles.

Moreover, when people are living so close to the edge, they can be devastated by energy price spikes and volatile changes in utility bills like those we've seen in the past couple of years.

Other Customer Perceptions

Entergy's research showed that almost a quarter of residential customers already think they pay something in their rates to assist their neighbors in need. However, within the four states in which Entergy provides electricity, only Texas requires that all customers pay even a modest amount in their utility rates to support low-income programs. Such programs are commonplace in many parts of the nation, but not in the South. (Southerners tend to assist needy families in paying their utility bills through contributions to churches and other nonprofits.)

Recent research indicates that many customers are willing to pay a little ex-

tra to help the needy. However, only 2 percent of our customers contributed to the voluntary fuel funds in our four states last year. If that quarter of residential customers who think they already are giving actually did so—by adding just a dollar apiece to their bill each month—fuel funds in our service areas would balloon from \$1.4 million to \$11 million. Such an increase would make a substantial, positive difference in many people's lives and relieve the financial pressures borne by local agencies serving people faced with temporary bill payment crises.

Voluntary giving to fuel funds can make a big difference, but it won't come close to meeting the need. There will never be enough to help all those who qualify. I think our customers would be surprised to learn that the four Entergy states received nearly \$100 million in federal Low Income Home Energy Assistance Program (LIHEAP) funding in 2001—and even more surprised to learn that that amount is grossly inadequate.

So what is the answer?

A Sleeping Giant

In 1999, Entergy hosted a novel "Low-Income Customer Assistance Summit"

Entergy volunteers hand out educational goods. "Employees always want to be part of a company that does the right thing," says Leonard.

in New Orleans, bringing the company together with advocates for the poor, government agencies, private charitable groups, and national poverty experts to help us better understand the problem and develop concrete solutions. That year we launched a multi-point low-income strategy with three key elements:

- customer programs that required no changes in laws or regulations, including credit policies, contributions, employee support, and fuel funds promotions;
- expanded advocacy for greater—and more equitable—government assistance at the federal, state, and local levels; and
- education and communications programs to reach more low-income customers, using straight talk and information channels they prefer and trust.

The first thing we had to do was review and evaluate our own treatment of low-income customers. We then looked at how introducing flexibility and fairness into existing policies, pro-

THE PROGRAM PUSH

By Walter Nixon

Within its politically conservative, resource-constrained service-area, Entergy is advancing the business case for the establishment of permanent, ratepayer-funded sources of funding for energy efficiency, weatherization, and affordable energy assistance programs. In addition to being the right thing to do, Entergy supports the programs because it believes that customers who can pay their bills and live in safe, healthful, and comfortable homes are more likely to accumulate assets that cement their participation in and contributions to the economy and society.

In November 2000, Entergy committed each of its five utility companies to seek the adoption of a public benefits fund or its equivalent. Furthermore, CEO Wayne Leonard declared that the incentive compensation of Entergy's five utility company presidents would be based, in part, on their success in achieving this goal. Today, that goal has been partially met in each of Entergy's states.

- Texas passed legislation creating a ratepayer-funded System Benefit Fund in 1999. Its implementation in the Entergy Texas service area launched with the advent of retail competition.

- Last spring, Mississippi's legislature nearly passed Customer Energy Assistance Program (CEAP) legislation that would have funded weatherization and energy affordability programs. Coalition-building initiatives continue in Mississippi, and Entergy plans another effort to pass a similar bill next year.

- Low-income advocates in Arkansas are partnering with Entergy to lead the effort to create a CEAP primarily targeting energy efficiency and weatherization to low-income gas and electric customers. The Arkansas coalition hopes to pass the bill in 2003.

- The Louisiana Public Benefits Fund Coalition has worked for more than a year to gain the support of the Louisiana Public Service Commission for a statewide fund to provide energy efficiency, weatherization, and bill payment assistance services. There has also been legislative activity supportive of a fund during the spring sessions of the Louisiana legislature.

- In New Orleans, an Entergy proposal to the city council (which regulates Entergy's local electric and gas subsidiary) has been incorporated into a rate case proposal that was filed last May. Under the proposal, a New Orleans Board for Energy Efficiency would be created and funded. It would oversee the implementation of weatherization and energy efficiency services available to all classes of customers in the city and administer a program of bill payment assistance for low-income customers. Entergy New Orleans' rate case proposal would create a permanent source of funding (over a period of four years) for such programs, beginning with \$6 million in 2003. One-sixth of the funds would go toward bill payment assistance; the remaining \$5 million would be used for energy efficiency and weatherization programs.

Walter Nixon is director of regulatory policy at Entergy.



Entergy employees volunteer to weatherize, but help also must come from yet-to-be-realized public benefits funds.

Courtesy Entergy

cedures, and programs could produce mutual benefits to customers and the company. In doing so, we awakened a sleeping giant of employee interest and support. In my experience, employees always want to be a part of a company that does the right thing.

We supported efforts by the Internal Revenue Service to inform low-income taxpayers about available tax credits through bill inserts and by providing flyers and bulletin board posters to 1,500 churches, senior centers, and nonprofit agencies in our utility areas.

In 2000, at the second Low-Income Customer Assistance Summit in Jackson, MS, we formed the Entergy Charitable Foundation and committed \$5 million to help low-income customers and advocates. In 2001, at the third summit in Little Rock, AR, we re-committed \$5 million to the same cause. More than half the donations are awarded in grants: In our latest round, 68 percent of those grants went to organizations providing benefits to low-income customers.

From the Foundation, we earmarked \$500,000 to pay a matching portion of Individual Development Accounts to help first-time, low-income homeowners find financing.

Following up on an idea given to us by a consumer advocate, we used Entergy Charitable Foundation funds to implement the Kalkstein Weather Model, which offers fair but realistic formulas for defining when extreme weather necessitates a temporary suspension of utility shut-offs.

Advocacy and Relationship Building

We came to the conclusion that, whatever our intentions, Entergy and other utility companies had been making war on the poor. By launching our new strategy, we decided to stop battling and start helping our low-income customers. We are leveraging our corporate size and strength to become the nation's best ally of those who are dedicated to helping the poor.

We started by recognizing the people whom business too often con-

Assistance for home cooling is just as necessary to the health and safety of low-income persons as assistance for home heating.



siders its enemies—low-income advocates—and asking them to sit with us at the table. We then implemented a strategy of improving relationships with both our neighborhood low-income advocates and customers. We found that most advocates want to work cooperatively to solve problems rather than go toe-to-toe with us, if we welcome them as partners.

Then we formed a corporate-wide team called the Low Income Champions, made up of Entergy employees in all our states. We chose Entergy professionals who already knew—or who came to know through our outreach efforts—the role and abilities of the low-income advocates and agencies that serve our customers and who respected and appreciated their efforts.

Using the Champions, we began building partnerships with those advocates to pursue common interests and consensus on issues like energy affordability and housing. These kinds of partnerships are valuable in achieving any business goal, but particularly when there are mutual benefits to be gained by everyone—not just the utility, but customers and their advocates and the government agencies that serve them.

With our financial grants, we are offering meaningful benefits to those in need. They can see this is not a public relations exercise. And we know we

Distributing a cool breeze for hot days. “We know we have to put real budgets and real dollars behind our words,” says Leonard.

have to put real budgets and real dollars behind our words.

Entergy is providing the leadership and employee support for creating “Customer Energy Assistance Program” initiatives in Louisiana, Mississippi, Arkansas, and the city of New Orleans. (See the sidebar, “The Program Push.”) These are unique, utility-incubated, coalition-supported initiatives that, if adopted by regulators, would create permanent sources of ratepayer funding to help low-income people weatherize their homes and reduce their energy bills. Such a program does not rely on scarce federal dollars or complex changes in federal laws or programs, but instead promotes old-fashioned self-help.

We also are working with Louisiana Senator Mary Landrieu to change a very inequitable policy of the U.S. Department of Housing and Urban Development that discriminates against warm-weather states by ignoring the fact that hot temperatures can be as deadly as cold. Assistance for home cooling is just as necessary to the health and safety of low-income persons as assistance for home heating.

Our state and federal lobbyists also are actively involved in promoting a

fair formula for warm-weather states and increases in the levels of federal funding for both LIHEAP and the Weatherization Assistance Program. And we are alert and ready to fight the threat of any mandate for state matching re-

quirements to the Weatherization Assistance Program.

Education and Communications

After speaking with advocates from nonprofit agencies that specialize in

aiding the poor, we are adopting new communications channels and methods to reach low-income customers. These new approaches include providing information through churches to those congregants who seek aid, distributing training videos for simple weatherization projects, and developing brochures with the U.S. Department of Energy on energy saving measures that best fit low-income housing.

We also have shifted our message to encourage conservation. We want to do everything possible to help low-income customers pay their bills and keep the power on. It just makes good business sense for a customer to have a smaller bill he or she can afford, not a higher bill that can't be paid.

Our employees have organized voluntary home weatherization programs across our system and will direct other community outreach activities this summer to teach customers about economical bill-reduction methods. (See the sidebar, "Volunteers Fight the Weather.")

If Not Us, Who?

It's said that the war on terrorism has made Americans more community focused and less selfish. I believe in general that's true, but it still is hard to dig out from the stereotypes and myths we face when it comes to helping our less fortunate neighbors.

For utilities, it's not just altruism. Think of the revenue and earnings every utility company would experience if low-income write-offs were reduced or eliminated.

More important, think for a moment of the benefits to our economy if we stopped the cycle of poverty. And think of the benefits to our society if we stopped treating other people as unworthy of our concern or even of our basic respect.

The philosopher Hillel once said, "If not now, when? If not us, who?" That's the kind of question every company in the electricity business needs to start asking itself. ♦

VOLUNTEERS FIGHT THE WEATHER

By Mary H. Wagoner

Employees and community volunteers throughout the Entergy service area have teamed up to weatherize the homes of their elderly, handicapped, and low-income neighbors. Entergy's nonprofit agency partners vary from faith-based organizations, civic groups, and government agencies.

Volunteers give their time, energy, and resources to help improve housing, reduce utility costs and conserve energy in their hometowns. In addition, Entergy provides training and information to customers, along with educational materials, workshops, and presentations.

■ The Texas EntergyAssist low-income weatherization program has proven to be one of the most successful utility-sponsored weatherization programs in the Lone Star State. Thanks to a

great working partnership with the Texas Department of Housing and Community Affairs and local jurisdictional subgrantees, the entire \$900,000 weatherization budget was used for the third year in a row.

■ In the last year, Entergy has implemented a pilot weatherization program in the northern part of Louisiana. Working with the faith-based community, retirees, and nonprofit groups, volunteer teams successfully weatherized 80 homes. In addition, retirees initiated their own programs to address the needs of low-income housing south of

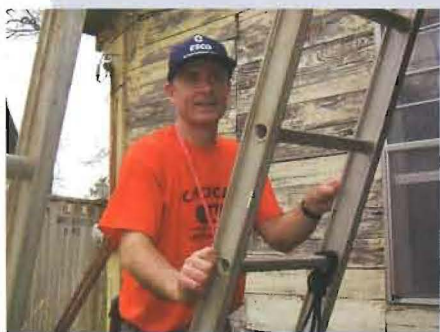
the Monroe area. Over the summer, Entergy Louisiana offered employees an opportunity to apply for five \$1,000 grants through its Low-Income Weatherization Partnership Program to weatherize homes.

■ Through a partnership with local churches and community organizations, Entergy Arkansas employees and others were trained in weatherization techniques, resulting in the creation of a statewide database of trained advocates. They have weatherized 40 homes during the past year, and more are scheduled for this fall. Entergy Arkansas also is launching a pilot program that teaches weatherization and conservation skills to single-parent homeowners in the welfare-to-work program.

■ Entergy New Orleans financed a weatherization demonstration to show customers who live in older homes how much money it can save. A project team of employees executed a pilot program to weatherize eight traditional single-story, wood-framed homes and two small commercial businesses. Additionally, conservation tips were distributed through brochures at local agencies, conservation coloring and activity sheets for primary school students, and conservation lesson plans for elementary, middle, and high school students.

■ Entergy Mississippi employees partnered with community action agencies, faith-based organizations, and other local organizations to weatherize selected homes throughout the service territory. Entergy participates with its partners by purchasing materials for low-income agencies and through the volunteer efforts of its employees. The company's overall goal is to weatherize 100 homes by the end of the year.

Mary Wagoner is a business writer in Little Rock, AR.



Courtesy: Entergy