



An IHS Report

November 2014

The Economic Contribution of Entergy Arkansas, Inc. to the Arkansas Economy



IHS Economics and Country Risk
Consulting | Economic Impact Analysis

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EXECUTIVE SUMMARY



- *Entergy's activities contributed \$857 million to Arkansas' Gross State Product during 2013*
- *Every \$1 Entergy spends with local businesses stimulates an additional \$2 of sales in the state.*
- *For every 10 Entergy jobs, another 13 are supported in the state. Those jobs are 26% above the national wage average and 62% above the state.*
- *Entergy and its suppliers paid \$127 million in state and local taxes, equivalent to the funding needed to send 14,300 children in Arkansas to school for one year.*

Disparities in global energy prices clearly provide a competitive edge to the United States relative to other countries. Those regions in the US that offer reasonable utilities rates are better positioned to attract economic development initiatives that create jobs, grow the regional economy and increase the tax base. When coupled with business-minded state and local governments, communities that are receptive to industrial development and investment in infrastructure have the potential to transform their economic development aspirations into reality. Entergy Arkansas, Inc. (EAI) believes these attributes characterize the state in which it operates, where new economic development initiatives have resulted in increased demand for electricity.

Entergy Arkansas provides electricity to approximately 700,000 customers in 63 counties, covering 40,880 square miles of service territory. EAI owns and operates 10 power plants, 38,737 miles of distribution lines and 4,850 miles of transmission lines in Arkansas. EAI also maintains a diverse fuel mix, with 65% of that being nuclear. Entergy Arkansas is a subsidiary of Entergy Corporation, an integrated energy company engaged primarily in electric power production and retail distribution operations, which delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi and Texas.

Entergy Arkansas retained IHS to conduct an assessment of the economic contribution that Entergy Corporation made to the state of Arkansas during Fiscal 2014 (July 1, 2013 – June 30, 2014). While EAI accounted for two-thirds of Entergy's spending with Arkansas-based suppliers and service providers, several Entergy business units conducted business within the state. Thus, the economic contribution of Entergy to the state went beyond the more visible operations of Entergy Arkansas.

IHS examined the direct (Entergy + contractors), indirect (supply chain) and induced (consumer effects) contributions that Entergy made to jobs, gross state product, wages and government revenues during Fiscal 2014. In addition, IHS conducted a small set of interviews to gain perspective on the vital role EAI plays in economic development efforts in the state.

Key Findings of the study include:

- Entergy Arkansas is a vital and proactive member of Arkansas's economic development community.
- Entergy's business activities supported over 6,100 jobs in Arkansas during the Fiscal 2014. Close to 2,700 were direct employees or contractors. The remaining 3,400 were indirect and induced jobs. This means that, for every 10 direct jobs, Entergy's activities in Arkansas supported about 13 more jobs in the state.
- Entergy's activities stimulated \$2 billion of sales and \$857 million in Arkansas Gross State Product (GSP) during Fiscal 2014. IHS contends that GSP is a better gauge of the contribution Entergy makes to the Arkansas economy. Measuring sales activity results in a double counting of inter-industry sales, thereby overstating economic contribution. Reporting GSP eliminates this distortion and provides a more accurate assessment of the contribution Entergy makes to the Arkansas economy.
- Approximately one-third of the GSP contribution was the result of indirect and induced activities. This means that, for every dollar of direct contributions Entergy made to the Arkansas economy, an additional \$0.33 was contributed through indirect and induced channels.
- During Fiscal 2014, Entergy infused close to \$400 million into the Arkansas economy: \$127 million with Arkansas-based suppliers and \$270 million in direct wages. This means that, for every million dollars that Entergy pumped into the Arkansas economy:
 - 15 jobs were supported;
 - \$2.2 million in gross state product was stimulated;
 - \$320 thousand in state & local taxes were generated.
- The \$127 million that Entergy spent with Arkansas-based suppliers resulted in \$133 million in indirect and induced wages.
- The average wage for the jobs supported by Entergy in Arkansas during Fiscal 2014 was \$65,500. This was 28 percent above the national average and 62 percent above the Arkansas average. The main driver was higher wages for the highly-skilled jobs required for Entergy's direct operations.
- The \$127 million in state & local tax revenues generated during Fiscal 2014 was equivalent to the funds needed to send 14,300 children in Arkansas to school for one year.

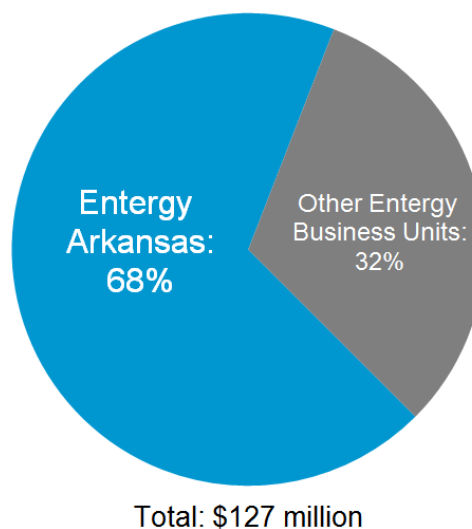
Economic Contribution of Entergy to Arkansas			
<u>Type</u>	<u>Jobs</u>	<u>GSP (\$M)</u>	<u>Wages (\$M)</u>
Direct	2,691	638.9	269.4
Indirect	1,524	83.2	63.1
Induced	1,893	134.7	69.8
Total	6,108	856.8	402.2

ENTERGY'S ECONOMIC CONTRIBUTION TO THE ARKANSAS ECONOMY

Every \$1 that Entergy spends in Arkansas stimulates an additional \$2 in economic activity in the state.

Multiple Entergy entities engaged with over 1,200 Arkansas-based suppliers in transactions totaling \$127 million during Fiscal 2014 (FY2014). The pie chart at right shows Entergy Arkansas accounted for the bulk (68%) of Entergy's spending with Arkansas-based suppliers. However, over \$40 million was spent in the Arkansas economy by other regional Entergy businesses.

Entergy Arkansas accounts for 2/3 of Entergy's spending with Arkansas-based suppliers

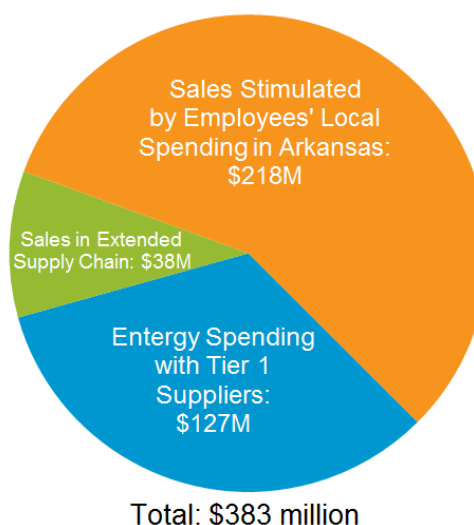


The \$127 million Entergy spent with its Tier 1 suppliers during FY2014 set in motion a cascade of economic activity. As Tier 1 suppliers engaged their extended supply chains, an additional \$38 million of sales activity was stimulated.

The local spending by employees of Entergy, the Tier 1 suppliers and extended supply chains induced an additional \$218 million of sales activity in Arkansas.

In total, Entergy stimulated \$383 million of sales activity in Arkansas during FY2014.

Entergy's spending during FY2014 stimulated a total of \$383M in sales in Arkansas

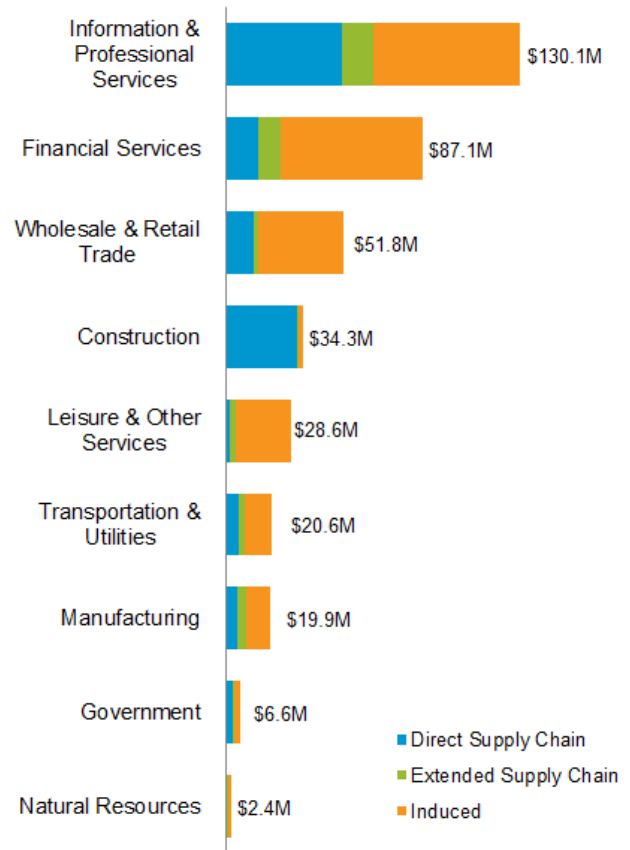


The sales activity is distributed across a broad range of industries. Approximately \$130 million goes to Information and Professional Services, with about half of the spending coming from the supply chain and half coming from consumer (induced) spending. The supply chain-initiated spending was focused on management services, consulting services and other business services. Also included in this is the substantial amount Entergy Arkansas proactively spends to clear tree limbs and vegetation from its power lines.

Just under a quarter of the sales were in the Financial Services sector, mostly induced (consumer-based) transactions.

The low percentage of direct sales activity in the Manufacturing sector indicates that EAI sourced much of its equipment (such as transformers) from outside Arkansas during FY2014.

Sales are stimulated across a broad range of industries

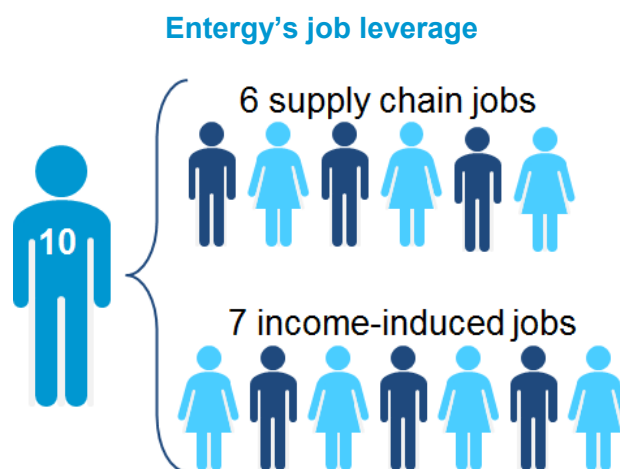


For every 10 Entergy Jobs in Arkansas, 13 additional jobs are supported in the state

For every \$1 million dollars that Entergy directly spent with its Arkansas supply chain 27 supply chain and induced jobs were supported.

Viewed from a different angle, for every 10 Entergy jobs in Arkansas, another 13 jobs were supported in the state.

About 6 of these jobs were in the Tier 1 and extended supply chain while the remaining 7 were induced jobs.

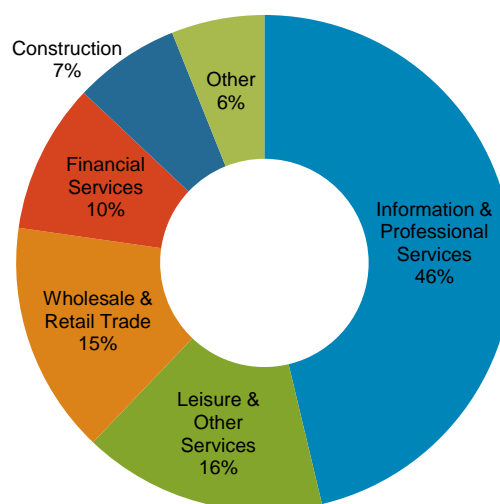


Entergy's activities supported over 1,500 Tier 1 and supply chain jobs and almost 1,900 induced jobs during FY2014. Almost half of these jobs were in the Information and Professional Services sector.

The jobs supported in the Leisure and Wholesale/Retail sectors were mostly due to employees' spending patterns.

Detailed tables of the induced jobs by industry are included in Appendix A.

Supply chain and induced jobs are supported across a broad range of Industries



Employment Contribution of Entergy to the Arkansas Economy

(Number of workers)

Total	6,108
Entergy (Direct + Contractors)	2,691
Indirect (Supply Chain)	1,524
Induced (Income Effect)	1,893

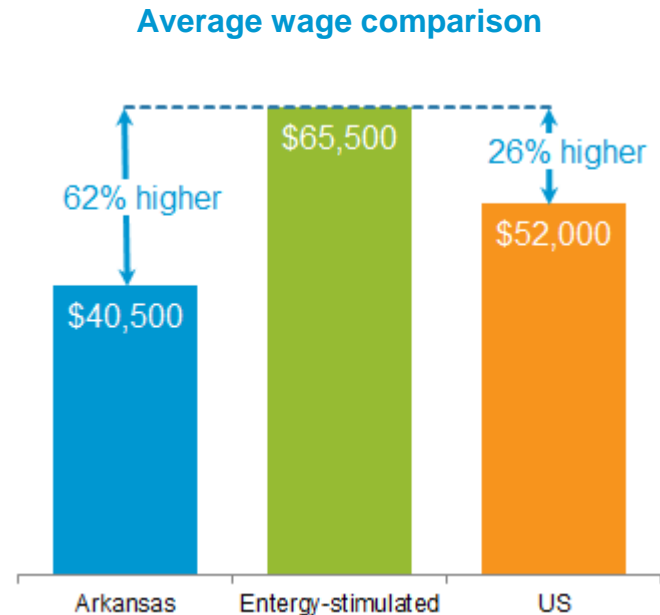
Average wages for jobs stimulated by Entergy are 26% above the national average and 62% above the state average

The average wage stimulated by Entergy's activities during FY2014 was 26 percent above the US average and 62 percent above the Arkansas state average.

This was skewed by the high-paying, highly-skilled jobs required to directly support Entergy's operations and expenditures.

Focusing on just the supply chain, the average wage was \$41,400, mirroring the state average.

Similarly, the average wage for induced jobs, which include low-paying positions in the retail and leisure services, drops to \$36,900.



Contribution of Entergy to Labor Income in Arkansas

(Millions of US dollars)

Total	\$402.2
Entergy (Direct + Contractors)	269.4
Indirect (Supply Chain)	63.1
Induced (Income Effect)	69.8

Every \$1 that Entergy pumps into the Arkansas economy (through spending and direct wages) drives \$2.15 of Gross State Product and \$0.31 of State & Local taxes

During Fiscal 2014, Entergy spent \$127 million with Arkansas-based suppliers and paid direct wages of \$270 million (total \$397 million), which stimulated \$857 in GSP. This means that, for every \$1 dollar that Entergy pumped into the Arkansas economy (through supplier spending and direct wages) \$2.15 in GSP was generated.

Contribution of Entergy to Arkansas's Gross State Product

(Millions of US dollars)

Total	\$856.8
Entergy (Direct + Contractors)	638.9
Indirect (Supply Chain)	83.2
Induced (Income Effect)	134.7

Entergy's activities in Arkansas stimulated \$127 million in state and local taxes during FY2014. This is equivalent to the amount the state annually spends on 14,300 public school students.

Contribution of Entergy to Arkansas State and Local Taxes

(Millions of US dollars)

Total	\$126.8
Entergy	118.1
Indirect and Induced	8.7

ECONOMIC DEVELOPMENT

The economic development efforts have long been a priority for Entergy Arkansas. Working with other economic development organizations and communities, the team offers its expertise to companies searching for a new business location or to expand an existing facility. Indeed, the Entergy Arkansas Business & Economic Development Team often helps communities that do not have economic development budgets.

“They are a vital part of the total economic development efforts on behalf of the state. There are many specialized manufacturing businesses but also now data centers and others that are large electricity consumers. [Electricity] rates and the availability of power at a given point at a specific site are a key part of the equation.”

Randy Zook, President and CEO,
Arkansas State Chamber of Commerce /Associated Industries of Arkansas

Effective economic development strategies require a holistic approach. Key parameters to be considered include: existing and required infrastructure; access to various modes of transportation (highway, water, and rail); labor supply; as well as the availability and abundance of reasonable electric power. A recurrent theme in the interviews IHS conducted during this study was that Entergy Arkansas truly understands this. Consider the following comment pertaining to the Entergy Arkansas Business & Economic Development Team:

“We look at economic development as a team sport. When you have the opportunity to be part of a team, it is invaluable to have professionals who are looking out for the interests of the community and the region as well as their company.”

Jay Chesshir, President and CEO, Little Rock Regional Chamber of Commerce

Mr. Chesshir cited Welspun Corporation’s decision to locate a pipe manufacturing facility in Little Rock as an example of a large capital investment project (\$180 million) where the Entergy Arkansas Business & Economic Development Team worked, in partnership with the Chamber and the State of Arkansas, to develop an overall economic development package. Subsequently, a second \$100 million project was undertaken.

Indeed, Entergy Arkansas estimates that during the five-year period 2009 – 2013, it helped attract \$3.7 billion of capital investment from either recruited or expanded companies, which created over 8,000 jobs. The corresponding ten year (2003 – 2013) totals are \$6.6 billion and over 23,000 jobs.

“Department of Economic Development directors come and go. Chambers of Commerce and development organizations come and go. The common thread through decades of growth in Arkansas can literally be traced back to Entergy Arkansas.”

Jay Chesshir, President and CEO, Little Rock Regional Chamber of Commerce

Entergy Arkansas's electricity rates proved instrumental in Big River Steel's decision to locate its new \$1.3 billion steel mill and recycling facility in Osceola, Arkansas. Having broken ground in September 2014, the "flex mill" will combine the cost advantages and flexibility of a traditional mini mill with the production capabilities in gauge, grade and width of an integrated mill. Expected to come online during the second quarter of 2016, the mill will produce high-strength, light-weight steels for the auto industry, wide and thick steels used in pipe and tube applications, and electrical steels used in the energy industries.

Big River's investment is the single largest private investment in the state's history. The facility will employ approximately 500 employees with a total compensation of \$37.5 million. However, Big River's potential impact on the state will go far beyond these figures. IHS estimates that Big River could generate upwards of \$400 million in sales for local suppliers, supporting an additional 2,200 jobs in the state with wages totaling almost \$100 million. This level of supply chain activity would also generate close to \$27 million in additional state and local taxes.



Pictured from left to right:
John Correnti (CEO, BRS);
Hugh McDonald (CEO, EAI);
The Honorable Mike Beebe, Governor of
Arkansas

"Entergy Arkansas played a huge role [in the decision to locate in Osceola]. Electrical power is one of our largest costs in making steel. If they could not provide that amount of power at an economical rate, we wouldn't be coming here. We will probably be their single largest consumer of electricity – about 450 MW."

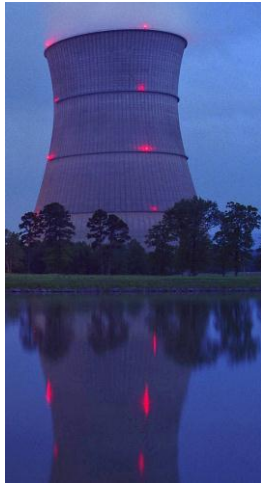
John Correnti, President and CEO of Big River Steel

Grant Tennille, Executive Director of the Arkansas Economic Development Commission, was involved in the negotiations with Big River Steel. He noted Entergy Arkansas's proactive nature in bringing deals like this to fruition. To him, a hallmark of Entergy Arkansas is its being approachable and open to discussing untapped areas of opportunity.

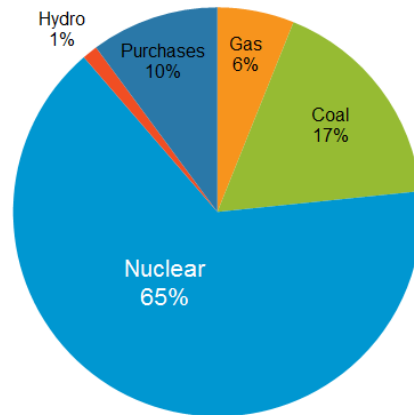
"Entergy Arkansas is considered a valuable partner to the state's economic development efforts. Their competitive rates and willingness to step forward is vital to job creation in Arkansas."

Grant Tennille, Executive Director of the Arkansas Economic Development Commission

OTHER CONTRIBUTIONS TO THE ARKANSAS ECONOMY



Entergy Arkansas Fuel Mix, 2012



Forward Regional 12-Month Rolling Average Utility Rates by Customer Class, August 2013 - July 2014 (\$/kWh)				
	Residential	Commercial	Industrial	All Sectors
Entergy Arkansas	9.2	7.6	6.2	7.8
Regional Average	10.9	8.9	6.1	8.9
National Average	12.3	10.5	7.0	10.3

Source: EIA.gov 826 Form Data

KEEPING ELECTRICITY RATES LOW: ARKANSAS NUCLEAR ONE

The Southern United States is often viewed as “coal country,” where much of the electricity is generated using coal as the primary fuel source. Entergy Arkansas, on the other hand, generates only about 17% of its electricity from coal. Instead, nuclear accounts for 65% of Entergy Arkansas’s fuel mix compared with the US average of about 20%. EAI claims its existing nuclear fleet helps it keep electricity rates stable and below both state and national averages. Plus, unlike coal- and gas-fired power plants, nuclear energy does not generate carbon dioxide (CO₂), which is harmful to the atmosphere.

Opened in 1971, The Arkansas Nuclear One (ANO) facility is located in Russellville, Arkansas and has roughly 900 employees with an annual payroll of \$75 million. In addition, the facility also employs 150 baseline contractors. IHS estimates that spending by ANO employees stimulates close to \$50 million for businesses in Arkansas and supports over 400 additional jobs. The employees also donated over \$100,000 to the local River Valley United Way and Entergy matches those donations dollar-for-dollar.

KEEPING RATES COMPETITIVE: THE MISO INTEGRATION

In December 2013, following a two-year effort, Entergy Arkansas completed its integration into the Midcontinent Independent System Operator (MISO), one of the nation’s largest regional transmission organizations (RTOs). An RTO acts as both a commodities market and a transmission control system. The RTO facilitates the buying and selling of electricity, while also managing transmission congestion. RTOs continually balance supply and demand, manage network congestion and create an open, transparent and competitive market for buyers and sellers of wholesale electricity.

MISO’s base of electricity generators and users stretches from Canada to the Gulf of Mexico. The integration of Entergy utility operating companies into MISO resulted in the creation of a new region, the MISO South Region. An \$8 million operations center is being built in Little Rock, which will support 35 to 50 skilled jobs at an average annual salary of \$85K.

Entergy Arkansas will be able to buy and sell electricity in the MISO network. The company expects this to result in an average annual savings of \$25 million for Entergy Arkansas customers. This means that

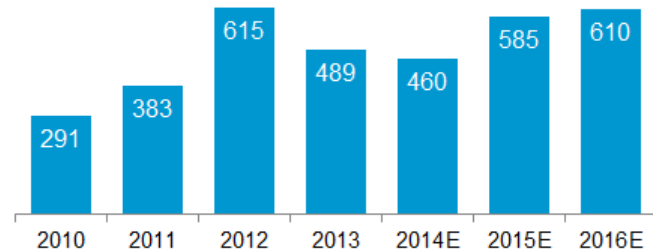
Entergy Arkansas customers will have \$25 million more in their wallets each year. IHS estimates that close to two-thirds of those savings – or \$16.5 million – will be spent in the Arkansas economy each year, enough to support 135 more jobs.

INVESTING IN INFRASTRUCTURE

EAI anticipates its capex will grow from about \$300 million in 2010 to over \$600 million annually as it expands and improves its infrastructure within Arkansas.

For example, Entergy expects to break ground on the \$23 million Transmission Operations Center in November 2014. When completed, the facility will employ approximately 90 workers.

Entergy Arkansas Capex , 2010 – 2016 (\$M)



Source: Entergy Arkansas

OVER \$6.6 MILLION IN PENSION AND DIVIDEND INCOME

In addition to paying salaries to Arkansas-based employees, Entergy also makes pension payments to retirees and dividend payments to investors living in Arkansas. In FY2014, Entergy retirees received pension payments totaling \$6,129,000 while investors earned \$508,250 in dividends. IHS estimates that this \$6.6 million of combined income will trigger almost \$4.3 million in sales for Arkansas-based businesses.

COMMUNITY INVOLVEMENT: \$8.0 MILLION IN CHARITABLE GIFTS AND VOLUNTEER HOURS

From January 1, 2011 through October 31, 2014, Entergy Arkansas's budget for charitable contributions and low-income grants totaled \$5.7 million. In addition, IHS estimates that EAI employees logged over 36,000 in volunteer hours during that period¹. Assuming an average hourly rate of \$65 for an Entergy Arkansas employee, the cash equivalent of these volunteer hours is \$2.3M.

ENERGY EFFICIENCY PROGRAM

During 2014, Entergy is expected to spend \$66 million on Energy Efficiency programs in Arkansas. EAI's Energy Efficiency program includes cash incentives, rebates, discounts on lighting and appliances, air conditioning unit tune-ups, and other services aimed at helping homeowners and businesses lower their energy bills. The Energy Efficiency program supports over 1,200 jobs (on a full-time equivalency rate) within the nine local firms with whom EAI contracts with to deliver these services.

STORM RESTORATION

Entergy Arkansas's strategy to maintain low rates includes managing storm restoration efficiently, which avoids unnecessary costs to customers. The company has received top honors for storm restoration work for 16 consecutive years from the Edison Electric Institute.



¹ Between January 1, 2012 and October 31, 2014, EAI employees donated 26,726 volunteer hours or an average of 785 hours per month. IHS used this rate to estimate 9,420 volunteer hours during 2011, bringing the total to 36,146 hours.

CONCLUSION

Disparities in global energy prices clearly provide a competitive edge to the United States relative to other countries. Those regions in the US that offer reasonable utilities rates are better positioned to attract economic development initiatives that create jobs, grow the regional economy and increase the tax base. When coupled with business-minded state and local governments, communities that are receptive to industrial development and investment in infrastructure have the potential to transform their economic development aspirations into reality. Entergy Arkansas believes these attributes characterize the state in which it operates, particularly in the Gulf South region where new economic development initiatives have resulted in increased demand for electricity.

IHS examined the direct (Entergy + contractors), indirect (supply chain) and induced (consumer effects) contributions that Entergy made to jobs, gross state product, wages and government revenues during Fiscal 2014. Key Findings of the study include:

- Entergy Arkansas is a vital and proactive member of Arkansas's economic development community.
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- Entergy's activities stimulated \$857 million in Arkansas gross state product during Fiscal 2014. Approximately one-third of the GSP contribution is the result of indirect and induced activities. This means that, for every dollar of direct contributions Entergy made to the Arkansas economy, an additional \$0.33 was contributed through indirect and induced channels.
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- The \$127 million in state & local tax revenues generated during Fiscal 2014 was equivalent to the funds needed to send 14,300 children in Arkansas to school for one year.

APPENDIX A: DETAILED FINDINGS

Economic Contribution of Entergy to the Arkansas Economy				
Employment (number of workers)	Direct	Indirect	Induced	Total
Entergy (Direct + Contractors)	2,691			2,691
Construction		221	15	236
Financial Services		152	182	334
Information & Professional Services		880	701	1,581
Leisure & Other Services		76	465	542
Manufacturing		26	24	50
Natural Resources		13	8	21
Transportation & Utilities		44	52	97
Wholesale & Retail Trade		90	427	517
Government		21	18	39
Total	2,691	1,524	1,893	6,108

Economic Contribution of Entergy to the Arkansas Economy				
Value added (millions of dollars)	Direct	Indirect	Induced	Total
Entergy (Direct + Contractors)	638.9			638.9
Construction		11.4	0.9	12.3
Financial Services		10.0	43.3	53.3
Information & Professional Services		40.0	39.9	80.0
Leisure & Other Services		2.7	13.4	16.1
Manufacturing		2.0	1.9	3.9
Natural Resources		0.5	0.6	1.1
Transportation & Utilities		4.9	6.8	11.7
Wholesale & Retail Trade		10.0	26.4	36.3
Government		1.7	1.5	3.1
Total	638.9	83.2	134.7	856.8

Economic Contribution of Entergy to the Arkansas Economy				
Labor Income (millions of dollars)	Direct	Indirect	Induced	Total
Entergy (Direct + Contractors)	269.4			269.4
Construction		10.0	0.7	10.8
Financial Services		6.3	5.9	12.2
Information & Professional Services		33.8	31.5	65.3
Leisure & Other Services		2.4	10.3	12.7
Manufacturing		1.4	1.2	2.6
Natural Resources		0.5	0.3	0.8
Transportation & Utilities		2.6	3.4	5.9
Wholesale & Retail Trade		5.0	15.3	20.3
Government		1.2	1.0	2.2
Total	269.4	63.1	69.8	402.2

Economic Contribution of Entergy to the Arkansas Economy	
State & Local Taxes (millions of dollars)	
Entergy	118.1
Supply Chain	8.7
Total	126.8

APPENDIX B: THE IHS APPROACH AND METHODOLOGY

The objective of measuring Entergy's economic footprint in Arkansas is to fully "size" the company's economic influence by capturing all of the production, supply-chain and income effects associated with its in-state operation. IHS assessed Entergy's economic footprint along two separate domains. The first domain is the supply chain and induced income effects attributable to various Entergy entities transacting with Arkansas-based suppliers. The second domain is based on Entergy's direct in-state operations (i.e., Entergy Arkansas). These two analyses were then combined to determine the net contribution of Entergy to the Arkansas economy.

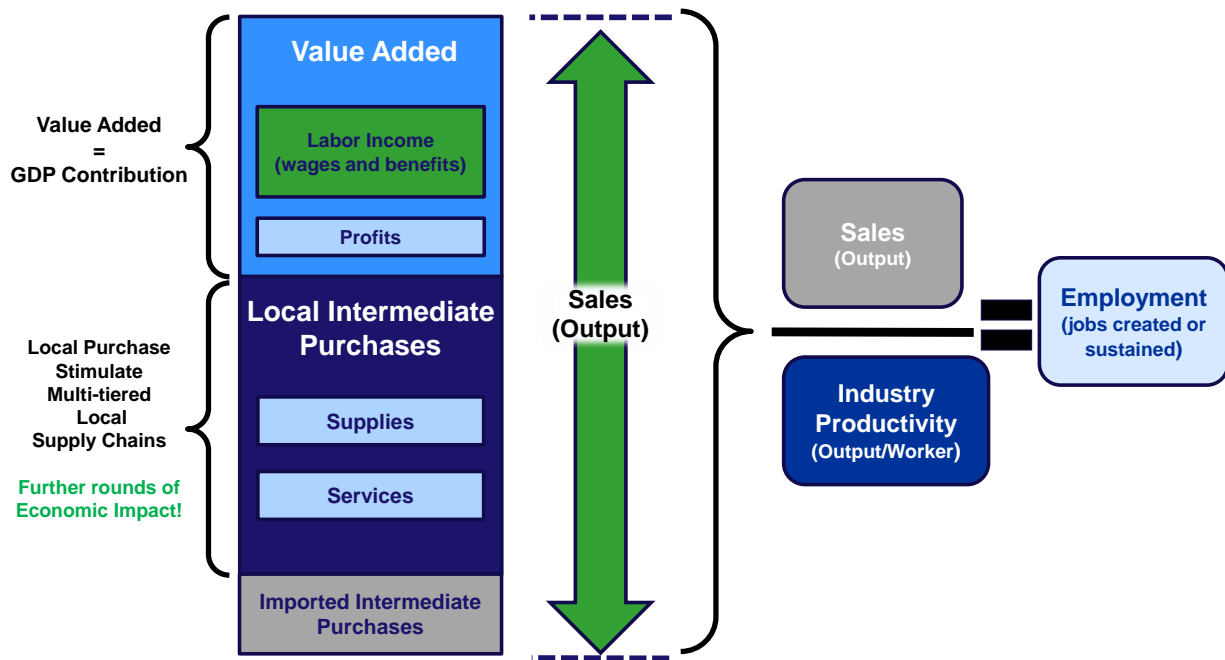
Measuring the Contribution of Entergy's Spending with Arkansas Suppliers

Entergy's business transactions with local Arkansas suppliers and service providers serve as catalysts that trigger a flurry of economic activity throughout the state. For example, when a supplier sells a product or service to Entergy, that supplier needs to hire employees (e.g., labor) to transform inputs (raw materials, energy, intellectual capital) into the final product or service for which Entergy has paid.

The inflation-adjusted ratio of sales-to-employees is a productivity measure used to determine the employment requirements for a given level of output. The model IHS developed to assess Entergy's supply chain economic footprint contains productivity statistics for 440 industry sectors. The model is based on IMPLAN, an industry-standard system for assessing economic impacts, which IHS enhanced with data from its US Regional Economics Service. The IMPLAN system is built using Input-Output techniques that link inter-industry and consumer transactions in a social accounting matrix for the region being assessed. This structure provides a foundation upon which models can be built that link economic activity in one industry sector with resultant activity in supplying sectors.

Entergy provided detailed revenue, capital expenditure and operating expense schedules for Fiscal 2014 by Tier 1 supplier name and address. This allowed IHS to accurately assign spending with each Tier 1 supplier to the appropriate industry sector in the model. The supplier-level data let IHS determine how much spending remained local (e.g., within Arkansas) and how much "leaked" to the rest of the United States. Using the productivity data, IHS determined the number of employees supported by transactions within each industry sector. Because this occurs as a result of Entergy spending directly with a supplier, it is classified as a "direct" impact.

Sourcing the inputs a supplier requires to produce the product or service ordered by Entergy invokes additional rounds of economic impact. Referring to the left side of the graphic below, when a Tier 1 supplier makes a sale, that supplier must then purchase the inputs (supplies and services) needed to produce the final product. Some of these purchases will be imported from outside of Arkansas. As such, these have little to no effect on the Arkansas economy and were not included in the analysis.



The remaining purchases, which represent sales for local businesses, remain within the Arkansas economy. Each supplier must, in turn, hire employees and source additional inputs from its suppliers. This dynamic occurs over and over again throughout Entergy's extended local supply chain. Because they are not the result of a direct transaction between Entergy and a supplier, these activities are classified as "indirect" impacts.

The difference between the value of a sale and the cost of its required non-labor inputs is known as Value Added. As its name suggests, this represents how much more valuable a final product or service is relative to its inputs. The sum of all of the Value Added by all industries within an economy is equivalent to that economy's Gross Regional Product (GRP) or Gross State Product (GSP) or, on the national level, Gross Domestic Product (GDP).

GDP/GSP is generally considered the broadest measure of the health of an economy, as it shows the capacity of the economy to transform raw inputs into higher-valued outputs. The model developed by IHS for this study included Value Added statistics for each of 440 industries, allowing IHS to assess the contribution of Entergy and its extended supply chain to Arkansas' Gross State Product. A company draws from its value added to pay its employees, pay taxes and retain profits.

Finally, the direct employees and indirect employees spend a portion of their salaries in the Arkansas economy on consumer goods and services. This stimulates yet another round of economic activity, which results in "induced" impacts on employment, value added, and so on.

Measuring the Contribution of Entergy's Arkansas Operations

IHS assessed the direct economic contribution of Entergy's operations in Arkansas using the production, capital expenditure and operating expense schedules plus annual headcount estimates for the Entergy entities operating in the state, most notably Entergy Arkansas. The analysis covered the one-year fiscal period beginning July 1, 2013 and ending June 30, 2014.

Value added is the value of the goods or service produced (Value of Production) less its non-labor input costs. Entergy shared with IHS its Entergy Arkansas' revenues for Fiscal 2014. Entergy Arkansas' total supplier spending was then subtracted from value of production to derive the value added by Entergy's direct operations in Arkansas.

Entergy also shared estimates of headcount, wages paid to employees and taxes and fees paid to state and local authorities for Fiscal 2014, which IHS required to conduct the economic contribution assessment.

How Economic Contribution Assessments are Reported

The direct, indirect, and induced results of the economic contribution assessment were reported as four sets of metrics: employment, value added, labor income, and government revenues. In the main body of this report, results for each metric are presented in total. The more detailed direct, indirect and induced results are presented in Appendix A. Each metric set is briefly described below.

Employment contribution

In addition to the economic contributions of Entergy's direct employees, there are two means by which Entergy directly supports jobs within its Tier 1 Supplier network. First, building infrastructure required by Entergy supports many construction, manufacturing and service jobs. Second, Entergy's day-to-day operations support direct jobs within its core supplier industries. Spending by the Tier 1 Suppliers within their extended supply chains supports indirect jobs. Finally, direct and indirect employees spend their disposable incomes in the general economy, which induces additional rounds of job creation and economic activity.

Value-added contribution to GDP

Gross Domestic Product (GDP) is generally considered the broadest measure of the health for an economy. GDP is simply the sum of value added across all products and services produced within an economy. Value added is the difference between the revenue received for a product or service and its non-labor input costs. Assessing the value-added contributions attributable to Entergy's activities demonstrates the vital role it plays in the Arkansas economy.

Labor Income

A subcomponent of value added, labor income captures the compensation (wages and benefits) paid to workers. A common measure of the relative contribution of an industry to the overall economy is labor income per worker. The higher the ratio, the greater is each worker's quality and contribution to growth.

Government revenues

The state & local taxes generated by Entergy and its suppliers in Arkansas.

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