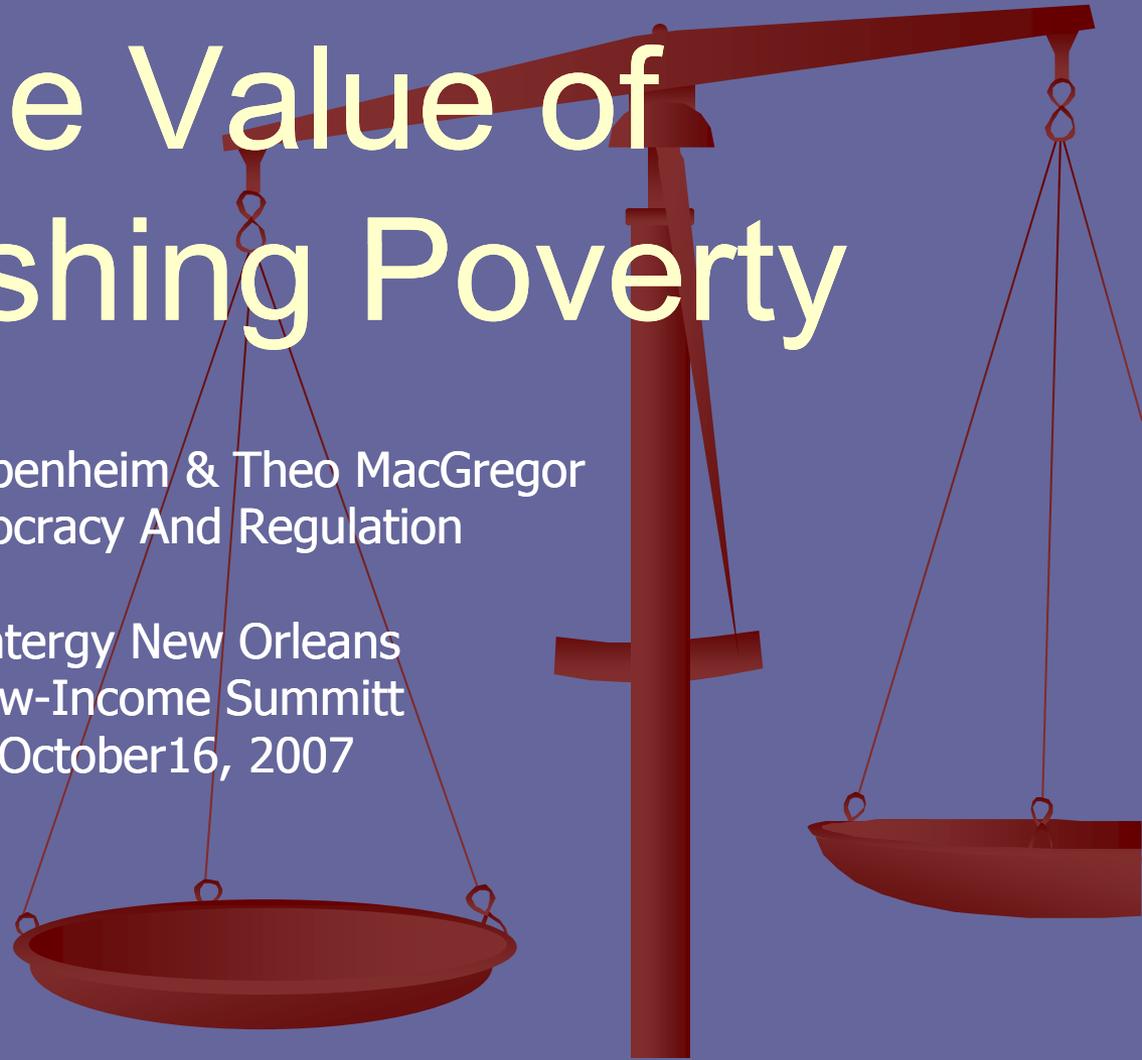




THE ECONOMICS OF POVERTY: The Value of Abolishing Poverty

Jerrold Oppenheim & Theo MacGregor
Democracy And Regulation

Entergy New Orleans
Low-Income Summit
October 16, 2007





The Social Case

“The moral imperative of the 21st Century is to feed and educate the world's poor and solve the looming energy and environmental problems before they become crises.”

Wayne Leonard, Entergy CEO, Nov. 2001



The Income Gap is Widening

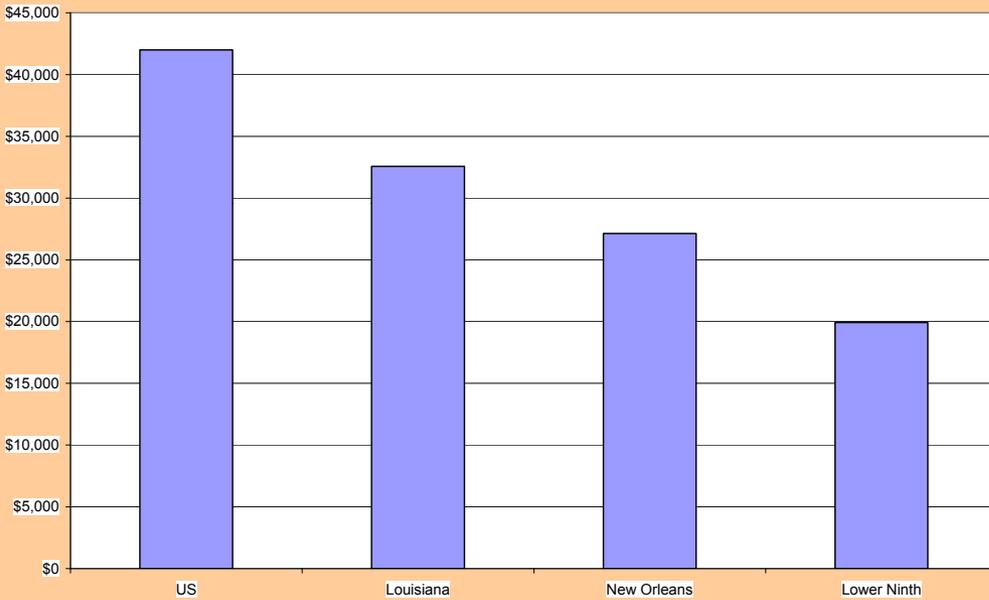
AVERAGE AFTER-TAX INCOME (2003\$)

Quintile	1979	2003	% change	% per yr	\$ change
Lowest	\$13,500	\$14,100	4.4%	0.2%	\$600
Second	\$27,300	\$30,800	12.8%	0.5%	\$3,500
Middle	\$38,900	\$44,800	15.2%	0.6%	\$5,900
Fourth	\$50,900	\$63,600	25.0%	0.9%	\$12,700
Top	\$89,700	\$138,500	54.4%	1.8%	\$48,800
Top one percent	\$305,800	\$701,500	129.4%	3.5%	\$395,700

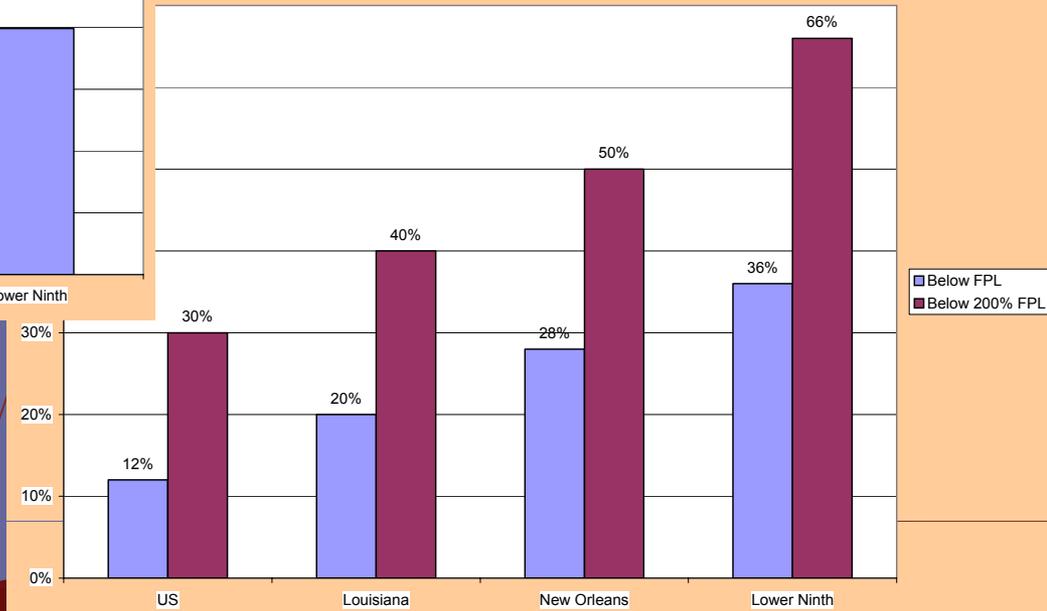


New Orleans

Median Household Income at Last Census



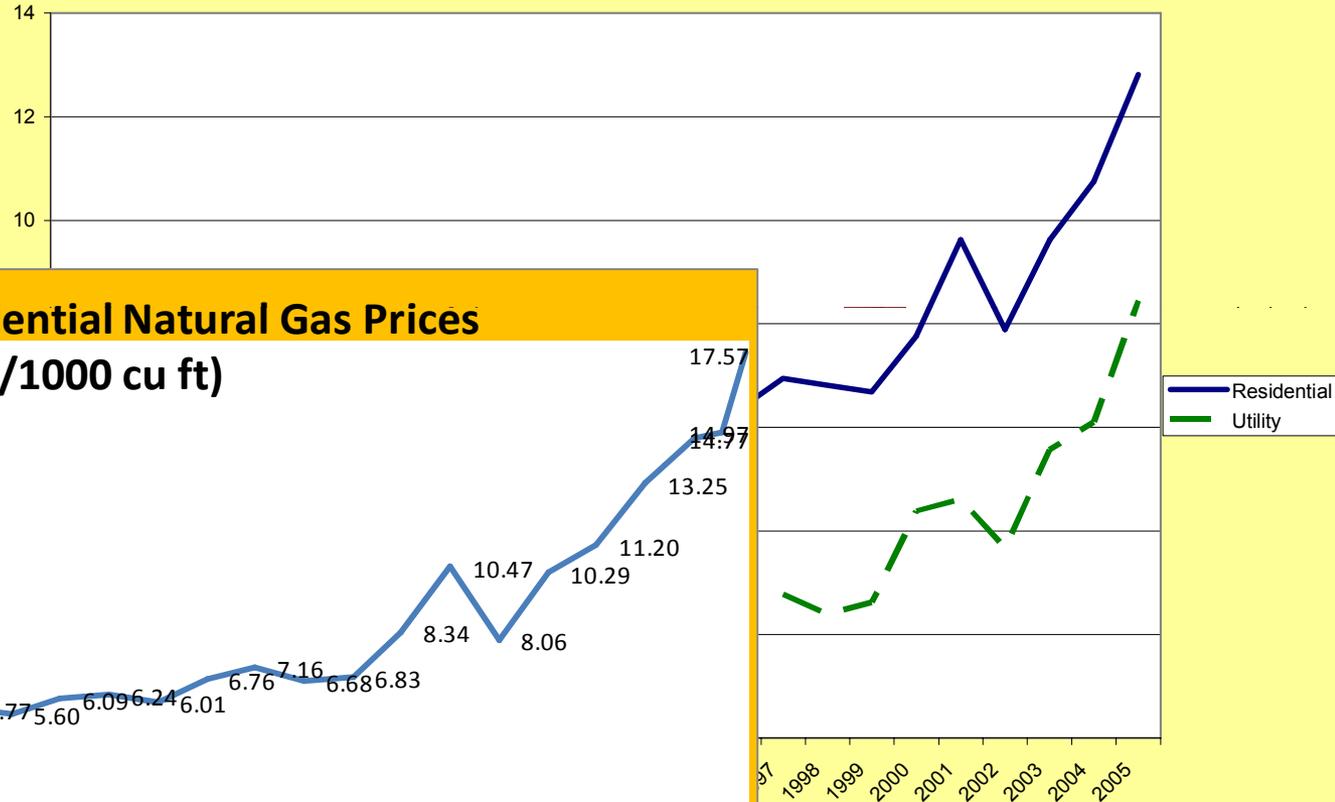
Population in Poverty at Last Census



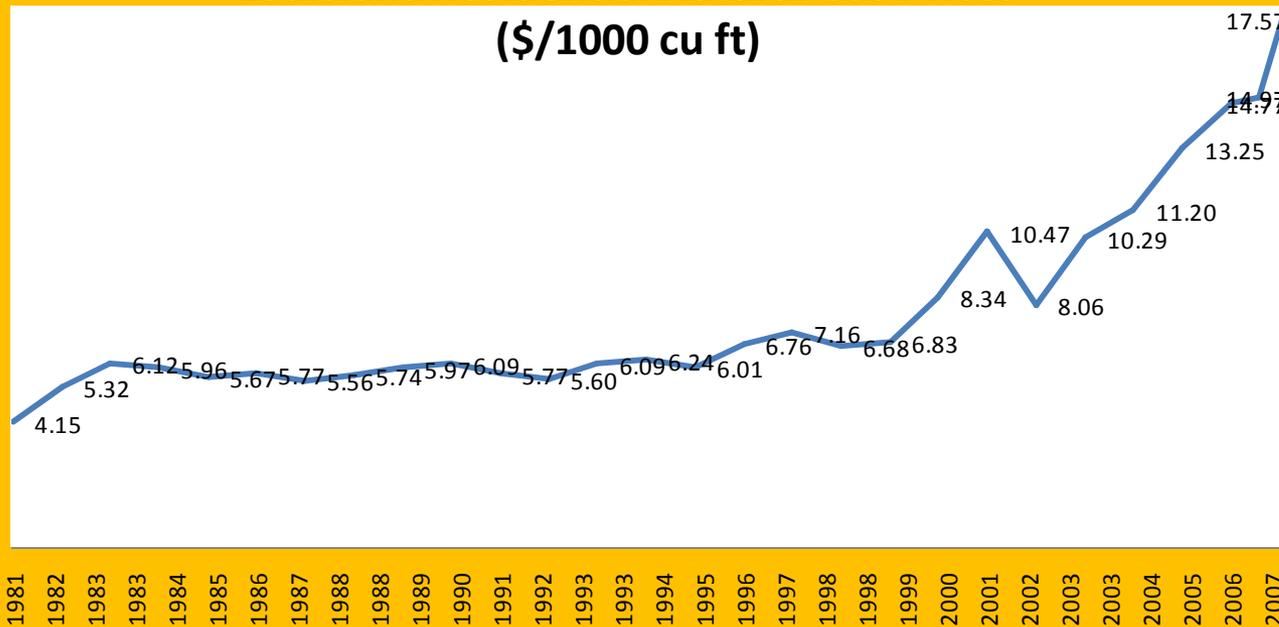


Affordability is Disappearing

US Natural Gas Prices (\$/Mcf)



Louisiana Residential Natural Gas Prices (\$/1000 cu ft)



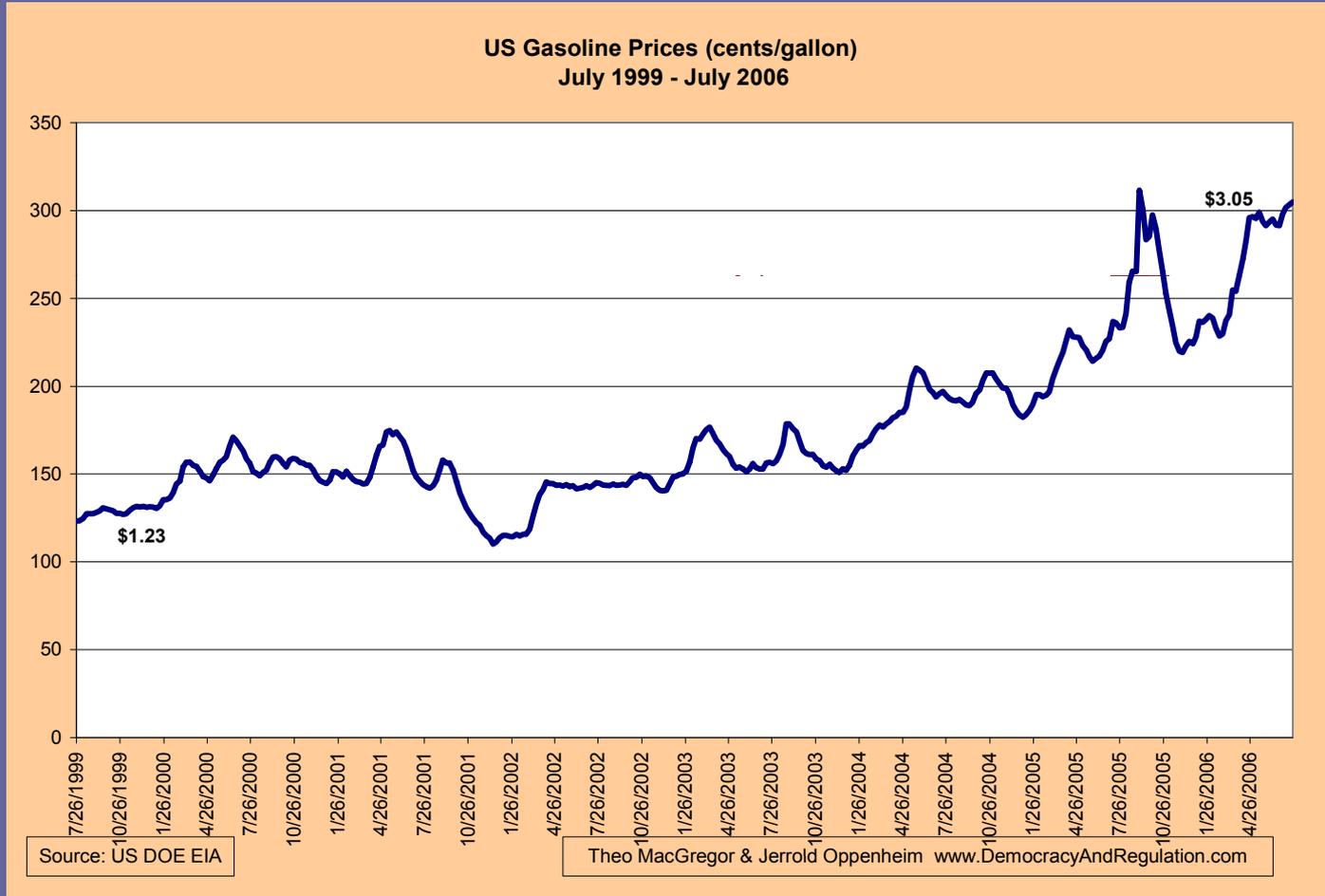
Source: EIA

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Affordability is disappearing





media.washingtonpost.com/.../PH2005072701614.jpg

[/jimwestphoto.com/galleryEconomic/p-hg-42-13.jpg](http://jimwestphoto.com/galleryEconomic/p-hg-42-13.jpg)

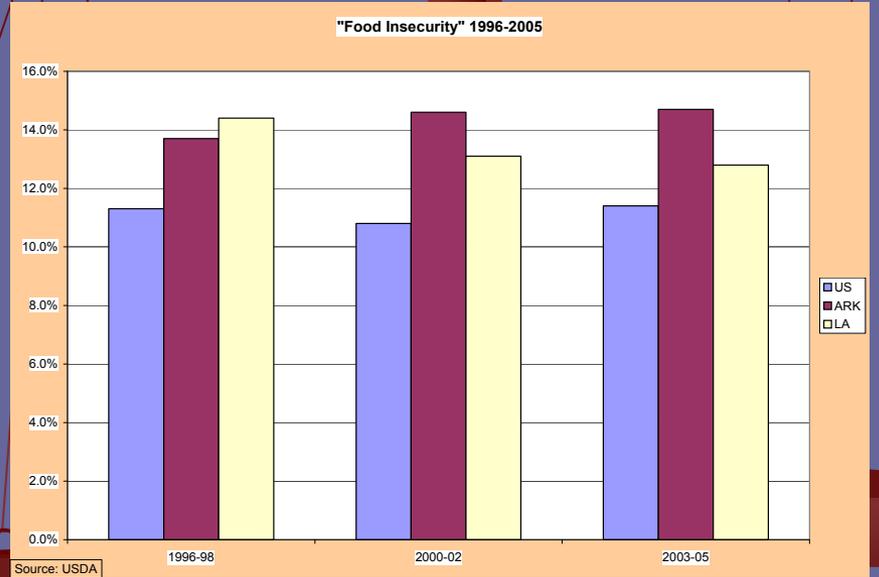
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“Food Insecurity”





SOCIAL SERVICES



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Middle Class Benefits

SOCIAL SERVICES



Investment – The Business Case





Increase employment





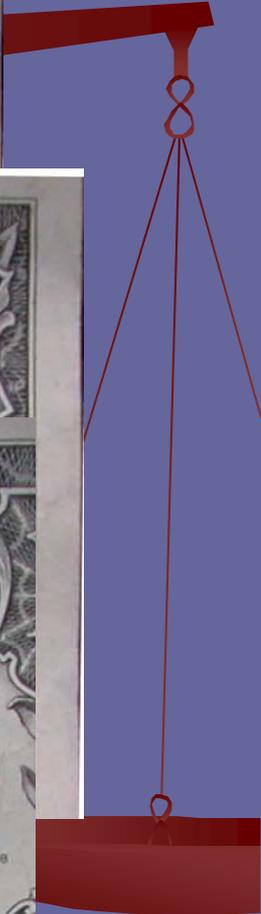
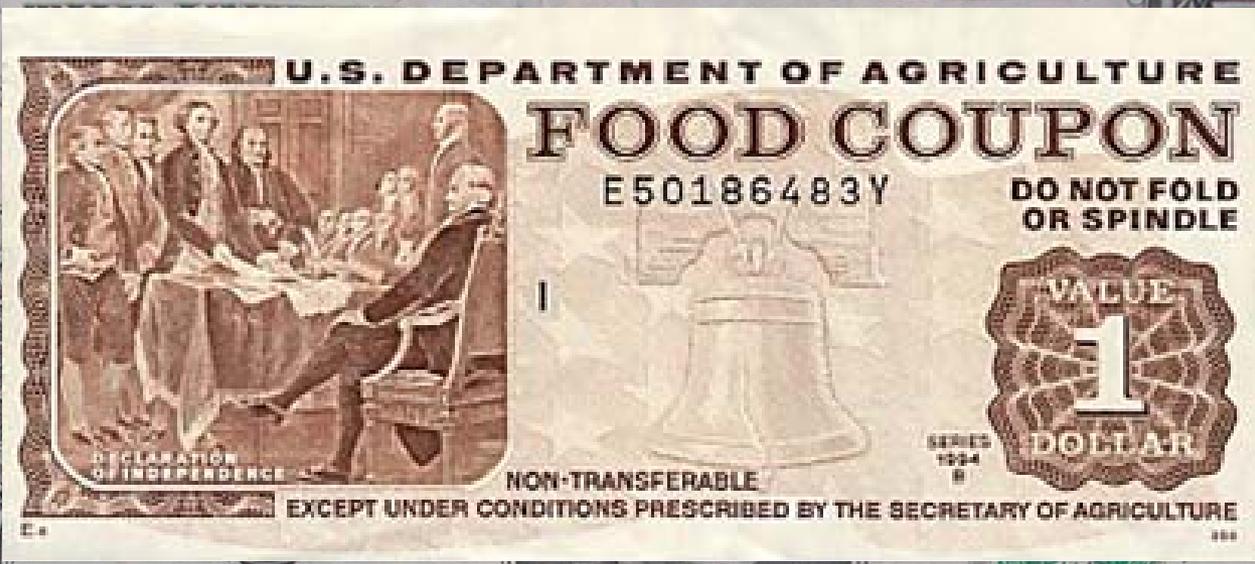
+ Reduce crime



Theo Ma
Jerrold O



+ Reduce social service costs



Increase employment, reduce crime, reduce social service costs + save health costs

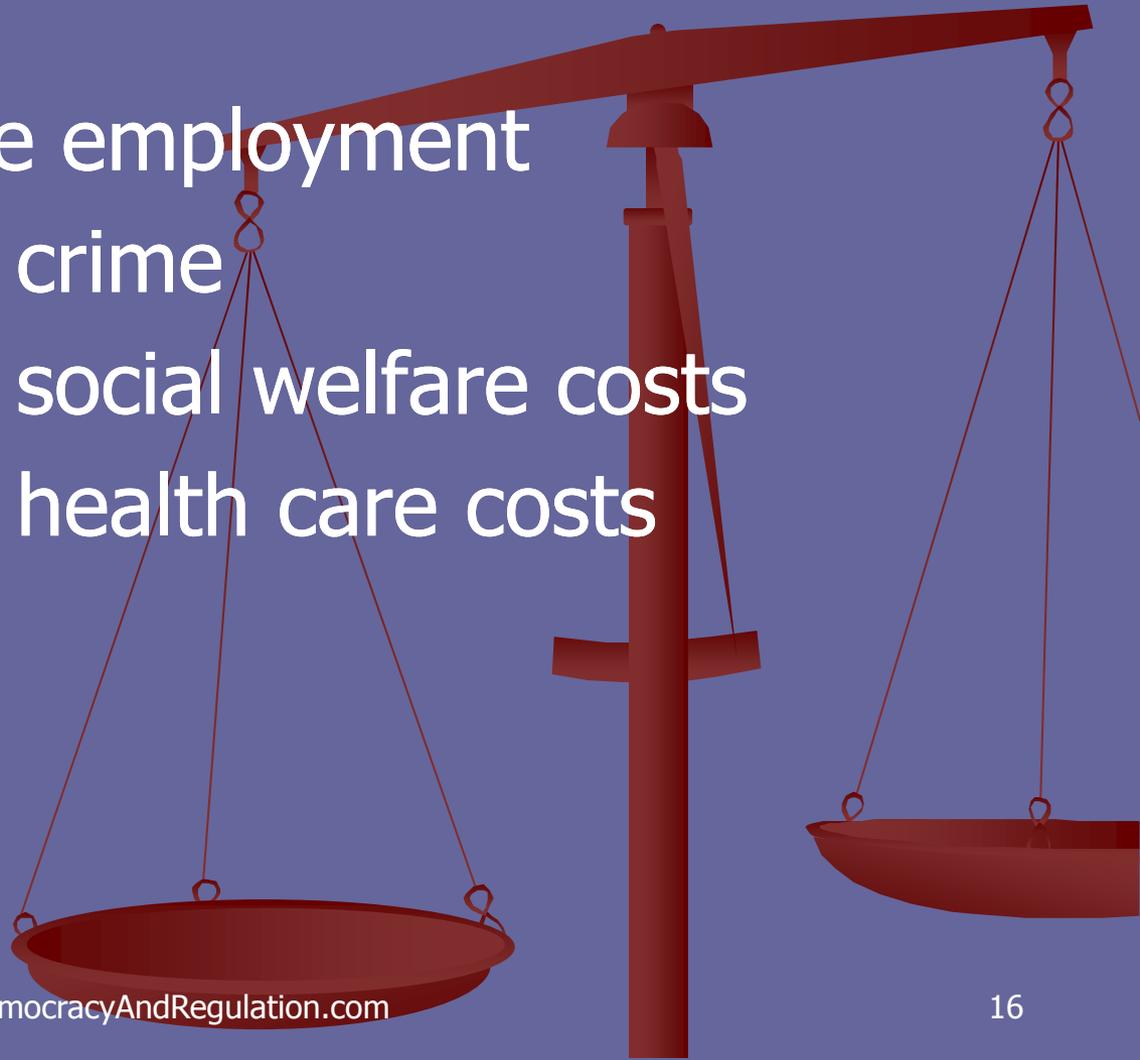




Investment return on each \$1

- \$0.56 Increase employment
- \$1.66 Reduce crime
- \$0.68 Reduce social welfare costs
- \$0.85 Reduce health care costs

- \$3.75 **TOTAL**





Target early education



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Target weatherization



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Jerrold Oppenheim



Low-income electric efficiency pays for itself

Benefits of one mill (\$1/month) for low-income efficiency	
Low-income homes served	29,000
KWH saved (life of measures)	700,000,000
Customer savings)	
Savings to other ratepayers (arrears, shut-offs))	\$59,000,000.00
Saved water	\$13,000,000.00
Saved moving costs	\$4,500,000
Increased earnings of children (from staying in school without being homeless)	\$230,000
Avoided fire damage	\$22,000,000
Saved uninsured medical costs & lost work	\$24,000,000
Increased property values	\$73,000,000
Net GDP gain	\$2,300,000
Net wage & salary gain	\$11,000,000
Total of these savings (life of measures)	\$209,030,000
as multiple of cost (BCR)	6.7
Families saved from homelessness	8,900
Net new jobs	620
Gallons of water saved	3.3 B
CO ₂ saved (Tons)	460,000
Equivalent to removing cars	11,000
Natural gas saved (MCF)	7.8 M



Natural Gas, too

Table 5-4 Total Resource Cost Test Benefit/Cost Ratios for Residential Programs

Total Resource Cost				
1	2	3	4	5
Measure Description	Present Value of Savings	Present Value of Costs	Net Present Value Savings	B/C Ratio
Programmable Thermostat - Do-It Yourself	\$6,509,998	\$2,008,229	\$4,501,768	3.24
Natural Gas Water Heater Blanket (Do-it-yourself kit)	\$13,427,509	\$1,369,564	\$12,057,945	9.80
ES Clothes Washer with <u>gas</u> water heater and <u>electric</u> clothes dryer	\$34,287,913	\$23,599,496	\$10,688,417	1.45
ES Clothes Washer with <u>gas</u> clothes dryer and <u>gas</u> water heater	\$13,917,793	\$9,440,496	\$4,477,297	1.47
Energy Star Windows - Multifamily - Do-It Yourself	\$15,579,213	\$3,852,813	\$11,726,400	4.04
ES High Efficiency Gas Furnace-Market Driven	\$44,354,850	\$41,604,444	\$2,750,406	1.07
Residential Insulation and Weatherization Program	\$107,425,540	\$57,356,874	\$50,068,666	1.87
Low Income Program	\$39,376,843	\$29,826,052	\$9,550,791	1.32
Energy Star Homes	\$262,750,016	\$170,569,223	\$92,180,792	1.54
Indirect Water Heater (for homes with boilers)	\$5,397,671	\$2,624,352	\$2,773,319	2.06
DHW Pipe Insulation	\$10,302,297	\$582,075	\$9,720,222	17.70
Low-Flow Showerheads	\$1,411,751	\$43,281	\$1,368,470	32.62
Total Residential Sector	\$554,741,393	\$342,876,898	\$211,864,495	1.62

Source: Public Service New Mexico (May 2005)



Typical Efficiency Measures

- Insulation
- Sealing against air infiltration
- Low-flow showerheads & aerators
- Heating system repair or replacement
- Efficient refrigerators & freezers
- Efficient clothes washers
- Compact fluorescent lamps
- Waterbed covers



Economics of Efficiency

- Fossil fuel price volatility and price level
- Fuel diversity (reliability)
- National energy security
- Economic development



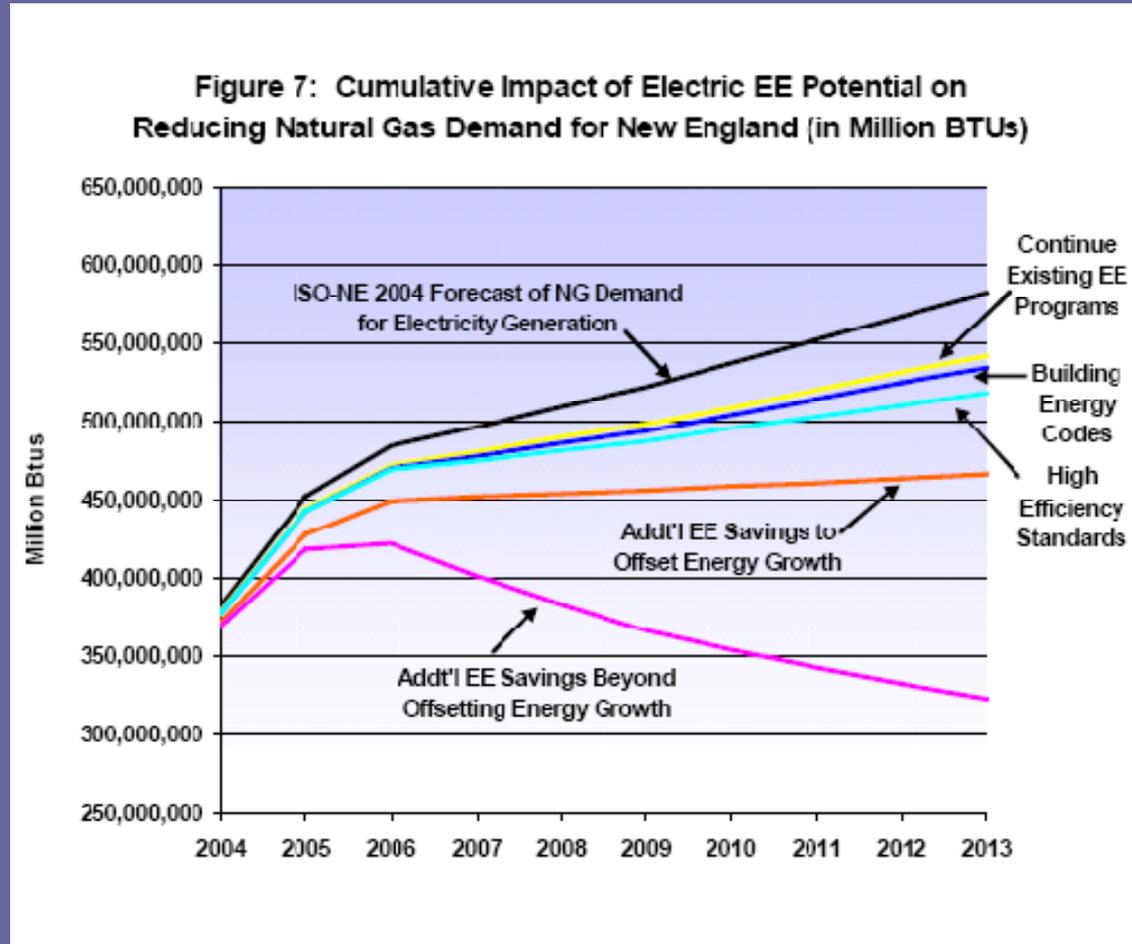


Efficiency lowers price

- 1% reduction in national natural gas demand lowers long-run price by 0.8% - 2.0%
 - ... and maybe much more in short-run
- R. Wiser, M. Bollinger, M. St. Clair, *Easing the Natural Gas Crisis*, Lawrence Berkeley National Lab (LBNL 56756, Jan. 2005, pp. 18-19, <http://eetd.lbl.gov/EA/EMP>)



Electric efficiency saves gas



Source: Optimal Energy, Economically Achievable Energy Efficiency Potential in New England (2005)



Utility-specific Benefits

- Customer retention
- Reduced bad debt, arrears, shutoffs
- Performance incentives
- Lost revenue recovery
 - Substantial EE program
 - Adjust line extension policy to reflect lower revenues
 - Periodically roll into base rates (rate case)



No-brainer: Existing DOE Network

- Large network of field staffs, auditors and inspectors to manage jobs
- Work contracted to licensed, insured contractors
- 100% Pre and Post inspection
- High standards for installed equipment and appliances
- Competitive pricing, cost effective



\$18,000 per household

The Costs of Poverty



44%

Poverty-related crime
and crime prevention

15%

Unemployment and
Underemployment

23%

Healthcare

18%

Social Services

Direct government costs and hidden economic costs bring an incredible burden to American taxpayers and wage-earners.



New Orleans Revival





The Economics of Poverty:
How Investments to Eliminate Poverty
Benefit All Americans

Developed for Entergy by

Jerrold Oppenheim

Theo MacGregor

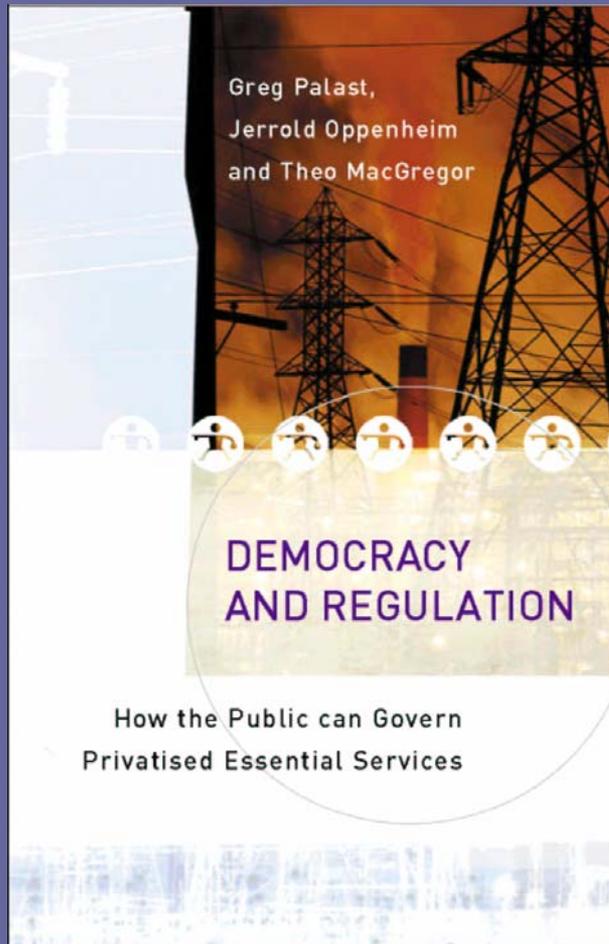


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About the Speakers

Jerrold Oppenheim is an independent consultant and attorney who has advised and represented low-income and other utility consumer advocates, government agencies, labor, and utilities across the country for more than 35 years. A graduate of Harvard College and Boston College Law School, he led utility litigation and argued precedent-setting cases for four Attorneys General in New York State and Massachusetts; for Legal Services in Boston, Chicago and New York City; and for the National Consumer Law Center. He is a member of the Center for Public Utilities Advisory Council, New Mexico State University, and has spoken and published on four continents, including *Democracy And Regulation* with Theo MacGregor and Greg Palast, published by Pluto Press (London) and winner of the ACLU Upton Sinclair Award.



About the Speakers

Theo MacGregor was director of the Electric Power Division of the Massachusetts Department of Public Utilities. She helped develop the rules and regulations by which electricity utilities operate in the market. She now runs MacGregor Energy Consultancy and provides expert analysis to state governments, attorneys general, utility companies, consumer advocates, and others. Ms. MacGregor has published and lectured on U.S. utility regulation both nationally and internationally, including *Democracy And Regulation* with Jerrold Oppenheim and Greg Palast, published by Pluto Press (London) and winner of the ACLU Upton Sinclair Award. She has an MBA from Simmons School of Management in Boston.