

CLECO CORP  
Form 10-Q  
August 03, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

**For the quarterly period ended June 30, 2006**

**Or**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

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**Commission file number 1-15759**

**CLECO CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Louisiana**

*(State or other jurisdiction of incorporation or  
organization)*

**72-1445282**

*(I.R.S. Employer Identification No.)*

**2030 Donahue Ferry Road, Pineville, Louisiana**

*(Address of principal executive offices)*

**71360-5226**

*(Zip Code)*

**Registrant's telephone number, including area code: (318) 484-7400**

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**Commission file number 1-05663**

**CLECO POWER LLC**

*(Exact name of registrant as specified in its charter)*

**Louisiana**

*(State or other jurisdiction of incorporation or  
organization)*

**72-0244480**

*(I.R.S. Employer Identification No.)*

**2030 Donahue Ferry Road, Pineville, Louisiana**

*(Address of principal executive offices)*

**71360-5226**

*(Zip Code)*

**Registrant's telephone number, including area code: (318) 484-7400**

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Indicate by check mark whether the Registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether Cleco Corporation is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether Cleco Power LLC is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act) Yes  No

Number of shares outstanding of each of Cleco Corporation's classes of Common Stock, as of the latest practicable date.

<u>Registrant</u>	<u>Description of Class</u>	<u>Shares Outstanding at July 31,</u> <u>2006</u>
Cleco Corporation	Common Stock, \$1.00 Par Value	50,518,476

**Cleco Power LLC, a wholly owned subsidiary of Cleco Corporation, meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.**

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This combined Form 10-Q is separately filed by Cleco Corporation and Cleco Power. Information in this filing relating to Cleco Power is filed by Cleco Corporation and separately by Cleco Power on its own behalf. Cleco Power makes no representation as to information relating to Cleco Corporation (except as it may relate to Cleco Power) or any other affiliate or subsidiary of Cleco Corporation.

This report should be read in its entirety as it pertains to each respective Registrant. The Notes to the Unaudited Condensed Financial Statements are combined.

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## GLOSSARY OF TERMS

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References in this filing, including all items in Parts I and II, to “Cleco” mean Cleco Corporation and its subsidiaries, including Cleco Power, and references to “Cleco Power” mean Cleco Power LLC, unless the context clearly indicates otherwise. Additional abbreviations or acronyms used in this filing, including all items in Parts I and II are defined below:

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
Acadia	Acadia Power Partners, LLC and its 1,160-MW combined-cycle, natural gas-fired power plant near Eunice, Louisiana, 50% owned by APH and 50% owned by Calpine
Amended EPC Contract	Amended and Restated EPC Contract between Cleco Power and Shaw Constructors, Inc., executed on May 12, 2006, to engineer, design, and construct Rodemacher Unit 3.
APB	Accounting Principles Board
APB Opinion No. 18	The Equity Method of Accounting for Investments in Common Stock
APB Opinion No. 25	Accounting for Stock Issued to Employees
APB Opinion No. 29	Accounting for Nonmonetary Transactions
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
Attala	Attala Transmission LLC, a wholly owned subsidiary of Midstream
Calpine	Calpine Corporation
Calpine Debtors	Calpine, CES, and certain other Calpine subsidiaries
Calpine Debtors Bankruptcy Court	U.S. Bankruptcy Court for the Southern District of New York
Calpine Tolling Agreements	Capacity Sale and Tolling Agreements between Acadia and CES which expires in 2022
CCN	Certificate of Public Convenience and Necessity
CES	Calpine Energy Services, L.P.
Cleco Energy	Cleco Energy LLC, a wholly owned subsidiary of Midstream
Compliance Plan	The compliance plan included in the Consent Agreement in FERC Docket IN03-1-000
Consent Agreement	Stipulation and Consent Agreement, dated as of July 25, 2003, between Cleco and FERC Staff
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC, a wholly owned subsidiary of Cleco Corporation
EITF	Emerging Issues Task Force of the FASB
EITF No. 04-13	Accounting for Purchases and Sales of Inventory with the Same Counterparty
EITF No. 06-3	How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross Versus Net Presentation)
Entergy	Entergy Corporation
Entergy Gulf States	Entergy Gulf States, Inc.
Entergy Louisiana	Entergy Louisiana, Inc.
Entergy Mississippi	Entergy Mississippi, Inc.
Entergy Services	Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
EPC	Engineering, Procurement, and Construction

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ERO	Electric Reliability Organization
ESOP	Cleco Corporation Employee Stock Ownership Plan
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream, and its 775-MW combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and Williams which expires in 2020
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation No.
FIN 45	Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others
FIN 46R	Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51 (revised December 2003)
FIN 48	Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109
FSP SFAS FIN 46R-6	Determining the Variability to Be Considered in Applying FASB Interpretation No. 46R
GDP-IPD	Gross Domestic Product - Implicit Price Deflator
ICT	Independent Coordinator of Transmission
Interconnection Agreement	Interconnection Agreement and Real Estate Agreement between Attala and Entergy Mississippi
IRP	Integrated Resource Planning
kWh	Kilowatt-hour(s) as applicable
LDEQ	Louisiana Department of Environmental Quality
LIBOR	London Inter-Bank Offer Rate
Lignite Mining Agreement	Dolet Hills Mine Lignite Mining Agreement, dated as of May 31, 2001
LPSC	Louisiana Public Service Commission
LTICP	Cleco Corporation Long-Term Incentive Compensation Plan

ABBREVIATION OR ACRONYM	DEFINITION
MAI	Mirant Americas, Inc., a wholly owned subsidiary of Mirant Corporation
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
Moody's	Moody's Investors Service
MW	Megawatt(s) as applicable
NOPR	Notice of Proposed Rulemaking
Not meaningful	A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000%.
PEH	Perryville Energy Holdings LLC, a wholly owned subsidiary of Midstream
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of PEH, which retained ownership of the plant-related transmission assets following the sale of its 718-MW, natural gas-fired power plant (sold to Entergy Louisiana on June 30, 2005) near Perryville, Louisiana
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
Rodemacher Unit 3	A 600-MW solid fuel generating unit under construction by Cleco Power at its existing Rodemacher plant site in Boyce, Louisiana. The unit will utilize circulating fluidized bed combustion technology, with petroleum coke as the unit's planned primary fuel source.
RSP	Rate Stabilization Plan
RTO	Regional Transmission Organization
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
SEC	Securities and Exchange Commission
Senior Loan Agreement	Construction and Term Loan Agreement, dated as of June 7, 2001, between Perryville and KBC Bank N.V., as Agent Bank
SERP	Cleco Corporation Supplemental Executive Retirement Plan
SFAS	Statement of Financial Accounting Standards
SFAS No. 71	Accounting for the Effects of Certain Types of Regulation
SFAS No. 109	Accounting for Income Taxes
SFAS No. 123	Accounting for Stock-Based Compensation
SFAS No. 123R	Share-Based Payment
SFAS No. 131	Disclosures about Segments of an Enterprise and Related Information
SFAS No. 133	Accounting for Derivative Instruments and Hedging Activities
SFAS No. 140	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities
SFAS No. 149	Amendment of Statement 133 on Derivative Instruments and Hedging Activities
SFAS No. 155	Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140
SFAS No. 156	Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140
Shaw	Shaw Constructors, Inc., a subsidiary of The Shaw Group Inc.
Subordinated Loan Agreement	Subordinated Loan Agreement, dated as of August 23, 2002, between Perryville and MAI

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Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company
VaR	Value-at-risk
Westar	Westar Energy, Inc.
Williams	Williams Power Company, Inc.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” about future events, circumstances, and results. All statements other than statements of historical fact included in this report are forward-looking statements, including, without limitation, statements regarding the construction, timing and cost of Rodemacher Unit 3, future capital expenditures, and future environmental regulations. Although the Registrants believe that the expectations reflected in such forward-looking statements are reasonable, such forward-looking statements are based on numerous assumptions (some of which may prove to be incorrect) and are subject to risks and uncertainties that could cause the actual results to differ materially from the Registrants’ expectations. In addition to any assumptions and other factors referred to specifically in connection with these forward-looking statements, the following list identifies some of the factors that could cause the Registrants’ actual results to differ materially from those contemplated in any of the Registrants’ forward-looking statements:

- § Factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage (such as hurricanes and tropical storms); unscheduled generation outages; unusual maintenance or repairs; unanticipated changes to fuel costs, cost of and reliance on natural gas as a component of Cleco’s generation fuel mix and their impact on competition and franchises, fuel supply costs or availability constraints due to higher demand, shortages, transportation problems or other developments; environmental incidents; or power transmission system constraints;
- § Cleco Corporation’s holding company structure and its dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations and pay dividends on its common stock;
- § Cleco Power’s ability to construct, operate, and maintain, within its projected costs (including financing) and timeframe, Rodemacher Unit 3, in addition to any other self-build projects identified in future IRP and RFP processes;
- § Dependence of Cleco Power for energy from sources other than its facilities and the uncertainty of future long-term sources of such additional energy;
- § Nonperformance by and creditworthiness of counterparties under tolling, power purchase, and energy service agreements, or the restructuring of those agreements, including possible termination;
  - § Outcome of the Calpine Debtors bankruptcy filing and its effect on agreements with Acadia;
- § The final amount of storm restoration costs approved by the LPSC that ultimately can be recovered from Cleco Power’s customers;
- § Regulatory factors such as changes in rate-setting policies, recovery of investments made under traditional regulation, the frequency and timing of rate increases or decreases, the results of periodic fuel audits, the results of IRP and RFP processes, the formation of RTOs and ICTs, and the establishment by an ERO of reliability standards for bulk power systems and compliance with these standards by Cleco Power;
- § Financial or regulatory accounting principles or policies imposed by the FASB, the SEC, the Public Company Accounting Oversight Board, the FERC, the LPSC or similar entities with regulatory or accounting oversight;
- § Economic conditions, including the ability of customers to continue paying for high energy costs, related growth and/or down-sizing of businesses in Cleco’s service area, monetary fluctuations, increase in commodity prices, and inflation rates;



§ Credit ratings of Cleco Corporation, Cleco Power, and Evangeline;

§ Changing market conditions and a variety of other factors associated with physical energy, financial transactions, and energy service activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, interest rates, and warranty risks;

§ Acts of terrorism;

§ Availability or cost of capital resulting from changes in Cleco's business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries;

§ Employee work force factors, including work stoppages and changes in key executives;

§ Legal, environmental, and regulatory delays and other obstacles associated with mergers, acquisitions, capital projects, reorganizations, or investments in joint ventures;

§ Costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters; and

§ Changes in federal, state, or local legislative requirements, such as the adoption of the Energy Policy Act of 2005, and changes in tax laws or rates, regulating policies or environmental laws and regulations.

For additional discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, please read "Risk Factors" in this Report, as well as in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

All subsequent written and oral forward-looking statements attributable to the Registrants or persons acting on their behalf are expressly qualified in their entirety by the factors identified above.

The Registrants undertake no obligation to update any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

PART I— FINANCIAL INFORMATION

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**Cleco Corporation**

These unaudited condensed consolidated financial statements should be read in conjunction with Cleco Corporation's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2005. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

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**CLECO CORPORATION**


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Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED	
	2006	JUNE 30, 2005
<b>Operating revenue</b>		
Electric operations	\$ 241,286	\$ 183,881
Other operations	7,929	8,102
Affiliate revenue	1,737	2,378
Gross operating revenue	250,952	194,361
Electric customer credits	-	(253)
Operating revenue, net	250,952	194,108
<b>Operating expenses</b>		
Fuel used for electric generation	57,990	13,725
Power purchased for utility customers	98,703	92,501
Other operations	24,399	21,118
Maintenance	14,221	13,653
Depreciation	15,714	15,105
Taxes other than income taxes	10,577	9,281
Gain on sales of assets	(68)	(2,201)
Total operating expenses	221,536	163,182
<b>Operating income</b>	29,416	30,926
Interest income	1,943	884
Allowance for other funds used during construction	1,372	831
Equity income from investees	15,233	11,044
Other income	119	441
Other expense	(385)	(228)
<b>Interest charges</b>		
Interest charges, including amortization of debt expenses, premium and discount, net of capitalized interest	11,403	10,930
Allowance for borrowed funds used during construction	(493)	(278)
Total interest charges	10,910	10,652
<b>Income from continuing operations before income taxes</b>	36,788	33,246
Federal and state income tax expense	13,459	12,547
<b>Income from continuing operations</b>	23,329	20,699
<b>Discontinued operations</b>		
Loss from discontinued operations, net of tax	(103)	(72)
<b>Net income</b>	23,226	20,627
Preferred dividends requirements, net	427	448
<b>Net income applicable to common stock</b>	\$ 22,799	\$ 20,179
<b>Average shares of common stock outstanding</b>		
Basic	50,053,685	49,507,159
Diluted	52,297,838	51,628,677
<b>Basic earnings per share</b>		
From continuing operations	\$ 0.45	\$ 0.40
Net income applicable to common stock	\$ 0.45	\$ 0.40
<b>Diluted earnings per share</b>		
From continuing operations	\$ 0.44	\$ 0.40

Net income applicable to common stock	\$	<b>0.44</b>	\$	0.40
<b>Cash dividends paid per share of common stock</b>	\$	<b>0.225</b>	\$	0.225

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**CLECO CORPORATION**


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Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED	
	JUNE 30,	
	2006	2005
Net income	\$ 23,226	\$ 20,627
Other comprehensive income, net of tax:		
Net unrealized loss from limited partnership (net of tax benefit of \$7 in 2005)	-	(11)
Net unrealized loss from available-for-sale securities (net of tax benefit of \$42 in 2006 and \$0 in 2005)	(67)	-
Other comprehensive income (loss)	(67)	(11)
<b>Comprehensive income, net of tax</b>	<b>\$ 23,159</b>	<b>\$ 20,616</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

## CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE	
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	2006	2005
<b>Operating revenue</b>		
Electric operations	\$ 452,275	\$ 346,712
Other operations	14,525	15,252
Affiliate revenue	3,188	4,731
Gross operating revenue	469,988	366,695
Electric customer credits	4,382	(471)
Operating revenue, net	474,370	366,224
<b>Operating expenses</b>		
Fuel used for electric generation	106,353	62,473
Power purchased for utility customers	199,486	143,015
Other operations	41,108	43,494
Maintenance	20,153	23,124
Depreciation	31,358	29,876
Taxes other than income taxes	20,589	19,708
Gain on sales of assets	(68)	(2,206)
Total operating expenses	418,979	319,484
<b>Operating income</b>	55,391	46,740
Interest income	4,435	1,851
Allowance for other funds used during construction	2,041	1,779
Equity income from investees	15,606	20,873
Other income	227	819
Other expense	(713)	(791)
<b>Interest charges</b>		
Interest charges, including amortization of debt expenses, premium and discount, net of capitalized interest	22,579	23,049
Allowance for borrowed funds used during construction	(719)	(594)
Total interest charges	21,860	22,455
<b>Income from continuing operations before income taxes</b>	55,127	48,816
Federal and state income tax expense	19,573	18,543
<b>Income from continuing operations</b>	35,554	30,273
<b>Discontinued operations</b>		
Loss from discontinued operations, net of tax	(190)	(205)
<b>Net income</b>	35,364	30,068
Preferred dividends requirements, net	886	923
<b>Net income applicable to common stock</b>	\$ 34,478	\$ 29,145
<b>Average shares of common stock outstanding</b>		
Basic	49,956,429	49,396,105
Diluted	52,095,625	51,558,920
<b>Basic earnings per share</b>		
From continuing operations	\$ 0.68	\$ 0.59
From discontinued operations	\$ -	\$ (0.01)
Net income applicable to common stock	\$ 0.68	\$ 0.58
<b>Diluted earnings per share</b>		

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From continuing operations	\$	<b>0.68</b>	\$	0.59
From discontinued operations	\$	-	\$	(0.01)
Net income applicable to common stock	\$	<b>0.68</b>	\$	0.58
<b>Cash dividends paid per share of common stock</b>	\$	<b>0.450</b>	\$	0.450

The accompanying notes are an integral part of the condensed consolidated financial statements.

CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)		FOR THE SIX MONTHS ENDED JUNE	
(THOUSANDS)	2006	2005	30,
Net income	\$ 35,364	\$	30,068
Other comprehensive income, net of tax:			
Net unrealized income from limited partnership (net of tax expense of \$20 in 2005)	-		33
Net unrealized loss from available-for-sale securities (net of tax benefit of \$12 in 2006 and \$37 in 2005)	(19)		(59)
Other comprehensive loss	(19)		(26)
<b>Comprehensive income, net of tax</b>	<b>\$ 35,345</b>	<b>\$</b>	<b>30,042</b>
The accompanying notes are an integral part of the condensed consolidated financial statements.			



**CLECO CORPORATION**


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Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT JUNE 30, 2006	AT DECEMBER 31, 2005
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 81,962	\$ 219,153
Customer accounts receivable (less allowance for doubtful accounts of \$1,139 in 2006 and \$1,262 in 2005)	46,753	54,768
Accounts receivable - affiliate	8,239	1,071
Other accounts receivable	28,552	33,911
Unbilled revenue	22,967	17,878
Fuel inventory, at average cost	44,088	21,313
Material and supplies inventory, at average cost	30,861	24,289
Risk management assets	-	10,110
Accumulated deferred fuel	66,431	23,165
Cash surrender value of company-/trust-owned life insurance policies	24,416	22,888
Margin deposits	16,194	-
Prepayments	4,262	3,344
Other current assets	1,220	2,578
<b>Total current assets</b>	<b>375,945</b>	<b>434,468</b>
Property, plant and equipment		
Property, plant and equipment	1,861,125	1,836,973
Accumulated depreciation	(852,853)	(804,323)
Net property, plant and equipment	1,008,272	1,032,650
Construction work in progress	156,241	156,053
<b>Total property, plant and equipment, net</b>	<b>1,164,513</b>	<b>1,188,703</b>
Equity investment in investees	336,179	317,762
Prepayments	6,018	5,961
Restricted cash	88	87
Regulatory assets and liabilities - deferred taxes, net	91,945	90,960
Regulatory assets - other	178,255	53,439
Other deferred charges	42,147	58,108
<b>Total assets</b>	<b>\$ 2,195,090</b>	<b>\$ 2,149,488</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

(Continued on next page)

**CLECO CORPORATION**


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Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT JUNE 30, 2006	AT DECEMBER 31, 2005
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Current liabilities		
Long-term debt due within one year	\$ 55,000	\$ 40,000
Accounts payable	110,328	143,692
Retainage	3,025	768
Accrued payroll	2,966	2,875
Accounts payable - affiliate	8,870	3,439
Customer deposits	24,534	23,436
Provision for rate refund	3,652	7,927
Taxes accrued	59,730	35,475
Interest accrued	8,892	9,167
Accumulated current deferred taxes, net	23,219	17,402
Margin deposits	-	4,316
Risk management liability	36,798	-
Other current liabilities	9,183	5,607
Total current liabilities	346,197	294,104
Deferred credits		
Accumulated deferred federal and state income taxes, net	444,162	449,129
Accumulated deferred investment tax credits	14,866	15,632
Other deferred credits	78,623	74,717
Total deferred credits	537,651	539,478
Long-term debt, net	584,521	609,643
Total liabilities	1,468,369	1,443,225
Commitments and Contingencies (Note 8)		
<b>Shareholders' equity</b>		
Preferred stock		
Not subject to mandatory redemption, \$100 par value, authorized 1,491,900 shares, issued 201,761 and 218,170 shares at June 30, 2006, and December 31, 2005, respectively		
	20,176	21,817
Deferred compensation related to preferred stock held by ESOP	(37)	(1,783)
Total preferred stock not subject to mandatory redemption	20,139	20,034
Common shareholders' equity		
Common stock, \$1 par value, authorized 100,000,000 shares, issued 50,536,779 and 50,030,035 shares at June 30, 2006, and December 31, 2005, respectively		
	50,453	50,030
Premium on common stock	203,089	202,416
Retained earnings	457,851	443,912
Unearned compensation	-	(5,285)
Treasury stock, at cost, 34,189 and 36,644 shares at June 30, 2006, and December 31, 2005, respectively	(662)	(714)
Accumulated other comprehensive loss	(4,149)	(4,130)
Total common shareholders' equity	706,582	686,229
Total shareholders' equity	726,721	706,263

<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>2,195,090</b>	<b>\$</b>	<b>2,149,488</b>
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The accompanying notes are an integral part of the condensed consolidated financial statements.

CLECO CORPORATION

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Condensed Consolidated Statements of Cash Flows (Unaudited)

FOR THE SIX MONTHS  
ENDED JUNE 30,

(THOUSANDS)

**2006**