

CLECO POWER LLC
Form 10-Q
November 02, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

Or

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

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

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

71360-5226

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(Address of principal executive offices)

(Zip Code)

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

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 the Registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrants were required to submit and post such files). Yes No

Indicate by check mark whether Cleco Corporation is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
 Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether Cleco Power LLC is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
 Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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.

Registrant	Description of Class	Shares Outstanding at October 28, 2011
Cleco Corporation	Common Stock, \$1.00 Par Value	60,665,607

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 Quarterly Report on 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 Consolidated Financial Statements are combined.

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GLOSSARY OF TERMS

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 and its subsidiaries, 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
ABR	Alternate Base Rate
Acadia	Acadia Power Partners, LLC, a wholly owned subsidiary of APH. Acadia no longer owns any materials and supply inventory, property, plant and equipment, or land as a result of the disposition of Acadia Unit 2 to Entergy Louisiana on April 29, 2011. From February 23, 2010 to April 29, 2011, Acadia was owned 100% by Cajun and consisted of Acadia Unit 2. Prior to February 23, 2010, Acadia was 50% owned by APH and 50% owned by Cajun and consisted of Acadia Unit 1 and Acadia Unit 2.
Acadia Unit 1	Cleco Power’s 580-MW unit, combined cycle, natural gas-fired power plant located at the Acadia Power Station near Eunice, Louisiana
Acadia Unit 2	Entergy Louisiana’s 580-MW unit, combined cycle, natural gas-fired power plant located at the Acadia Power Station near Eunice, Louisiana. Prior to April 29, 2011, Acadia Unit 2 was owned by Acadia.
Acadiana Load Pocket	An area in south central Louisiana that has experienced transmission constraints caused by local load and lack of generation. Transmission within the Acadiana Load Pocket is owned by several entities, including Cleco Power.
AFUDC	Allowance for Funds Used During Construction
Amended EPC Contract	Amended and Restated EPC Contract between Cleco Power and Shaw, executed on May 12, 2006, for engineering, procurement, and construction of Madison Unit 3, as amended by Amendment No. 1 thereto effective March 9, 2007, Amendment No. 2 thereto dated as of July 2, 2008, Amendment No. 3 thereto dated as of July 22, 2009, and Amendment No. 4 thereto dated October 19, 2009.
Amended Lignite Mining Agreement	Amended and restated lignite mining agreement effective December 29, 2009
AMI	Advanced Metering Infrastructure
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation
Cajun	Cajun Gas Energy L.L.C., a wholly owned subsidiary of third parties. In conjunction with the disposition of Acadia Unit 2 on April 29, 2011, APH no longer has any ownership interest in Cajun. From February 23, 2010 to April 29, 2011, Cajun was 50% owned by APH and 50% owned by third parties. Prior to February 23, 2010, Cajun was 100% owned by third parties.
Cleco Innovations LLC	A wholly owned subsidiary of Cleco Corporation
Cleco Katrina/Rita Coughlin	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power

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Coughlin Power Station, a combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana. On June 11, 2010, Evangeline Power Station was renamed Coughlin Power Station.

DHLC	Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC
DOE	United States Department of Energy
Entergy Gulf States	Entergy Gulf States Louisiana, L.L.C., formerly Entergy Gulf States, Inc.
Entergy Louisiana	Entergy Louisiana, LLC
Entergy Mississippi	Entergy Mississippi, Inc.
Entergy Services	Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
EPA	United States Environmental Protection Agency
EPC	Engineering, Procurement, and Construction
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream, and its combined cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana. On June 11, 2010, the power plant was renamed Coughlin Power Station.
Evangeline 2010 Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and JPMVEC, which was executed in February 2010
Evangeline Restructuring Agreement	Purchase, Sale and Restructuring Agreement entered into on February 22, 2010, by Evangeline and JPMVEC
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and BE Louisiana LLC (as successor to Williams Power Company, Inc.) which was set to expire in 2020 and was terminated in February 2010. In September 2008, BE Louisiana LLC was merged into JPMVEC.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the United States
GO Zone	Gulf Opportunity Zone Act of 2005 (Public Law 109-135)
ICT	Independent Coordinator of Transmission
Interconnection Agreement	One of two Interconnection Agreement and Real Estate Agreements, one between Attala and Entergy Mississippi, and the other between Perryville and Entergy Louisiana
IRP	Integrated Resource Planning
IRS	Internal Revenue Service
JPMVEC	J.P. Morgan Ventures Energy Corporation. In September 2008, BE Louisiana LLC was merged into JPMVEC.
kWh	Kilowatt-hour(s) as applicable
LIBOR	London Inter-Bank Offer Rate
Lignite Mining Agreement	Dolet Hills Mine Lignite Mining Agreement, dated as of May 31, 2001

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ABBREVIATION OR ACRONYM	DEFINITION
LPSC	Louisiana Public Service Commission
LTICP	Cleco Corporation Long-Term Incentive Compensation Plan
Madison Unit 3	A 600-MW solid-fuel generating unit at Cleco Power's plant site in Boyce, Louisiana that commenced commercial operation on February 12, 2010. Prior to June 11, 2010, Madison Unit 3 was known as Rodemacher Unit 3.
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
MMBtu	Million British thermal units
Moody's	Moody's Investors Service
MW	Megawatt(s) as applicable
NERC	North American Electric Reliability Corporation
OCI	Other Comprehensive Income
NOx	Nitrogen oxides
Oxbow	Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO
PCAOB	Public Company Accounting Oversight Board
PCB	Polychlorinated biphenyl
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Corporation
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
PPACA	Patient Protection and Affordable Care Act (HR 3590)
PRP	Potentially responsible party
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
SEC	Securities and Exchange Commission
SERP	Cleco Corporation Supplemental Executive Retirement Plan
Shaw	Shaw Contractors, Inc., a subsidiary of The Shaw Group Inc.
SO2	Sulfur dioxide
SPP	Southwest Power Pool
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company, a wholly owned subsidiary of American Electric Power Company, Inc.
Teche	Teche Electric Cooperative, Inc.
VaR	Value-at-risk
VIE	Variable Interest Entity

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Combined Quarterly Report on Form 10-Q includes “forward-looking statements” about future events, circumstances, and results. All statements other than statements of historical fact included in this Combined Quarterly Report are forward-looking statements, including, without limitation, statements regarding Madison Unit 3; JPMVEC’s performance under the Evangeline 2010 Tolling Agreement; future capital expenditures; projections, including with respect to base revenue; business strategies; goals, beliefs, plans, and objectives; competitive strengths; market developments; development and operation of facilities; growth in sales volume; meeting capacity requirements, including through RFPs; expansion of service to certain customers and service to new customers; future environmental regulations and remediation liabilities; electric customer credits; and the anticipated outcome of various regulatory and legal proceedings. 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 other storms or severe drought conditions); unscheduled generation outages; unanticipated maintenance or repairs; unanticipated changes to fuel costs; fuel supply costs or availability constraints due to higher demand, shortages, transportation problems, or other developments; fuel mix of Cleco’s generation facilities; decreased customer load; environmental incidents; environmental compliance costs; and 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 operate and maintain, within its projected costs, any self-build projects identified in future IRP and RFP processes and its participation in any government grants;
- § Dependence of Cleco Power for energy from sources other than its facilities and the uncertainty of future sources of such additional energy;
- § Nonperformance by and creditworthiness of counterparties under tolling and power purchase agreements, or the restructuring of those agreements, including possible termination;
- § Nonperformance by and creditworthiness of the guarantor counterparty of the U.S. Bank New Markets Tax Credit Fund 2008-1 LLC;
- § Regulatory factors such as changes in rate-setting policies, recovery of investments made under traditional regulation, recovery of storm restoration costs, the frequency and timing of rate increases or decreases, the results of periodic NERC audits and fuel audits, the formation of ICTs, and the compliance with the Electric Reliability Organization reliability standards for bulk power systems by Cleco Power and Evangeline;

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Financial or regulatory accounting principles or policies imposed by FASB, the SEC, the PCAOB, FERC, the LPSC, or similar entities with regulatory or accounting oversight;

§ Economic conditions, including the ability of customers to continue paying for utility bills, related growth and/or down-sizing of businesses in Cleco's service area, monetary fluctuations, changes in commodity prices, and inflation rates;

§ The current global and U.S. economic environment;

§ Credit ratings of Cleco Corporation and Cleco Power;

§ Ability to remain in compliance with debt covenants;

§ Changes in 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;

§ The availability and use of alternative sources of energy and technologies;

§ The imposition of energy efficiency requirements or of increased conservation efforts of customers;

§ Reliability of all Cleco Power and Midstream generating facilities, particularly Madison Unit 3;

§ Acts of terrorism or other man-made disasters;

§ 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;

§ Uncertain tax positions;

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

§ Legal, environmental, and regulatory delays and other obstacles associated with mergers, acquisitions, reorganizations, investments in joint ventures, or other capital projects, including the joint project to upgrade the Acadiana Load Pocket transmission system, and the AMI project;

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

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- § Changes in federal, state, or local laws, and changes in tax laws or rates, or regulating policies;
- § The impact of current or future environmental laws and regulations, including those related to greenhouse gases and energy efficiency, which could limit, or terminate, the operation of certain generating units, increase costs, reduce customer demand for electricity or otherwise materially adversely impact the Registrants' financial condition or results of operations;
- § Ability of Cleco Power to recover from its customers the costs of compliance with environmental laws and regulations; and
- § Ability of the Dolet Hills lignite reserve to provide sufficient fuel to the Dolet Hills Power Station until at least 2026.

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 the Registrants' Combined Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, and the Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2010. 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.

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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 2010. For additional information on the basis of presentation, see "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Operating revenue		
Electric operations	\$324,532	\$325,629
Tolling operations	9,133	11,153
Other operations	16,064	13,305
Affiliate revenue	-	119
Gross operating revenue	349,729	350,206
Electric customer credits	1,852	(6,314)
Operating revenue, net	351,581	343,892
Operating expenses		
Fuel used for electric generation	122,774	100,587
Power purchased for utility customers	24,739	51,678
Other operations	32,872	30,288
Maintenance	14,587	23,362
Depreciation	30,557	28,847
Taxes other than income taxes	9,845	9,123
Loss on sale of assets	27	20
Total operating expenses	235,401	243,905
Operating income	116,180	99,987
Interest income	509	128
Allowance for other funds used during construction	902	887
Equity (loss) income from investees, before tax	(1)	2,494
Other income	2,128	2,755
Other expense	(3,360)	(1,416)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	26,105	25,404
Allowance for borrowed funds used during construction	(326)	(336)
Total interest charges	25,779	25,068
Income before income taxes	90,579	79,767
Federal and state income tax expense	24,737	30,155
Net income	65,842	49,612
Preferred dividends requirements, net of tax	-	12
Net income applicable to common stock	\$65,842	\$49,600
Average number of basic common shares outstanding	60,467,595	60,471,183
Average number of diluted common shares outstanding	60,873,311	60,825,298
Basic earnings per share		
Net income applicable to common stock	\$1.09	\$0.82
Diluted earnings per share		
Net income applicable to common stock	\$1.08	\$0.82

Cash dividends paid per share of common stock	\$0.28	\$0.25
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The accompanying notes are an integral part of the condensed consolidated financial statements.

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Net income	\$65,842	\$49,612
Other comprehensive loss, net of tax:		
Amortization of post-retirement benefit net income (net of tax expense of \$178 in 2011 and \$6 in 2010)	269	9
Cash flow hedges:		
Net derivatives loss on interest rate swap arising during the period (net of tax benefit of \$145 in 2010)	-	(231)
Reclassification of interest expense on interest rate swap (net of tax expense of \$75 in 2010)	-	119
Reclassification of interest expense on treasury rate lock (net of tax benefit of \$34 in 2011 and \$16 in 2010)	(55)	(25)
Net unrealized loss on treasury rate lock (net of tax benefit of \$11,529 in 2011)	(18,433)	-
Total other comprehensive loss, net of tax	(18,219)	(128)
Comprehensive income, net of tax	\$47,623	\$49,484
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Operating revenue		
Electric operations	\$823,484	\$839,528
Tolling operations	16,137	23,016
Other operations	41,775	34,425
Affiliate revenue	202	1,426
Gross operating revenue	881,598	898,395
Electric customer credits	(3,405)	(6,314)
Operating revenue, net	878,193	892,081
Operating expenses		
Fuel used for electric generation	298,009	276,727
Power purchased for utility customers	58,665	124,404
Other operations	92,206	86,786
Maintenance	59,666	58,832
Depreciation	89,641	82,899
Taxes other than income taxes	28,770	26,490
Gain on sale of assets	(468)	(37)
Total operating expenses	626,489	656,101
Operating income	251,704	235,980
Interest income	794	369
Allowance for other funds used during construction	3,757	11,052
Income from equity investees, before tax	62,051	39,212
Gain on toll settlement	-	148,402
Other income	3,330	3,563
Other expense	(4,969)	(4,379)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	79,368	76,074
Allowance for borrowed funds used during construction	(1,357)	(4,054)
Total interest charges	78,011	72,020
Income before income taxes	238,656	362,179
Federal and state income tax expense	73,451	127,411
Net income	165,205	234,768
Preferred dividends requirements, net of tax	26	35
Preferred stock redemption costs, net of tax	112	-
Net income applicable to common stock	\$165,067	\$234,733
Average number of basic common shares outstanding	60,549,860	60,405,388
Average number of diluted common shares outstanding	60,830,251	60,632,138
Basic earnings per share		
Net income applicable to common stock	\$2.73	\$3.89
Diluted earnings per share		

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Net income applicable to common stock	\$2.71	\$3.87
Cash dividends paid per share of common stock	\$0.81	\$0.725

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

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Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Net income	\$ 165,205	\$ 234,768
Other comprehensive loss, net of tax:		
Amortization of post-retirement benefit net income (loss) (net of tax (expense) benefit of \$(454) in 2011 and \$6 in 2010)	910	(9)
Cash flow hedges:		
Net derivatives loss on interest rate swap arising during the period (net of tax benefit of \$276 in 2010)	-	(441)
Reclassification of interest expense on interest rate swap (net of tax expense of \$228 in 2010)	-	364
Reclassification of interest expense on treasury rate lock (net of tax benefit of \$103 in 2011 and \$48 in 2010)	(164)	(77)
Net unrealized loss on treasury rate lock (net of tax benefit of \$11,529 in 2011)	(18,433)	-
Total other comprehensive loss, net of tax	(17,687)	(163)
Comprehensive income, net of tax	\$ 147,518	\$ 234,605
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPTEMBER 30, 2011	AT DECEMBER 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 158,232	\$ 191,128
Restricted cash	3,554	14,959
Customer accounts receivable (less allowance for doubtful accounts of \$1,177 in 2011 and \$1,046 in 2010)	52,299	38,820
Accounts receivable - affiliate	-	831
Other accounts receivable (less allowance for doubtful accounts of \$1,985 in 2011 and \$2,409 in 2010)	49,290	52,546
Taxes receivable	36,705	50,104
Unbilled revenue	33,112	44,649
Fuel inventory, at average cost	38,070	82,737
Material and supplies inventory, at average cost	52,257	48,265
Accumulated deferred federal and state income taxes, net	25,057	4,106
Accumulated deferred fuel	9,162	10,348
Cash surrender value of company-/trust-owned life insurance policies	50,628	49,789
Prepayments	5,004	6,399
Regulatory assets - other	12,869	13,508
Other current assets	4,745	661
Total current assets	530,984	608,850
Property, plant and equipment		
Property, plant and equipment	3,859,621	3,810,896
Accumulated depreciation	(1,218,818)	(1,162,456)
Net property, plant and equipment	2,640,803	2,648,440
Construction work in progress	223,640	135,785
Total property, plant and equipment, net	2,864,443	2,784,225
Equity investment in investees	13,081	86,732
Prepayments	4,580	5,274
Restricted cash, less current portion	25,349	26,089
Regulatory assets and liabilities - deferred taxes, net	213,847	203,696
Regulatory assets - other	249,410	266,431
Net investment in direct financing lease	13,676	13,817
Intangible asset	136,393	145,374
Other deferred charges	19,778	20,922
Total assets	\$ 4,071,541	\$ 4,161,410

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

(Continued on next page)

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Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT SEPTEMBER 30, 2011	AT DECEMBER 31, 2010
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Short-term debt	\$ -	\$ 150,000
Long-term debt due within one year	13,108	12,269
Accounts payable	93,186	123,042
Retainage	3,231	2,726
Accounts payable - affiliate	-	155
Customer deposits	42,181	38,934
Provision for rate refund	3,917	9,598
Interest accrued	62,377	34,462
Energy risk management liability, net	5,159	9,027
Interest rate risk management liability	29,962	-
Regulatory liabilities - other	33,272	43,562
Deferred compensation	7,562	7,751
Uncertain tax positions	42,674	31,853
Other current liabilities	14,784	14,302
Total current liabilities	351,413	477,681
Deferred credits		
Accumulated deferred federal and state income taxes, net	624,429	553,211
Accumulated deferred investment tax credits	7,741	8,669
Post-retirement benefit obligations	109,865	166,387
Regulatory liabilities - other	7,026	44,313
Restricted storm reserve	24,656	25,993
Uncertain tax positions	47,715	60,395
Tax credit fund investment, net	48,494	44,514
Contingent sale obligations	29,443	4,714
Other deferred credits	44,070	57,617
Total deferred credits	943,439	965,813
Long-term debt, net	1,370,576	1,399,709
Total liabilities	2,665,428	2,843,203
Commitments and Contingencies (Note 11)		
Shareholders' equity		
Preferred stock		
Not subject to mandatory redemption, \$100 par value, authorized 1,491,900 shares, issued 0 and 10,288 shares at September 30, 2011 and December 31, 2010, respectively	-	1,029
Common shareholders' equity	60,684	60,540

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Common stock, \$1 par value, authorized 100,000,000 shares, issued 60,683,947 and 60,539,624 shares and outstanding 60,273,131 and 60,526,126 shares at September 30, 2011, and

December 31, 2010, respectively

Premium on common stock	409,040	405,313
Retained earnings	978,942	863,237
Treasury stock, at cost, 410,816 and 13,498 shares at September 30, 2011, and December 31, 2010, respectively	(13,228)	(274)
Accumulated other comprehensive loss	(29,325)	(11,638)
Total common shareholders' equity	1,406,113	1,317,178
Total shareholders' equity	1,406,113	1,318,207
Total liabilities and shareholders' equity	\$ 4,071,541	\$ 4,161,410

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

CLECO CORPORATION
CLECO POWER

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CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Operating activities		
Net income	\$ 165,205	\$ 234,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	114,104	124,144
Gain on forgiveness of debt	-	(129,870)
Return on equity investment in investee	58,665	-
Income from equity investments	(62,051)	(39,212)
Unearned compensation expense	6,065	3,947
Allowance for other funds used during construction	(3,757)	(11,052)
Net deferred income taxes	45,336	40,013
Deferred fuel costs	(6,422)	13,994
Cash surrender value of company-/trust-owned life insurance	1,055	(1,481)
Changes in assets and liabilities:		
Accounts receivable	(18,274)	(30,329)
Accounts and notes receivable, affiliate	1,074	894
Unbilled revenue	11,538	(23,359)
Fuel, materials and supplies inventory	40,675	(11,979)
Prepayments	2,089	1,047
Accounts payable	(34,986)	(13,277)
Accounts and notes payable, affiliate	(552)	(2,364)
Customer deposits	9,718	9,490
Long-term receivable	-	27,976
Post-retirement benefit obligations	(56,743)	503
Regulatory assets and liabilities, net	(40,204)	(77,331)
Contingent sale obligations	10,900	4,800
Other deferred accounts	(2,184)	7,363
Retainage payable	(2,481)	-
Taxes accrued	12,946	51,597
Interest accrued	10,738	9,606
Energy risk management assets and liabilities, net	3,880	6,340
Other operating	(3,692)	(3,860)
Net cash provided by operating activities	262,642	192,368
Investing activities		
Additions to property, plant and equipment	(145,669)	(252,711)
Allowance for other funds used during construction	3,757	11,052
Cash from reconsolidation of VIEs	3,879	812
Return of equity investment in investee	89,654	-
Equity investment in investees	-	(8,700)
Return of investment in tax credit fund	244	-

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Contributions to tax credit fund	(18,479)	(28,837)
Transfer of cash from restricted accounts	12,144	45,243
Other investing	373	(1,678)
Net cash used in investing activities	\$(54,097)	\$(234,819)

(Continued on next page)

CLECO CORPORATION
CLECO POWER

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CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Financing activities		
Issuance of short-term debt	\$-	\$ 150,000
Retirement of short-term debt	(150,000)	-
Draws on credit facility	10,000	255,000
Payments on credit facility	(25,000)	(350,000)
Retirement of long-term debt	(12,269)	(46,696)
Repurchase of common stock	(13,009)	-
Redemption of preferred stock	(1,039)	-
Dividends paid on preferred stock	(26)	(35)
Dividends paid on common stock	(49,170)	(43,848)
Other financing	(928)	673
Net cash used in financing activities	(241,441)	(34,906)
Net decrease in cash and cash equivalents	(32,896)	(77,357)
Cash and cash equivalents at beginning of period	191,128	145,193
Cash and cash equivalents at end of period	\$ 158,232	\$ 67,836
Supplementary cash flow information		
Interest paid (net of amount capitalized)	\$ 53,936	\$ 55,623
Income taxes paid	\$ 18,241	\$ 17,047
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant and equipment	\$ 11,491	\$ 5,314
Issuance of treasury stock - LTICP	\$ 55	\$ 74
Issuance of common stock - LTICP/ESPP	\$ 241	\$ 222
Non-cash additions to property, plant and equipment	\$ 4,074	\$ 152,067
Non-cash return of investment	\$-	\$ 152,067
Non-cash contribution to subsidiary, net of tax	\$-	\$ 225,732
The accompanying notes are an integral part of the condensed consolidated financial statements.		

CLECO CORPORATION
CLECO POWER

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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cleco Power

These unaudited condensed consolidated financial statements should be read in conjunction with Cleco Power's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2010. For additional information on the basis of presentation, see "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

CLECO CORPORATION
CLECO POWER

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CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Operating revenue		
Electric operations	\$ 324,532	\$ 325,629
Other operations	15,565	12,819
Affiliate revenue	347	343
Gross operating revenue	340,444	338,791
Electric customer credits	1,852	(6,314)
Operating revenue, net	342,296	332,477
Operating expenses		
Fuel used for electric generation	122,774	100,587
Power purchased for utility customers	24,739	51,678
Other operations	31,185	28,650
Maintenance	15,768	20,272
Depreciation	28,859	27,133
Taxes other than income taxes	8,802	9,161
(Gain) loss on sale of assets	(6)	7
Total operating expenses	232,121	237,488
Operating income	110,175	94,989
Interest income	276	117
Allowance for other funds used during construction	902	887
Other income	1,323	293
Other expense	(1,881)	(1,339)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	25,632	16,380
Allowance for borrowed funds used during construction	(326)	(336)
Total interest charges	25,306	16,044
Income before income taxes	85,489	78,903
Federal and state income tax expense	31,656	26,568
Net income	\$ 53,833	\$ 52,335

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

CLECO CORPORATION
CLECO POWER

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CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Net income	\$53,833	\$52,335
Other comprehensive loss, net of tax:		
Amortization of post-retirement benefit net income (loss) (net of tax (expense) benefit of \$(99) in 2011 and \$55 in 2010)	146	(89)
Cash flow hedges:		
Net derivatives loss on interest rate swap arising during the period (net of tax benefit of \$145 in 2010)	-	(231)
Reclassification of interest expense on interest rate swap (net of tax expense of \$75 in 2010)	-	119
Reclassification of interest expense on treasury rate lock (net of tax benefit of \$34 in 2011 and \$16 in 2010)	(55)	(25)
Net unrealized loss on treasury rate lock (net of tax benefit of \$11,529 in 2011)	(18,433)	-
Total other comprehensive loss, net of tax	(18,342)	(226)
Comprehensive income, net of tax	\$35,491	\$52,109
The accompanying notes are an integral part of the condensed consolidated financial statements.		

CLECO CORPORATION
CLECO POWER

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CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Operating revenue		
Electric operations	\$823,484	\$839,528
Other operations	40,261	32,959
Affiliate revenue	1,041	1,029
Gross operating revenue	864,786	873,516
Electric customer credits	(3,405)	(6,314)
Operating revenue, net	861,381	867,202
Operating expenses		
Fuel used for electric generation	298,009	276,727
Power purchased for utility customers	58,665	124,404
Other operations	87,086	81,111
Maintenance	53,962	51,697
Depreciation	84,543	77,941
Taxes other than income taxes	25,585	25,110
(Gain) loss on sale of assets	(7)	47
Total operating expenses	607,843	637,037
Operating income	253,538	230,165
Interest income	557	351
Allowance for other funds used during construction	3,757	11,052
Other income	2,168	1,038
Other expense	(4,499)	(3,619)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	75,386	61,158
Allowance for borrowed funds used during construction	(1,357)	(4,054)
Total interest charges	74,029	57,104
Income before income taxes	181,492	181,883
Federal and state income tax expense	61,935	58,299
Net income	\$119,557	\$123,584

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

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CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Net income	\$119,557	\$123,584
Other comprehensive loss, net of tax:		
Amortization of post-retirement benefit net income (loss) (net of tax (expense) benefit of \$(227) in 2011 and \$172 in 2010)	519	(274)
Cash flow hedges:		
Net derivatives loss on interest rate swap arising during the period (net of tax benefit of \$276 in 2010)	-	(441)
Reclassification of interest expense on interest rate swap (net of tax expense of \$228 in 2010)	-	364
Reclassification of interest expense on treasury rate lock (net of tax benefit of \$103 in 2011 and \$48 in 2010)	(164)	(77)
Net unrealized loss on treasury rate lock (net of tax benefit of \$11,529 in 2011)	(18,433)	-
Total other comprehensive loss, net of tax	(18,078)	(428)
Comprehensive income, net of tax	\$101,479	\$123,156
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPTEMBER 30, 2011	AT DECEMBER 31, 2010
Assets		
Utility plant and equipment		
Property, plant and equipment	\$ 3,604,938	\$ 3,552,779
Accumulated depreciation	(1,142,414)	(1,085,945)
Net property, plant and equipment	2,462,524	2,466,834
Construction work in progress	214,071	130,396
Total utility plant, net	2,676,595	2,597,230
Current assets		
Cash and cash equivalents	143,015	184,912
Restricted cash	3,554	14,959
Customer accounts receivable (less allowance for doubtful accounts of \$1,177 in 2011 and \$1,046 in 2010)	52,299	38,820
Accounts receivable - affiliate	2,802	2,738
Other accounts receivable (less allowance for doubtful accounts of \$1,924 in 2011 and \$2,349 in 2010)	29,323	47,992
Taxes receivable	-	4,123
Unbilled revenue	33,112	44,649
Fuel inventory, at average cost	38,070	82,737
Material and supplies inventory, at average cost	49,634	45,913
Accumulated deferred federal and state income taxes, net	38,248	2,811
Accumulated deferred fuel	9,162	10,348
Cash surrender value of company-owned life insurance policies	20,328	20,051
Prepayments	3,782	4,944
Regulatory assets - other	12,869	13,508
Other current assets	597	412
Total current assets	436,795	518,917
Equity investment in investee	13,073	13,073
Prepayments	4,580	5,274
Restricted cash, less current portion	25,253	25,992
Regulatory assets and liabilities - deferred taxes, net	213,847	203,696
Regulatory assets - other	249,410	266,431
Intangible asset	136,393	145,374
Other deferred charges	18,439	19,218
Total assets	\$ 3,774,385	\$ 3,795,205
Liabilities and member's equity		
Member's equity	\$ 1,235,402	\$ 1,233,923
Long-term debt, net	1,370,576	1,384,709
Total capitalization	2,605,978	2,618,632
Current liabilities		
Long-term debt due within one year	13,108	12,269

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Accounts payable	85,382	112,487
Retainage	3,231	2,726
Accounts payable - affiliate	7,332	7,945
Customer deposits	42,181	38,934
Provision for rate refund	3,917	9,598
Taxes payable	17,558	-
Interest accrued	31,825	13,450
Energy risk management liability, net	5,159	9,027
Interest rate risk management liability	29,962	-
Regulatory liabilities - other	33,272	43,562
Uncertain tax positions	2,602	-
Other current liabilities	12,080	9,862
Total current liabilities	287,609	259,860
Commitments and Contingencies (Note 11)		
Deferred credits		
Accumulated deferred federal and state income taxes, net	680,287	601,574
Accumulated deferred investment tax credits	7,741	8,669
Post-retirement benefit obligations	72,466	130,757
Regulatory liabilities - other	7,026	44,313
Restricted storm reserve	24,656	25,993
Uncertain tax positions	45,014	54,835
Other deferred credits	43,608	50,572
Total deferred credits	880,798	916,713
Total liabilities and member's equity	\$ 3,774,385	\$ 3,795,205
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010
Operating activities		
Net income	\$ 119,557	\$ 123,584
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	95,482	88,607
Unearned compensation expense	1,768	1,303
Allowance for other funds used during construction	(3,757)	(11,052)
Net deferred income taxes	35,174	20,628
Deferred fuel costs	(6,422)	13,994
Cash surrender value of company-owned life insurance	(277)	(236)
Changes in assets and liabilities:		
Accounts receivable	(20,442)	(31,579)
Accounts and notes receivable, affiliate	68	(1,977)
Unbilled revenue	11,538	(23,359)
Fuel, materials and supplies inventory	40,946	(11,707)
Prepayments	1,858	974
Accounts payable	(30,345)	(12,137)
Accounts and notes payable, affiliate	(1,386)	(18,524)
Customer deposits	9,718	9,490
Post-retirement benefit obligations	(58,259)	(1,020)
Regulatory assets and liabilities, net	(40,204)	(77,331)
Other deferred accounts	(6,361)	(4,021)
Retainage payable	(2,481)	-
Taxes accrued	21,680	20,858
Interest accrued	11,075	9,297
Energy risk management assets and liabilities, net	3,880	6,340
Other operating	1,878	(2,444)
Net cash provided by operating activities	184,688	99,688
Investing activities		
Additions to property, plant and equipment	(131,014)	(98,399)
Allowance for other funds used during construction	3,757	11,052
Equity investment in investee	-	(200)
Transfer of cash from restricted accounts	12,144	15,111
Other investing	2,257	(83)
Net cash used in investing activities	(112,856)	(72,519)
Financing activities		
Retirement of long-term debt	(12,269)	(11,533)
Distribution to parent	(100,000)	(125,000)
Other financing	(1,460)	(1,365)
Net cash used in financing activities	(113,729)	(137,898)

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Net decrease in cash and cash equivalents	(41,897)	(110,729)
Cash and cash equivalents at beginning of period	184,912	138,113
Cash and cash equivalents at end of period	\$143,015	\$27,384
Supplementary cash flow information		
Interest paid (net of amount capitalized)	\$52,220	\$48,155
Income taxes paid (refunded)	\$2,233	\$(5,425)
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant and equipment	\$20,088	\$4,757
Non-cash additions to property, plant and equipment	\$4,074	\$304,134
Non-cash assumption of deferred tax liability	\$-	\$78,402
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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Index to Applicable Notes to the Unaudited Condensed Consolidated Financial Statements of Registrants

Note 1 Summary of Significant Accounting Policies	Cleco Corporation and Cleco Power
Note 2 Recent Authoritative Guidance	Cleco Corporation and Cleco Power
Note 3 Regulatory Assets and Liabilities	Cleco Corporation and Cleco Power
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Note 5 Debt	Cleco Corporation and Cleco Power
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Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements of Cleco include the accounts of Cleco and its majority owned subsidiaries after elimination of intercompany accounts and transactions.

Prior to April 30, 2011, Cleco reported its investment in Cajun on the equity method of accounting. In conjunction with the disposition of Acadia Unit 2 to Entergy Louisiana, APH received 100% ownership in Acadia in exchange for its 50% ownership interest in Cajun, and Acadia became a consolidated subsidiary of APH. Following the

disposition, Acadia's assets, liabilities, revenues, expenses, and cash flows are presented on the corresponding line items of Cleco's Condensed Consolidated Financial Statements, prospectively. For additional information on the Acadia Unit 2 transaction, see Note 15 — "Acadia Transactions — Acadia Unit 2."

Cleco and Cleco Power report the investment in Oxbow on the equity method of accounting. Under the equity method, the assets and liabilities of this entity are reported as equity investment in investees on Cleco and Cleco Power's Condensed Consolidated Balance Sheets. The revenue and expenses of this entity are netted and reported as equity income or loss from investees on Cleco and Cleco Power's Condensed Consolidated Statements of Income. For additional information on the operations of these entities, see Note 10 — "Variable Interest Entities."

Basis of Presentation

The condensed consolidated financial statements of Cleco Corporation and Cleco Power have been prepared pursuant to the rules and regulations of the SEC. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted; however, Cleco believes that the disclosures are adequate to make the information presented not misleading.

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The unaudited financial information included in the condensed consolidated financial statements of Cleco Corporation and Cleco Power reflects all adjustments of a normal recurring nature which are, in the opinion of the management of Cleco Corporation and Cleco Power, necessary for a fair statement of the financial position and the results of operations for the interim periods. Information for interim periods is affected by seasonal variations in sales, rate changes, timing of fuel expense recovery, and other factors, and is not indicative necessarily of the results that may be expected for the full fiscal year. For additional information on recent authoritative guidance and its effect on financial results, see Note 2 — "Recent Authoritative Guidance."

Property, Plant and Equipment

Property, plant and equipment consist primarily of regulated utility generation and energy transmission assets. Regulated assets, utilized primarily for retail operations and electric transmission and distribution, are stated at the cost of construction, which includes certain materials, labor, payroll taxes and benefits, administrative and general costs, and the estimated cost of funds used during construction. Jointly owned assets are reflected in property, plant and equipment at Cleco Power's share of the cost to construct or purchase the assets.

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Property, plant and equipment consist of:

(THOUSANDS)	AT SEPTEMBER 30, 2011	AT DECEMBER 31, 2010
Regulated utility plants	\$ 3,604,938	\$ 3,552,054
Other	254,683	258,842
Total property, plant and equipment	3,859,621	3,810,896
Accumulated depreciation	(1,218,818)	(1,162,456)
Net property, plant and equipment	\$ 2,640,803	\$ 2,648,440

Restricted Cash

Various agreements to which Cleco is subject contain covenants that restrict its use of cash. As certain provisions under these agreements are met, cash is transferred out of related escrow accounts and becomes available for its intended purposes and/or general corporate purposes. Cleco's restricted cash consisted of:

(THOUSANDS)	AT SEPTEMBER 30, 2011	AT DECEMBER 31, 2010
Diversified Lands' mitigation escrow	\$ 97	\$ 97
Cleco Power's future storm restoration costs	24,652	25,992
Cleco Power's renewable energy grant	600	-
Cleco Katrina/Rita's storm recovery bonds	3,554	8,822
Cleco Power's GO Zone bonds	-	6,137
Total restricted cash	\$ 28,903	\$ 41,048

Cleco Katrina/Rita has the right to bill and collect storm restoration costs from Cleco Power's customers. As cash is collected, it is restricted for payment of operating expenses, interest, and principal on storm recovery bonds. During 2011, Cleco Katrina/Rita has collected \$14.5 million net of operating expenses. In March and September 2011, Cleco Katrina/Rita used \$6.3 million and \$6.0 million, respectively for scheduled storm recovery bond principal payments and \$3.8 million and \$3.7 million, respectively for related interest. In 2011, Cleco Power received a renewable energy grant from the Louisiana Department of Natural Resources.

Fair Value Measurements and Disclosures

Various accounting pronouncements require certain assets and liabilities to be measured at their fair values. Some assets and liabilities are required to be measured at their fair value each reporting period, while others are required to be measured only one time, generally the date of acquisition or debt issuance. Cleco and Cleco Power are required to disclose the fair value of certain assets and liabilities by one of three levels when required for recognition purposes under GAAP. Other financial assets and liabilities, such as long-term debt, are reported at their carrying values at their date of issuance on the condensed consolidated balance sheets with their fair values disclosed without regard to the three levels. For additional information about fair value levels, see Note 4 — "Fair Value Accounting."

Risk Management

Market risk inherent in Cleco Power's market risk-sensitive instruments and positions includes potential changes arising from changes in interest rates and the commodity market prices of power and natural gas on different energy exchanges.

Commodity Market Price Risk

Cleco's Energy Market Risk Management Policy authorizes the use of various derivative instruments, including exchange traded futures and option contracts, forward purchase and sales contracts, and swap transactions to reduce exposure to fluctuations in the price of power and natural gas. Cleco applies the authoritative guidance as it relates to derivatives and hedging to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market. Generally, Cleco Power's market risk-sensitive instruments and positions qualify for the normal-purchase, normal-sale exception to mark-to-market accounting because Cleco Power takes physical delivery and the instruments and positions are used to satisfy customer requirements. Cleco Power entered into certain financial transactions it considered economic hedges to mitigate the risk associated with a contract for fixed-price power provided to a wholesale customer through December 2010. These transactions were marked-to-market with the resulting gain or loss recorded on the income statement as a component of operating revenue. The contract expired on December 31, 2010 along with the economic hedges; therefore, no gain or loss related to the economic hedges was recorded during the three and nine months ended September 30, 2011. For the three and nine months ended September 30, 2010, Cleco Power had realized losses of \$0.3 million and \$0.8 million and mark-to-market gains of \$0.2 million for both periods recorded in other operations revenue.

Cleco Power has entered into other positions to mitigate the volatility in customer fuel costs. These positions are marked-to-market with the resulting gain or loss recorded on the balance sheet as a component of energy risk management assets or liabilities. Such gain or loss is deferred as a component of deferred fuel assets or liabilities. When these positions close, actual gains or losses will be included in the fuel adjustment clause and reflected on customers' bills as a component of the fuel cost adjustment. Based on market prices at September 30, 2011, and December 31, 2010, the net mark-to-market impact relating to these positions were losses of \$5.7 million and \$15.1 million, respectively. Deferred losses relating to closed natural gas positions totaled \$1.3 million and \$1.6 million at September 30, 2011, and December 31, 2010, respectively.

Cleco Power maintains margin accounts with commodity brokers used to partially fund the acquisition of natural gas futures, options, and swap contracts. These contracts/positions are used to mitigate the risks associated with the volatility in customer fuel costs noted above. At September 30, 2011, and December 31, 2010, Cleco Power had deposited net collateral of \$0.5 million and \$4.3 million, respectively, to cover requirements relating to open natural gas futures, options, and swap positions. The current and long-term portions of collateral are reported as a component of energy risk management assets or liabilities and other deferred credits, respectively.

Cleco and Cleco Power maintain a master netting agreement policy and monitor credit risk exposure through review of counterparty credit quality, counterparty credit exposure, and

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counterparty concentration levels. Cleco manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and by requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Cleco Power has agreements in place with various counterparties that authorize the netting of financial buys and sells and contract payments to mitigate credit risk for transactions entered into for risk management purposes.

Interest Rate Risk

In August 2011, Cleco Power entered into a treasury rate lock contract in order to mitigate the interest rate exposure on coupon payments related to a forecasted debt issuance. The notional amount of the treasury rate lock is \$150.0 million, with a pricing date of November 14, 2011 or the date of issuance of the debt, whichever is earlier. The treasury rate lock meets the criteria of a cash flow hedge under the authoritative guidance as it relates to derivatives and hedging. The 3.77% rate lock was based on the 30-year treasury note yield as of August 12, 2011. At September 30, 2011, the 30-year treasury note yield was 2.89%, which resulted in Cleco Power recognizing a \$30.0 million unrealized mark-to-market loss in other comprehensive income for the three and nine months ended September 30, 2011. The offsetting liability was recorded on Cleco Corporation and Cleco Power's Condensed Consolidated Balance Sheets as an interest rate risk management liability. There was no impact to earnings due to ineffectiveness for the three and nine months ended September 30, 2011. Management determined that the forecasted debt issuance is probable of occurring before or on November 14, 2011, and in an amount at least equal to the treasury rate lock contract's notional amount. When the forecasted debt issuance occurs and the treasury rate lock contract is settled, the effective portion of the settlement will be recognized in accumulated other comprehensive income and any ineffective portion will be reclassified into the income statement.

For additional information on accounting for derivatives, see Note 4 — "Fair Value Accounting."

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform them to the presentation used in the 2011 financial statements. These reclassifications had no effect on Cleco Corporation's net income applicable to common stock or total common shareholder's equity or Cleco Power's net income or total member's equity.

The Registrants determined that an error existed in the statement of cash flow methodology for determining non-cash transactions related to property, plant and equipment, specifically the dollar amount of property, plant and equipment acquisitions included in accounts payable. This caused errors between the operating activities section and investing activities section for prior periods, including 2008, 2009, and 2010.

Cleco and Cleco Power's Condensed Consolidated Statements of Cash Flows for the period ended September 30, 2010, have been adjusted to correct the presentation of cash flows related to accruals for property, plant and equipment. These corrections had no impact on the Registrants' financial condition or results of operations. Management believes that these corrections did not have a material effect on the Registrants' Condensed Consolidated Statements of Cash Flows. The corrections to the September 30, 2010 Condensed Consolidated Statements of Cash Flows are presented in the following table.

	CLECO FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010		CLECO POWER FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010	
	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
(THOUSANDS)				
Accounts receivable	\$(49,329)	\$ (30,329)	\$(50,579)	\$ (31,579)
Accounts payable	\$(17,248)	\$ (13,277)	\$(16,621)	\$ (12,137)

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Retainage payable	\$745	\$ -	\$745	\$ -
Net cash provided by operating activities	\$170,141	\$ 192,368	\$76,949	\$ 99,688
Additions to property, plant and equipment	\$(230,485)	\$(252,711)	\$(75,660)	\$(98,399)
Net cash used in investing activities	\$(212,592)	\$(234,819)	\$(49,780)	\$(72,519)
Net decrease in cash and cash equivalents	\$(77,357)	\$(77,357)	\$(110,729)	\$(110,729)
Cash and cash equivalents at the beginning of the period	\$145,193	\$ 145,193	\$138,113	\$ 138,113
Cash and cash equivalents at the end of the period	\$67,836	\$ 67,836	\$27,384	\$ 27,384
Accrued additions to property, plant and equipment	\$17,506	\$ 5,314	\$17,506	\$ 4,757

CLECO CORPORATION
CLECO POWER

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Earnings per Average Common Share

The following table shows the calculation of basic and diluted earnings per share.

(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,					
	INCOME	SHARES	2011 PER SHARE AMOUNT	INCOME	SHARES	2010 PER SHARE AMOUNT
Income from continuing operations	\$65,842			\$49,612		
Deduct: non-participating stock dividends (4.5% preferred stock)	-			12		
Basic net income applicable to common stock	\$65,842	60,467,595	\$1.09	\$49,600	60,471,183	\$0.82
Effect of dilutive securities						
Add: stock option grants		20,441			26,680	
Add: restricted stock (LTICP)		385,275			327,435	
Diluted net income applicable to common stock	\$65,842					