CLECO POWER LLC
Form 10-Q
July 31, 2012

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012
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 (Address of principal executive offices)	71360-5226 (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 x No o

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 x No o

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 x Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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 o Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o

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

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 July 26, 2012
Cleco Corporation	Common Stock, $1.00 Par Value	60,714,810

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.

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. Prior to February 2010, Acadia Unit 1 was owned by Acadia.
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 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. 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.
CSAPR	The Cross-State Air Pollution Rule
Cleco Innovations LLC	A wholly owned subsidiary of Cleco Corporation
Cleco Katrina/Rita	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power
Coughlin	Coughlin Power Station, a combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana.
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
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010.
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
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream
Evangeline 2010 Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and JPMVEC, which was executed in February 2010 and expired on December 31, 2011
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 (an indirect wholly owned subsidiary of JPMorgan Chase & Co.) 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 May 31, 2001

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.
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
Not Meaningful	A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000%
NO_x	Nitrogen oxides
OCI	Other Comprehensive Income
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)
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
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
SERP	Cleco Corporation Supplemental Executive Retirement Plan
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.
USB NMTC Fund 2008-1 LLC	Fund formed to hold new markets tax credits and solar credits for the benefit of Cleco Corporation.
VaR	Value-at-risk
VIE	Variable Interest Entity

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, 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 recover costs incurred on projects funded, in whole or in part, through government grants,
- Cleco Power’s ability to maintain its right to sell wholesale generation at market-based rates within its control area,
- 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 power purchase agreements, or the restructuring of those agreements, including possible termination,
- nonperformance by and creditworthiness of the guarantor counterparty of the USB NMTC 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 and LPSC audits, the formation of ICTs, including possible participation in an RTO and Cleco Power’s ability to recover related transmission upgrade costs, and the compliance with the Electric Reliability Organization reliability standards for bulk power systems by Cleco Power and Evangeline,
- 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 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,
- 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,

- 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 Cleco Power and Midstream generating facilities,
- 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,
- changes in tax laws or disallowances of uncertain tax positions that may result in a change to tax benefits or expenses,
- 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,
- 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

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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 Dolet Hills lignite reserve to provide sufficient fuel to the Dolet Hills Power Station until at least 2026.

For more 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2011. 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

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, 2011. For more 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

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED JUNE 30, 2012	2011
Operating revenue		
Electric operations	$228,293	$260,485
Tolling operations	—	4,222
Other operations	12,111	12,983
Affiliate revenue	—	55
Gross operating revenue	240,404	277,745
Electric customer credits	(281)	(4,822)
Operating revenue, net	240,123	272,923
Operating expenses		
Fuel used for electric generation	54,999	78,268
Power purchased for utility customers	16,068	26,068
Other operations	28,688	31,080
Maintenance	24,184	28,269
Depreciation	32,250	30,699
Taxes other than income taxes	9,713	9,464
Gain on sale of assets	(22)	(506)
Total operating expenses	165,880	203,342
Operating income	74,243	69,581
Interest income	(3)	170
Allowance for other funds used during construction	1,399	876
Equity income from investees, before tax	—	61,440
Other income	13,014	1,050
Other expense	(831)	(630)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	21,094	25,935
Allowance for borrowed funds used during construction	(478)	(316)
Total interest charges	20,616	25,619
Income before income taxes	67,206	106,868
Federal and state income tax expense	20,520	36,520
Net income	46,686	70,348
Preferred dividends requirements	—	15
Preferred stock redemption costs	—	112
Net income applicable to common stock	$46,686	$70,221
Average number of basic common shares outstanding	60,421,028	60,655,538
Average number of diluted common shares outstanding	60,660,702	61,023,439
Basic earnings per share		
Net income applicable to common stock	$0.77	$1.16
Diluted earnings per share		
Net income applicable to common stock	$0.77	$1.15
Cash dividends paid per share of common stock	$0.3125	$0.28

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

CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011
Net income	$46,686	$70,348
Other comprehensive (loss) income, net of tax:		
Amortization of postretirement benefit net loss (net of tax expense of $266 in 2012 and $127 in 2011)	525	304
Cash flow hedges:		
Net derivative loss (net of tax benefit of $2,382 in 2012)	(3,809)	—
Reclassification of net loss (gain) to interest charges (net of tax expense of $22 in 2012 and tax benefit of $34 in 2011)	35	(55)
Total other comprehensive (loss) income, net of tax	(3,249)	249
Comprehensive income, net of tax	$43,437	$70,597

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 30,	
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	2012	2011
Operating revenue		
Electric operations	$437,883	$498,953
Tolling operations	—	7,003
Other operations	23,056	25,711
Affiliate revenue	—	202
Gross operating revenue	460,939	531,869
Electric customer credits	1,955	(5,256)
Operating revenue, net	462,894	526,613
Operating expenses		
Fuel used for electric generation	128,063	175,236
Power purchased for utility customers	24,705	35,116
Other operations	56,385	58,146
Maintenance	41,419	45,078
Depreciation	64,097	60,512
Taxes other than income taxes	19,743	18,924
Gain on sale of assets	(55)	(496)
Total operating expenses	334,357	392,516
Operating income	128,537	134,097
Interest income	31	285
Allowance for other funds used during construction	2,416	2,854
Equity income from investees, before tax	1	62,052
Other income	22,389	2,254
Other expense	(1,486)	(1,233)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	42,062	53,263
Allowance for borrowed funds used during construction	(822)	(1,031)
Total interest charges	41,240	52,232
Income before income taxes	110,648	148,077
Federal and state income tax expense	33,930	48,714
Net income	76,718	99,363
Preferred dividends requirements	—	26
Preferred stock redemption costs	—	112
Net income applicable to common stock	$76,718	$99,225
Average number of basic common shares outstanding	60,387,388	60,613,371
Average number of diluted common shares outstanding	60,625,377	60,797,545
Basic earnings per share		
Net income applicable to common stock	$1.27	$1.64
Diluted earnings per share		
Net income applicable to common stock	$1.27	$1.63
Cash dividends paid per share of common stock	$0.625	$0.53

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 30,	
(THOUSANDS)	2012	2011
Net income	$76,718	$99,363
Other comprehensive income, net of tax:		
Amortization of postretirement benefit net loss (net of tax expense of $431 in 2012 and $276 in 2011)	888	640
Cash flow hedges:		
Net derivative loss (net of tax benefit of $591 in 2012)	(944)	—
Reclassification of net loss (gain) to interest charges (net of tax expense of $22 in 2012 and tax benefit of $68 in 2011)	35	(109)
Reclassification of ineffectiveness to regulatory asset (net of tax expense of $982 in 2012)	1,570	—
Total other comprehensive income, net of tax	1,549	531
Comprehensive income, net of tax	$78,267	$99,894

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

CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$23,693	$93,576
Restricted cash	8,091	8,761
Customer accounts receivable (less allowance for doubtful accounts of $863 in 2012 and $1,128 in 2011)	36,614	37,813
Other accounts receivable (less allowance for doubtful accounts of $26 in 2012 and $8 in 2011)	37,530	42,051
Taxes receivable	13,308	44,584
Unbilled revenue	35,833	30,129
Fuel inventory, at average cost	50,336	41,845
Material and supplies inventory, at average cost	55,202	53,714
Energy risk management assets, net	152	—
Accumulated deferred federal and state income taxes, net	45,496	29,249
Accumulated deferred fuel	2,013	2,136
Cash surrender value of company-/trust-owned life insurance policies	54,248	51,073
Prepayments	5,325	5,384
Regulatory assets - other	12,961	13,028
Other current assets	437	3,442
Total current assets	381,239	456,785
Property, plant, and equipment		
Property, plant, and equipment	4,059,455	4,023,655
Accumulated depreciation	(1,273,802)	(1,230,783)
Net property, plant, and equipment	2,785,653	2,792,872
Construction work in progress	149,739	101,027
Total property, plant, and equipment, net	2,935,392	2,893,899
Equity investment in investees	14,541	14,540
Prepayments	4,587	4,770
Restricted cash, less current portion	27,544	27,067
Regulatory assets and liabilities - deferred taxes, net	216,814	214,421
Regulatory assets - other	259,241	269,444
Net investment in direct financing lease	13,551	13,633
Intangible asset	127,223	133,595
Other deferred charges	23,376	22,048
Total assets	$4,003,508	$4,050,202

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

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CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	$88,540	$24,258
Accounts payable	90,549	129,308
Customer deposits	44,690	43,091
Provision for rate refund	7,259	7,323
Interest accrued	14,524	22,642
Energy risk management liability, net	—	5,336
Interest rate risk management liability	4,866	3,330
Regulatory liabilities - other	25,995	33,019
Deferred compensation	9,254	8,302
Uncertain tax positions	11,000	27,239
Other current liabilities	14,902	17,154
Total current liabilities	311,579	321,002
Deferred credits		
Accumulated deferred federal and state income taxes, net	705,970	649,926
Accumulated deferred investment tax credits	6,842	7,432
Postretirement benefit obligations	136,825	133,274
Regulatory liabilities - other	123	7,303
Restricted storm reserve	25,738	24,880
Uncertain tax positions	1,942	23,494
Tax credit fund investment, net	74,263	61,507
Contingent sale obligations	10,350	29,357
Other deferred credits	29,175	35,114
Total deferred credits	991,228	972,287
Long-term debt, net	1,244,434	1,337,056
Total liabilities	2,547,241	2,630,345
Commitments and Contingencies (Note 11)		
Shareholders' equity		
Common shareholders' equity		
Common stock, $1 par value, authorized 100,000,000 shares, issued 60,949,080 and 60,702,342 shares and outstanding 60,342,238 and 60,291,939 shares at June 30, 2012, and December 31, 2011, respectively	60,949	60,702
Premium on common stock	413,848	409,904
Retained earnings	1,029,160	990,605
Treasury stock, at cost, 606,842 and 410,403 shares at June 30, 2012, and December 31, 2011, respectively	(21,100)	(13,215)
Accumulated other comprehensive loss	(26,590)	(28,139)
Total shareholders' equity	1,456,267	1,419,857
Total liabilities and shareholders' equity	$4,003,508	$4,050,202

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

CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011
Operating activities		
Net income	$76,718	$99,363
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,963	96,217
Return on equity investment in investees	—	58,665
Income from equity investments	(1)	(62,052)
Unearned compensation expense	2,912	3,795
Allowance for other funds used during construction	(2,416)	(2,854)
Net deferred income taxes	(3,542)	8,292
Deferred fuel costs	(4,670)	(16,077)
Cash surrender value of company-/trust-owned life insurance	(1,486)	(1,343)
Changes in assets and liabilities:		
Accounts receivable	(1,620)	(19,685)
Unbilled revenue	(5,704)	3,892
Fuel, materials and supplies inventory	(9,978)	34,437
Prepayments	242	1,585
Accounts payable	(41,841)	(8,005)
Customer deposits	5,860	6,426
Postretirement benefit obligations	4,167	(57,640)
Regulatory assets and liabilities, net	(8,207)	(18,531)
Contingent sale obligations	—	10,900
Other deferred accounts	(7,322)	2
Taxes accrued	31,039	9,187
Interest accrued	(5,109)	(637)
Energy risk management assets and liabilities, net	(174)	1,990
Other operating	1,480	872
Net cash provided by operating activities	103,311	148,799
Investing activities		
Additions to property, plant, and equipment	(102,278)	(67,050)
Allowance for other funds used during construction	2,416	2,854
Property, plant, and equipment grants	4,603	760
Insurance reimbursement for casualty loss	5,454	—
Cash from reconsolidation of VIEs	—	3,879
Return of equity investment in investees	—	89,654
Return of equity investment in tax credit fund	22,210	244
Contributions to tax credit fund	(31,326)	(18,479)
Transfer of cash from restricted accounts	192	5,849
Other investing	(1,096)	(431)
Net cash (used in) provided by investing activities	(99,825)	17,280

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CLECO CORPORATION

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

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011
Financing activities		
Retirement of short-term debt	—	(150,000)
Draws on credit facility	—	10,000
Payments on credit facility	(10,000)	(15,000)
Issuance of long-term debt	50,000	—
Retirement of long-term debt	(67,957)	(6,283)
Repurchase of common stock	(8,007)	—
Dividends paid on common stock	(38,077)	(32,168)
Other financing	672	(1,630)
Net cash used in financing activities	(73,369)	(195,081)
Net decrease in cash and cash equivalents	(69,883)	(29,002)
Cash and cash equivalents at beginning of period	93,576	191,128
Cash and cash equivalents at end of period	$23,693	$162,126
Supplementary cash flow information		
Interest paid (net of amount capitalized)	$40,320	$44,170
Income taxes paid, net	$13	$13,486
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant, and equipment	$6,816	$15,604
Issuance of common stock – ESPP	$86	$157

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

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, 2011. For more 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 POWER

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED JUNE 30, 2012	2011
Operating revenue		
Electric operations	$228,293	$260,485
Other operations	11,613	12,453
Affiliate revenue	342	348
Gross operating revenue	240,248	273,286
Electric customer credits	(281)	(4,822)
Operating revenue, net	239,967	268,464
Operating expenses		
Fuel used for electric generation	54,695	78,268
Power purchased for utility customers	22,367	26,068
Other operations	27,243	29,321
Maintenance	19,630	22,581
Depreciation	30,559	28,996
Taxes other than income taxes	8,682	8,396
Gain on sale of assets	(1)	—
Total operating expenses	163,175	193,630
Operating income	76,792	74,834
Interest income	(6)	168
Allowance for other funds used during construction	1,399	876
Other income	1,228	644
Other expense	(823)	(627)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	21,283	24,638
Allowance for borrowed funds used during construction	(478)	(316)
Total interest charges	20,805	24,322
Income before income taxes	57,785	51,573
Federal and state income tax expense	20,501	15,879
Net income	$37,284	$35,694

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

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED JUNE 30, 2012	2011
Net income	$37,284	$35,694
Other comprehensive (loss) income, net of tax:		
Amortization of postretirement benefit net loss (net of tax expense of $89 in 2012 and $65 in 2011)	226	188
Cash flow hedges:		
Net derivative loss (net of tax benefit of $2,382 in 2012)	(3,809)	—
Reclassification of net loss (gain) to interest charges (net of tax expense of $22 in 2012 and tax benefit of $34 in 2011)	35	(55)
Total other comprehensive (loss) income, net of tax	(3,548)	133
Comprehensive income, net of tax	$33,736	$35,827

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

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011
Operating revenue		
Electric operations	$437,883	$498,953
Other operations	22,062	24,696
Affiliate revenue	687	694
Gross operating revenue	460,632	524,343
Electric customer credits	1,955	(5,256)
Operating revenue, net	462,587	519,087
Operating expenses		
Fuel used for electric generation	127,759	175,236
Power purchased for utility customers	32,239	35,116
Other operations	53,585	54,711
Maintenance	35,644	38,194
Depreciation	60,648	57,111
Taxes other than income taxes	17,614	16,783
Gain on sale of assets	(1)	(1)
Total operating expenses	327,488	377,150
Operating income	135,099	141,937
Interest income	23	281
Allowance for other funds used during construction	2,416	2,854
Other income	2,323	844
Other expense	(1,473)	(1,190)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	40,113	49,754
Allowance for borrowed funds used during construction	(822)	(1,031)
Total interest charges	39,291	48,723
Income before income taxes	99,097	96,003
Federal and state income tax expense	35,008	30,279
Net income	$64,089	$65,724

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

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE SIX MONTHS ENDED JUNE 30, 2012	2011
Net income	$64,089	$65,724
Other comprehensive income, net of tax:		
Amortization of postretirement benefit net loss (net of tax expense of $163 in 2012 and $128 in 2011)	430	373
Cash flow hedges:		
Net derivative loss (net of tax benefit of $591 in 2012)	(944)	—
Reclassification of net loss (gain) to interest charges (net of tax expense of $22 in 2012 and tax benefit of $68 in 2011)	35	(109)
Reclassification of ineffectiveness to regulatory asset (net of tax expense of $982 in 2012)	1,570	—
Total other comprehensive income, net of tax	1,091	264
Comprehensive income, net of tax	$65,180	$65,988

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

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Assets		
Utility plant and equipment		
Property, plant, and equipment	$3,792,113	$3,759,541
Accumulated depreciation	(1,192,655)	(1,153,004)
Net property, plant, and equipment	2,599,458	2,606,537
Construction work in progress	148,185	97,595
Total utility plant, net	2,747,643	2,704,132
Current assets		
Cash and cash equivalents	10,236	67,458
Restricted cash	8,091	8,761
Customer accounts receivable (less allowance for doubtful accounts of $863 in 2012 and $1,128 in 2011)	36,614	37,813
Accounts receivable - affiliate	4,051	2,405
Other accounts receivable (less allowance for doubtful accounts of $26 in 2012 and $8 in 2011)	37,448	35,618
Taxes receivable	—	3,197
Unbilled revenue	35,833	30,129
Fuel inventory, at average cost	50,336	41,845
Material and supplies inventory, at average cost	52,567	51,132
Energy risk management asset, net	152	—
Accumulated deferred federal and state income taxes, net	9,593	19,829
Accumulated deferred fuel	2,013	2,136
Cash surrender value of company-owned life insurance policies	20,642	20,433
Prepayments	4,233	4,155
Regulatory assets - other	12,961	13,028
Other current assets	—	375
Total current assets	284,770	338,314
Equity investment in investee	14,532	14,532
Prepayments	4,587	4,770
Restricted cash, less current portion	27,448	26,970
Regulatory assets and liabilities - deferred taxes, net	216,814	214,421
Regulatory assets - other	259,241	269,444
Intangible asset	127,223	133,595
Other deferred charges	22,528	20,293
Total assets	$3,704,786	$3,726,471

(Continued on next page)

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Liabilities and member's equity		
Member's equity	$1,256,043	$1,230,862
Long-term debt, net	1,244,434	1,327,056
Total capitalization	2,500,477	2,557,918
Current liabilities		
Long-term debt due within one year	88,540	24,258
Accounts payable	83,299	115,091
Accounts payable - affiliate	11,172	9,311
Customer deposits	44,690	43,091
Provision for rate refund	7,259	7,323
Taxes payable	14,797	—
Interest accrued	16,133	22,540
Energy risk management liability, net	—	5,336
Interest rate risk management liability	4,866	3,330
Regulatory liabilities - other	25,995	33,019
Uncertain tax positions	11,262	27,465
Other current liabilities	10,667	11,193
Total current liabilities	318,680	301,957
Commitments and Contingencies (Note 11)		
Deferred credits		
Accumulated deferred federal and state income taxes, net	727,526	675,835
Accumulated deferred investment tax credits	6,842	7,432
Postretirement benefit obligations	97,197	94,147
Regulatory liabilities - other	123	7,303
Restricted storm reserve	25,738	24,880
Uncertain tax positions	—	19,906
Other deferred credits	28,203	37,093
Total deferred credits	885,629	866,596
Total liabilities and member's equity	$3,704,786	$3,726,471

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

CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011
Operating activities		
Net income	$64,089	$65,724
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	66,482	62,768
Unearned compensation expense	688	1,108
Allowance for other funds used during construction	(2,416)	(2,854)
Net deferred income taxes	19,830	20,577
Deferred fuel costs	(4,670)	(16,077)
Cash surrender value of company-owned life insurance	(208)	(88)
Changes in assets and liabilities:		
Accounts receivable	(2,468)	(20,541)
Accounts and notes receivable, affiliate	(1,439)	333
Unbilled revenue	(5,704)	3,892
Fuel, materials and supplies inventory	(9,926)	34,660
Prepayments	104	1,379
Accounts payable	(36,382)	(7,133)
Accounts and notes payable, affiliate	1,351	(569)
Customer deposits	5,860	6,426
Postretirement benefit obligations	3,103	(58,678)
Regulatory assets and liabilities, net	(8,207)	(18,531)
Other deferred accounts	(10,363)	(1,499)
Taxes accrued	17,972	(2,834)
Interest accrued	(3,191)	(372)
Energy risk management assets and liabilities, net	(174)	1,990
Other operating	(819)	2,076
Net cash provided by operating activities	93,512	71,757
Investing activities		
Additions to property, plant, and equipment	(99,392)	(59,422)
Allowance for other funds used during construction	2,416	2,854
Property, plant, and equipment grants	4,603	760
Transfer of cash from restricted accounts	192	5,849
Other investing	597	400
Net cash used in investing activities	(91,584)	(49,559)
Financing activities		
Issuance of long-term debt	50,000	—
Retirement of long-term debt	(67,957)	(6,283)
Distribution to parent	(40,000)	(50,000)
Other financing	(1,193)	(986)
Net cash used in financing activities	(59,150)	(57,269)
Net decrease in cash and cash equivalents	(57,222)	(35,071)
Cash and cash equivalents at beginning of period	67,458	184,912
Cash and cash equivalents at end of period	$10,236	$149,841

Supplementary cash flow information		
Interest paid (net of amount capitalized)	$40,248	$42,473
Income taxes paid, net	$—	$2,233
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant, and equipment	$6,609	$21,337

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

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

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.

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 more 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. Property, plant, and equipment consisted of:

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Regulated utility plants	$3,792,113	$3,759,541
Other	267,342	264,114
Total property, plant, and equipment	4,059,455	4,023,655
Accumulated depreciation	(1,273,802)	(1,230,783)
Net property, plant, and equipment	$2,785,653	$2,792,872

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 JUNE 30, 2012	AT DECEMBER 31, 2011
Diversified Lands' mitigation escrow	$97	$97
Cleco Katrina/Rita's storm recovery bonds	8,091	8,761
Cleco Power's future storm restoration costs	25,734	24,876
Cleco Power's renewable energy grant	—	381
Cleco Power's NO_x allowance escrow	1,713	1,713
Total restricted cash	$35,635	$35,828

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 the six months ended June 30, 2012, Cleco Katrina/Rita had collected $9.6 million net of operating expenses. In March 2012, Cleco Katrina/Rita used $6.7 million for scheduled storm recovery bond principal payments and $3.6 million for related interest.

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 as of the balance sheet date disclosed within the three levels. For more 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. 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 may enter into 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.

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. 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 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.

Cleco has entered into various contracts to mitigate the volatility in interest rate risk. These contracts include, but are not limited to, interest rate swaps and treasury rate locks. For these contracts in which Cleco is hedging the variability of cash flows related to forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy, and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of hedges will be recognized in current-period earnings unless management determines that it is probable that the costs will be recovered through the rate-making process. If management determines that it is probable that the costs will be recovered, then they will be recognized as a regulatory asset or liability and amortized to earnings over the life of the related debt. For those contracts in which Cleco is hedging the variability of cash flows related to forecasted transactions that do not qualify as cash flow hedges, the changes in the fair value of such derivative instruments will be recognized in current period earnings unless management determines that it is probable that the costs will be recovered through the rate-making process. If management determines that it is probable that the costs will be recovered, then they will be recognized as a regulatory asset or liability and amortized to earnings over the life of the related debt. For more information on the interest rate risk contracts, see Note 4 — "Fair Value Accounting — Interest Rate Derivatives."

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform them to the presentation used in the 2012 financial statements. These reclassifications had no effect on Cleco Corporation's net income applicable to common stock or total common shareholders' equity or Cleco Power's net income or total member's equity.

During the second quarter of 2012, the Registrants began recording the LPSC allowable portion of the amortization of the plant acquisition adjustment related to Acadia Unit 1 as depreciation expense on the Registrants' Condensed Consolidated Statements of Income. Previously, this amortization was recorded as other expense. The Registrants have reclassified prior year amounts to conform to this presentation. This change increased depreciation and decreased other expenses by $0.7 million and $1.4 million for the three and six months ended June 30, 2012, respectively. The change for the same periods in 2011 was also $0.7 million and $1.4 million, respectively.

The Registrants determined that an error existed in the statement of cash flow presentation of contributions received in aid of construction, specifically the impact that the accounting for these contributions had on the presentation of cash flows related to the additions of property, plant, and equipment. This caused errors between the operating activities section and

investing activities section for prior periods, including 2010, 2011, and the first quarter of 2012.
Cleco and Cleco Power's Consolidated Statements of Cash Flows and Condensed Consolidated Statements of Cash Flows have been adjusted for each of the reporting periods shown below to correct the presentation of cash flows related to additions to property, plant and equipment. These corrections had no impact on the Registrants' cash and cash

equivalents, financial condition, or results of operations. Management believes that these corrections did not have a material effect on the Registrants' Consolidated Statements of Cash Flows or Condensed Consolidated Statements of Cash flows for each of the reporting periods. The correction to the Consolidated Statements of Cash Flows and Condensed Consolidated Statements of Cash Flows for each of the reporting periods is presented in the following tables.

Cleco

	FOR THE YEAR ENDED			
	2010		2011	
(THOUSANDS)	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
Accounts receivable	$ (16,156)	$ (12,503)	$ (15,798)	$ (19,146)
Other deferred accounts	$ 1,813	$ (114)	$ (1,084)	$ 4,305
Net cash provided by operating activities	$ 215,173 *	$ 216,899	$ 308,020	$ 310,061
Additions to property, plant, and equipment	$ (305,157)*	$ (306,883)	$ (195,882)	$ (197,923)
Net cash used in investing activities	$ (306,905)*	$ (308,631)	$ (101,675)	$ (103,716)
Net increase (decrease) in cash and cash equivalents	$ 45,935	$ 45,935	$ (97,552)	$ (97,552)
Cash and cash equivalents at the beginning of the period	$ 145,193	$ 145,193	$ 191,128	$ 191,128
Cash and cash equivalents at the end of the period	$ 191,128	$ 191,128	$ 93,576	$ 93,576

	FOR THE THREE MONTHS ENDED MARCH 31, 2011		FOR THE SIX MONTHS ENDED JUNE 30, 2011		FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011		FOR THE THREE MONTHS ENDED MARCH 31, 2012	
(THOUSANDS)	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
Accounts receivable	$ (13,958)	$ (17,458)	$ (19,923)	$ (19,685)	$ (18,274)	$ (21,691)	$ 6,253	$ 6,408
Other deferred accounts	$ 2,313	$ 2,999	$ (729)	$ 2	$ (2,184)	$ 2,181	$ (5,835)	$ (2,263)
Net cash provided by (used in) operating activities	$ 2,302 *	$ (512)	$ 147,830	$ 148,799	$ 262,642	$ 263,590	$ 41,373	$ 45,100
Additions to property, plant, and equipment	$ (21,883)*	$ (19,069)	$ (66,081)	$ (67,050)	$ (145,669)	$ (146,617)	$ (39,380)	$ (43,107)
Net cash (used in) provided by investing activities	$ (19,537)*	$ (16,723)	$ 18,249	$ 17,280	$ (54,097)	$ (55,045)	$ (40,825)	$ (44,552)
Net decrease in cash and cash	$ (53,937)	$ (53,937)	$ (29,002)	$ (29,002)	$ (32,896)	$ (32,896)	$ (46,327)	$ (46,327)

equivalents								
Cash and cash equivalents at the beginning of the period	$191,128	$ 191,128	$191,128	$ 191,128	$191,128	$ 191,128	$93,576	$93,576
Cash and cash equivalents at the end of the period	$137,191	$ 137,191	$162,126	$ 162,126	$158,232	$ 158,232	$47,249	$47,249

*These amounts were previously revised in the Registrants' Combined Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011.

Cleco Power

	FOR THE YEAR ENDED			
	2010		2011	
(THOUSANDS)	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
Accounts receivable	$(16,261)	$ (12,608)	$(14,858)	$(18,206)
Other deferred accounts	$(8,082)	$ (10,009)	$(7,788)	$(2,399)
Net cash provided by operating activities	$170,759 *	$ 172,485	$249,717	$251,758
Additions to property, plant, and equipment	$(149,211)*	$ (150,937)	$(182,574)	$(184,615)
Net cash used in investing activities	$(134,672)*	$ (136,398)	$(170,193)	$(172,234)
Net increase (decrease) in cash and cash equivalents	$46,799	$ 46,799	$(117,454)	$(117,454)
Cash and cash equivalents at the beginning of the period	$138,113	$ 138,113	$184,912	$184,912
Cash and cash equivalents at the end of the period	$184,912	$ 184,912	$67,458	$67,458

(THOUSANDS)	FOR THE THREE MONTHS ENDED MARCH 31, 2011 AS REPORTED	AS ADJUSTED	FOR THE SIX MONTHS ENDED JUNE 30, 2011 AS REPORTED	AS ADJUSTED	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AS REPORTED	AS ADJUSTED	FOR THE THREE MONTHS ENDED MARCH 31, 2012 AS REPORTED	AS ADJUSTED
Accounts receivable	$(10,720)	$(14,220)	$(20,779)	$(20,541)	$(20,442)	$(23,859)	$5,767	$5,922
Other deferred accounts	$1,379	$(2,065)	$(2,230)	$(1,499)	$(6,361)	$(1,996)	$(8,747)	$(5,175)
Net cash provided by operating activities	$5,299 *	$2,485	$70,788	$71,757	$184,688	$185,636	$47,513	$51,240
Additions to property, plant, and equipment	$(20,720)*	$(17,906)	$(58,453)	$(59,422)	$(131,014)	$(131,962)	$(38,507)	$(42,234)
Net cash used in investing activities	$(8,955)*	$(6,141)	$(48,590)	$(49,559)	$(112,856)	$(113,804)	$(30,759)	$(34,486)
Net decrease in cash and cash equivalents	$(60,472)	$(60,472)	$(35,071)	$(35,071)	$(41,897)	$(41,897)	$(31,573)	$(31,573)
Cash and cash equivalents at the beginning of the period	$184,912	$184,912	$184,912	$184,912	$184,912	$184,912	$67,458	$67,458
Cash and cash equivalents at the end of the period	$124,440	$124,440	$149,841	$149,841	$143,015	$143,015	$35,885	$35,885

*These amounts were previously revised in the Registrants' Combined Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011.

Earnings per Average Common Share

The following tables show the calculation of basic and diluted earnings per share:

	FOR THE THREE MONTHS ENDED JUNE 30,					
			2012			2011
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Income from continuing operations	$46,686			$70,348		
Deduct: non-participating stock dividends (4.5% preferred stock)	—			15		
Deduct: non-participating stock redemption costs (4.5% preferred stock)	—			112		
	$46,686	60,421,028	$0.77	$70,221	60,655,538	$1.16

Basic net income applicable to common stock						
Effect of dilutive securities						
Add: stock option grants		1,504			21,634	
Add: restricted stock (LTICP)		238,170			346,267	
Diluted net income applicable to common stock	$46,686	60,660,702	$0.77	$70,221	61,023,439	$1.15

				FOR THE SIX MONTHS ENDED JUNE 30,		
			2012			2011
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Income from continuing operations	$76,718			$99,363		
Deduct: non-participating stock dividends (4.5% preferred stock)	—			26		
Deduct: non-participating stock redemption costs (4.5% preferred stock)	—			112		
Basic net income applicable to common stock	$76,718	60,387,388	$1.27	$99,225	60,613,371	$1.64
Effect of dilutive securities						
Add: stock option grants		4,455			21,067	
Add: restricted stock (LTICP)		233,534			163,107	
Diluted net income applicable to common stock	$76,718	60,625,377	$1.27	$99,225	60,797,545	$1.63

Stock option grants are excluded from the computation of diluted earnings per share if the exercise price is higher than the average market price. There were no stock option grants excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2012, and 2011, due to the average market price being higher than the exercise prices of the stock options.

Stock-Based Compensation

At June 30, 2012, Cleco had two stock-based compensation plans: the ESPP and the LTICP. Substantially all employees, excluding officers and general managers, may choose to participate in the ESPP and purchase a limited amount of common stock at a discount through a stock option

agreement. Options or restricted shares of stock, known as non-vested stock as defined by the authoritative guidance on stock-based compensation, common stock equivalents, and stock appreciation rights may be granted to certain officers, key employees, or directors of Cleco Corporation and its subsidiaries pursuant to the LTICP.

During the first quarter of 2012, Cleco granted 140,186 shares of non-vested stock to certain officers, key employees, and directors of Cleco Corporation and its subsidiaries pursuant to the LTICP.

Cleco and Cleco Power reported pre-tax compensation expense for their share-based compensation plans as shown in the following table.

	CLECO CORPORATION		CLECO POWER		CLECO CORPORATION		CLECO POWER	
	FOR THE THREE MONTHS ENDED JUNE 30,				FOR THE SIX MONTHS ENDED JUNE 30,			
(THOUSANDS)	2012	2011	2012	2011	2012	2011	2012	2011
Equity classification								
Non-vested stock	$1,076	$796	$277	$201	$2,132	$1,947	$491	$522
Stock options	5	23	—	—	9	36	—	—
Total equity classification	$1,081	$819	$277	$201	$2,141	$1,983	$491	$522
Liability classification								
Common stock equivalent units	$518	$364	$210	$154	$706	$1,559	$294	$586
Total pre-tax compensation expense	$1,599	$1,183	$487	$355	$2,847	$3,542	$785	$1,108
Tax benefit (excluding income tax gross-up)	$615	$455	$187	$137	$1,095	$1,363	$302	$426

Note 2 — Recent Authoritative Guidance

The Registrants adopted, or will adopt, the recent authoritative guidance listed below on their respective effective dates.

In April 2011, FASB issued guidance to improve the accounting for repurchase agreements and other similar agreements. Specifically, this guidance modifies the criteria for determining when these transactions would be accounted for as financings as opposed to sales or purchases with commitments to repurchase or resale. The adoption of this guidance is effective in the first interim or annual period beginning on or after December 15, 2011. The adoption of this guidance did not have a material impact on the financial condition or results of operations of the Registrants.

In May 2011, FASB issued guidance on fair value measurements. This guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS (International Financial Reporting Standards). The adoption of this guidance is effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the financial condition or results of operations of the Registrants.

In December 2011, FASB revised the disclosure requirements related to balance sheet offsetting. After the effective date, entities must disclose both the gross and net information about instruments and transactions eligible for offsetting on the balance sheet, including transactions under master netting agreements. The adoption of this revision is required for interim and annual periods beginning on or after January 1, 2013. The adoption of this revision will not have any effect on the financial condition or results of operations of the Registrants since it relates to disclosures.

Note 3 — Regulatory Assets and Liabilities

Cleco Power follows the authoritative guidance on regulated operations, which allows utilities to capitalize or defer certain costs based on regulatory approval and management's ongoing assessment that it is probable these items will be recovered through the ratemaking process. The following table summarizes Cleco Power's regulatory assets and liabilities at June 30, 2012, and December 31, 2011.

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Regulatory assets – deferred taxes, net	$216,814	$214,421
Mining costs	$17,843	$19,117
Interest costs	6,484	6,667
Asset removal costs	834	829
Postretirement plan costs	128,418	132,556

Tree trimming costs	7,014	8,371
Training costs	7,410	7,486
Storm surcredits, net	5,595	9,254
Construction carrying costs	7,828	10,883
Lignite mining agreement contingency	3,781	3,781
Power purchase agreement capacity costs	1,924	—
AFUDC equity gross-up	73,896	74,346
Rate case costs	849	1,117
Acadia Unit 1 acquisition costs	2,918	2,971
IRP/RFP costs	273	508
AMI pilot costs	87	153
Financing costs	6,889	4,433
Biomass costs	159	—
Total regulatory assets – other	$272,202	$282,472
Construction carrying costs	(26,118)	(40,322)
Fuel and purchased power	2,013	2,136
Total regulatory assets, net	$464,911	$458,707

Power Purchase Agreement Capacity Costs

In March 2012, Cleco Power received approval from the LPSC for a three-year power purchase agreement with Evangeline providing 730 MW of capacity and energy beginning May 1, 2012, and ending April 30, 2015. The LPSC order allows Cleco Power to defer and recover a portion of capacity costs associated with the power purchase agreement. The deferred costs will be collected over the term of the contract.

Financing Costs

In 2011, Cleco Power entered into and settled two treasury rate locks. Of the $26.8 million in settlements, $7.0 million was recorded as a regulatory asset relating to ineffectiveness of the hedge relationship. As a result of management's assessment that it is probable that the ineffectiveness will be recovered through the rate-making process, Cleco Power will amortize the regulatory asset over the 30-year term of the related debt issuance.

Biomass Test Burn Costs

In November 2011, the LPSC approved Cleco Power's request to establish a regulatory asset for the non-fuel, non-capital portion of costs incurred to conduct a test burn of biomass fuel at Madison Unit 3. These costs will be amortized over a five-year period.

Construction Carrying Costs
In February 2006, the LPSC approved Cleco Power's plans to build Madison Unit 3. Terms of the approval included authorization for Cleco Power to collect from customers an amount equal to 75% of the LPSC-jurisdictional portion of the carrying costs of capital during the construction phase of the unit. Cleco Power's retail rate plan, which was approved in October 2009, established that Cleco Power return carrying costs to customers and record a regulatory asset for all carrying costs incurred by Cleco Power above the actual amount collected from customers. On February 12, 2010, Madison Unit 3 commenced commercial operations and Cleco Power began returning the construction carrying costs to customers. These costs are being amortized over a four-year period. As of June 30, 2012, Cleco Power had returned

$140.3 million to customers. At June 30, 2012, $26.0 million was due to be returned to customers within one year.
Note 4 — Fair Value Accounting
The amounts reflected in Cleco and Cleco Power's Condensed Consolidated Balance Sheets at June 30, 2012, and December 31, 2011, for cash and cash equivalents, accounts receivable, other accounts receivable, accounts payable, and short-term debt approximate fair value because of their short-term nature. Estimates of the fair value of Cleco and Cleco Power's long-term debt are based upon the quoted market price for the same or similar issues or by a discounted present value analysis of future cash flows using current rates obtained by Cleco and Cleco Power for debt with similar maturities. The following tables summarize the carrying value and estimated market value of Cleco and Cleco Power's financial instruments subject to fair value accounting.

Cleco

	AT JUNE 30, 2012		AT DECEMBER 31, 2011	
(THOUSANDS)	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial instruments not marked-to-market				
Cash and cash equivalents	$23,693	$ 23,693	$93,576	$ 93,576
Restricted cash	$35,635	$ 35,635	$35,828	$ 35,828
Long-term debt, excluding debt issuance costs	$1,326,610	$ 1,542,799	$1,354,567	$ 1,542,867

Cleco Power

	AT JUNE 30, 2012		AT DECEMBER 31, 2011	
(THOUSANDS)	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial instruments not marked-to-market				
Cash and cash equivalents	$10,236	$ 10,236	$67,458	$ 67,458
Restricted cash	$35,539	$ 35,539	$35,731	$ 35,731
Long-term debt, excluding debt issuance costs	$1,326,610	$ 1,542,799	$1,344,567	$ 1,532,867

At June 30, 2012, Cleco and Cleco Power were exposed to concentrations of credit risk through their short-term investments classified as cash equivalents and restricted cash. Cleco had $51.5 million ($15.9 million of cash and $35.6 million of restricted cash) in short-term investments in institutional money market funds. Cleco Power had $43.0 million ($7.5 million of cash and $35.5 million of restricted cash) in short-term investments in institutional money market funds. If the money market funds failed to perform under the terms of the investments, Cleco and Cleco

Power would be exposed to a loss of the invested amounts. Collateral on these types of investments is not required by either Cleco or Cleco Power.

In May 2012, Cleco and Cleco Power revised its guidelines for short-term investments in order to mitigate credit risk. Qualifying investments include U.S. Treasury securities; U.S. Federal Agency and U.S. Government-Sponsored Entity debt; tax-exempt short-term securities of a state, territory, or a possession of the U.S.; Certificates of Deposit, banker's acceptances, and time deposits; commercial paper; asset backed securities with a minimum long-term rating of AA by Standard & Poor's and Aaa by Moody's; U.S. Government mortgage securities with short average life with a minimum long-term rating of AA by Standard & Poor's and Aaa by Moody's; Repurchase Agreements with the primary government securities dealers or financial institutions in which Cleco deposits and/or concentrates cash; and money market funds which must have at least $15.0 billion in assets under

management; must have been in existence for not less than two years; must have a minimum rating of AAA by Standard & Poor's and Aaa by Moody's and must be compliant with the SEC rule 2a-7 which restricts the quality, maturity and diversity of investments by money market funds.

The minimum acceptable short-term credit rating must be A-1 by Standard & Poor's and P-1 by Moody's. The maximum maturity of any instrument must be thirty-six months, and the maximum portfolio duration must be twelve months.

Diversification of holdings must be stressed recognizing the total amount of the portfolio. Investments in securities of any one issuer will be limited to 5% at the time of purchase except for U.S. Treasury and Agency Securities and money market funds. No more than 50% of the portfolio at the time of purchase will be invested in any single Federal Agency/Government Sponsored Enterprise.

Interest Rate Derivatives

Forward Starting Interest Rate Swap

On November 14, 2011, Cleco Power entered into a pay fixed/receive variable forward starting interest rate swap contract in order to mitigate the interest rate exposure on coupon payments related to a $50.0 million fixed-rate forecasted debt issuance. The forward starting interest rate swap has a spot 30-year all-in swap rate of 3.05%, notional amount of $50.0 million, with the pricing date of May 14, 2013, or the issuance of the notes, whichever is earlier. The forward starting interest rate swap meets the criteria of a cash flow hedge under the authoritative guidance as it relates to derivatives and hedging and is carried on the balance sheet at its fair value. The fair market value of the forward starting interest rate swap is the difference between the present value of the fixed payments to be paid by Cleco Power and the present value of the three-month LIBOR payments to be received by Cleco Power. Since future LIBOR rates are not available for each month until termination, quoted LIBOR rates from an active exchange for observable time periods were used to create a forward LIBOR curve for all months until termination. Because of the inputs and common techniques used to calculate fair value, the swap valuation was considered Level 2. Cleco Power recognized $6.2 million and $1.5 million of unrealized mark-to-market losses in other comprehensive income for the three and six months ended June 30, 2012, respectively. The fair market value of $4.9 million for the forward starting interest rate swap was recorded on Cleco and Cleco Power's Condensed

Consolidated Balance Sheets as an interest rate risk management liability as of June 30, 2012. There was no impact to earnings due to ineffectiveness for the three and six months ended June 30, 2012.

Fair Value Measurements and Disclosures

The authoritative guidance on fair value measurements requires entities to classify assets and liabilities that are either measured or disclosed at their fair value according to three different levels depending on the inputs used in determining fair value.

The following tables disclose for Cleco and Cleco Power the fair value of financial assets and liabilities measured or disclosed on a recurring basis and within the scope of the authoritative guidance for fair value measurements and disclosures.

Cleco

	CLECO CONSOLIDATED FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
(THOUSANDS)	AT JUNE 30, 2012	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	DECEMBER 31, 2011	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Asset Description								
Institutional money market funds	$51,535	$ —	$ 51,535	$ —	$ 119,327	$ —	$ 119,327	$ —
Total assets	$51,535	$ —	$ 51,535	$ —	$ 119,327	$ —	$ 119,327	$ —
Liability Description								
Energy market derivatives	$26	$ —	$ 26	$ —	$ 5,336	$ —	$ 5,336	$ —
Interest rate derivatives	4,866	—	4,866	—	3,330	—	3,330	—
Long-term debt	1,542,799	—	1,542,799	—	1,542,867	—	1,542,867	—
Total liabilities	$1,547,691	$ —	$ 1,547,691	$ —	$ 1,551,533	$ —	$ 1,551,533	$ —

Cleco Power

	CLECO POWER FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
(THOUSANDS)	AT JUNE 30, 2012	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	DECEMBER 31, 2011	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Asset Description								
Institutional money market funds	$43,038	$ —	$ 43,038	$ —	$ 100,331	$ —	$ 100,331	$ —
Total assets	$43,038	$ —	$ 43,038	$ —	$ 100,331	$ —	$ 100,331	$ —
Liability Description								
Energy market derivatives	$26	$ —	$ 26	$ —	$ 5,336	$ —	$ 5,336	$ —
Interest rate derivatives	4,866	—	4,866	—	3,330	—	3,330	—
Long-term debt	1,542,799	—	1,542,799	—	1,532,867	—	1,532,867	—
Total liabilities	$1,547,691	$ —	$ 1,547,691	$ —	$ 1,541,533	$ —	$ 1,541,533	$ —

The derivative assets and liabilities are classified as either current or non-current depending on when the positions close. All energy market derivative current assets and current liabilities are reported as a net current energy risk management asset or liability. All energy market derivative non-current assets and non-current liabilities are reported net in other deferred charges or other deferred credits. Net presentation is appropriate due to the right of offset included in the master netting agreements. On the balance sheet, the net current and net non-current derivative positions are netted with the applicable margin deposits. At June 30, 2012, a net current energy risk management asset of $0.2 million

represented net option premiums, partially offset by the current derivative positions.
The institutional money market funds were reported on the Cleco Condensed Consolidated Balance Sheet in cash and cash equivalents, current restricted cash, and non-current restricted cash in the amounts of $15.9 million, $8.1 million, and $27.5 million, respectively at June 30, 2012. At Cleco Power, the institutional money market funds were reported on the condensed consolidated balance sheet in cash and cash equivalents, current restricted cash, and non-current restricted cash and were $7.5 million, $8.1 million, and $27.4 million, respectively, as of June 30, 2012.

The forward starting interest rate swap was reported on Cleco and Cleco Power's Condensed Consolidated Balance Sheets as a current liability in the line item interest rate risk management liability as of June 30, 2012.

Cleco utilizes different valuation techniques for fair value calculations. In order to measure the fair value for Level 1 assets and liabilities, Cleco obtains the closing price from published indices in active markets for the various instruments and multiplies this price by the appropriate number of instruments held. Level 2 fair values for assets and liabilities are determined by obtaining the closing price from published indices in active markets for instruments that are similar to Cleco's assets and liabilities. The fair value obtained is then discounted to the current period using a U.S. Treasury published interest rate as a proxy for a risk-free rate of return. For some options, Cleco uses the Black-Scholes model using observable and available inputs to calculate the fair value, consistent with the income approach. These techniques have been applied consistently from fiscal period to fiscal period. Level 3 fair values allow for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Cleco had no Level 3 assets or liabilities at June 30, 2012, or December 31, 2011.

The assets and liabilities reported at fair value are grouped into classes based on the underlying nature and risks associated with the individual asset or liability.

Level 2 of energy market derivative assets and liabilities consists of two classes. The first class contains natural gas swaps which fluctuate in value as the underlying natural gas futures fair value changes, and as market interest rates change. Cleco records the mark-to-market value of the natural gas swaps at the net present value. The second class consists of natural gas options. The fair value of natural gas options fluctuates with the volatility in the fair value of natural gas, the number of days until the options expire, the underlying natural gas futures price fluctuations, and market interest rates. Cleco records the mark-to-market value of the natural gas options at the net present value. Both of these energy market derivative classes also contain counterparty execution risk because the transactions are entered into with a direct counterparty and are not traded through an exchange.

The Level 2 institutional money market funds asset consists of a single class. In order to capture interest income and minimize risk, cash is invested in money market funds that invest primarily in short-term securities issued by the U.S. Treasury in order to maintain liquidity and achieve the goal of a net asset value of a dollar. The risks associated with this class are counterparty risk of the fund manager and risk of price volatility associated with the underlying securities of the fund.

The Level 2 interest rate derivative was one forward starting interest rate swap liability that consisted of a single class that only contains one instrument. The risks are changes in the three-month LIBOR rate and counterparty risk. This instrument is with a direct counterparty and not traded through an exchange.

The Level 2 long-term debt liability consists of a single class. In order to fund capital requirements, Cleco issues long-term, fixed rate debt with various tenors. The fair value of this class fluctuates as the market interest rates for fixed rate debt with similar tenors and credit ratings changes. The fair value of the debt could also change from period to period due to changes in the credit rating of the Cleco entity that issued the debt.

Cleco has a policy which states that transfers between Levels 1, 2, and 3 are recognized at the end of a reporting period. During the six months ended June 30, 2012, and the year ended December 31, 2011, Cleco did not experience any transfers between levels.

Derivatives and Hedging

The authoritative guidance on derivatives and hedging requires entities to provide transparent disclosures about a company's derivative activities and how the related hedged items affect a company's financial position, financial performance, and cash flows. Cleco is required to provide qualitative and quantitative disclosures about derivative fair value, gains and losses, and credit-risk-related contingent features in derivative agreements.

The following table presents the fair values of derivative instruments and their respective line items as recorded on Cleco and Cleco Power's Condensed Consolidated Balance Sheets as of June 30, 2012, and December 31, 2011.

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS
LIABILITY DERIVATIVES

(THOUSANDS) FAIR VALUE	BALANCE SHEET LINE ITEM	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Commodity contracts			
Fuel cost hedges:			
Current	Energy risk management liability, net	$(26)	$(5,336)
Total		$(26)	$(5,336)

The following table presents the effect of derivatives not designated as hedging instruments on Cleco and Cleco Power's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2012, and 2011.

	FOR THE THREE MONTHS ENDED JUNE 30,			FOR THE SIX MONTHS ENDED JUNE 30,		
		2012	2011		2012	2011
(THOUSANDS)	LOSS IN INCOME OF DERIVATIVES LINE ITEM	AMOUNT OF LOSS RECOGNIZED IN INCOME ON DERIVATIVES	AMOUNT OF LOSS RECOGNIZED IN INCOME ON DERIVATIVES	LOSS IN INCOME OF DERIVATIVES LINE ITEM	AMOUNT OF LOSS RECOGNIZED IN INCOME ON DERIVATIVES	AMOUNT OF LOSS RECOGNIZED IN INCOME ON DERIVATIVES
Commodity contracts						
Fuel cost hedges[(1)]	Fuel used for electric generation	$ (4,131)	$ (5,203)	Fuel used for electric generation	$(7,615)	$ (8,997)
Total		$ (4,131)	$ (5,203)		$(7,615)	$ (8,997)

[(1)]In accordance with the authoritative guidance for regulated operations, less than $0.1 million of unrealized losses and $0.5 million of deferred losses associated with fuel cost hedges are reported in Accumulated Deferred Fuel on the balance sheet as of June 30, 2012, compared to $5.3 million of unrealized losses and $1.2 million of deferred losses associated with fuel cost hedges as of December 31, 2011. As gains and losses are realized in future periods, they will be recorded as Fuel Used for Electric Generation on the income statement.

At June 30, 2012, Cleco Power had 0.7 million MMBtus hedged for natural gas fuel costs, which is approximately 1% of the estimated natural gas requirements for a two-year period. At December 31, 2011, Cleco Power had 2.2 million MMBtus hedged or approximately 3% of gas requirements for a two-year period.

The following tables present the effect of derivatives designated as hedging instruments on Cleco and Cleco Power's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2012, and 2011.

	FOR THE THREE MONTHS ENDED JUNE 30,			
	2012		2011	
(THOUSANDS)	AMOUNT OF LOSS RECOGNIZED IN OCI	AMOUNT OF LOSS RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION)	AMOUNT RECOGNIZED IN OCI	AMOUNT OF GAIN RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION)
Interest rate derivatives	$(6,191)	$ (57)*	$—	$ 89 *

* The (loss) gain reclassified from accumulated OCI into income (effective portion) is reflected in interest charges.

	FOR THE SIX MONTHS ENDED JUNE 30,			
	2012		2011	
(THOUSANDS)	AMOUNT OF LOSS RECOGNIZED IN OCI	AMOUNT OF LOSS RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION)	AMOUNT RECOGNIZED IN OCI	AMOUNT OF GAIN RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION)
Interest rate derivatives[1]	$(1,535)	$ (57)*	$—	$ 177 *

* The (loss) gain reclassified from accumulated OCI into income (effective portion) is reflected in interest charges.

[1] During the six months ended June 30, 2012, Cleco recorded $2.6 million of ineffectiveness related to the interest rate derivatives as a regulatory asset.

At June 30, 2012, Cleco Power expected $0.4 million of the effective portion of deferred net losses related to interest rate derivatives to be reclassed from accumulated OCI to an increase in interest charges over the next 12 months.

Note 5 — Debt

Short-term Debt

At June 30, 2012, and December 31, 2011, Cleco and Cleco Power had no short-term debt outstanding.

Long-term Debt

At June 30, 2012, Cleco and Cleco Power's long-term debt outstanding was $1.33 billion, of which $88.5 million was due within one year. The long-term debt due within one year at June 30, 2012, represents $75.0 million in senior notes due May 1, 2013 and $13.5 million principal payments for the Cleco Katrina/Rita storm recovery bonds. For Cleco, long-term debt decreased $28.3 million from December 31, 2011, primarily due to Cleco Power redeeming $50.1 million of DeSoto Parish pollution control bonds in May 2012 and $11.2 million of Rapides Parish pollution control bonds in January 2012. Also contributing to the decrease was a $10.0 million reduction in Cleco Corporation's credit facility draws, a $6.7 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2012, and $0.9 million of capital lease payments. These decreases were partially offset by Cleco Power’s issuance of $50.0 million of senior notes in May 2012 and debt premium amortizations of $0.6 million.

On January 25, 2012, Cleco Power redeemed at par $11.2 million of 5.875% Rapides Parish pollution control bonds due September 2029. As part of the redemption, Cleco Power paid $0.3 million of accrued interest on the redeemed notes.

On May 8, 2012, Cleco Power issued $50.0 million senior unsecured private placement notes at an interest rate of 4.33%. The maturity date of the notes is May 15, 2027. The proceeds were used primarily for the early redemption of $50.1

million of 5.875% DeSoto Parish pollution control bonds.

On May 11, 2012, Cleco Power redeemed at par all $50.1 million of 5.875% DeSoto Parish pollution control bonds due September 2029. As part of the redemption, Cleco Power paid $0.6 million of accrued interest on the redeemed notes.

Credit Facilities

At June 30, 2012, Cleco Corporation and Cleco Power had no borrowings outstanding under their respective existing credit facilities.

Note 6 — Pension Plan and Employee Benefits

Pension Plan and Other Benefits Plan

Most employees hired before August 1, 2007, are covered by a non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee’s years of service, age at retirement, and highest total average compensation for any consecutive five calendar years during the last 10 years of employment with Cleco. Cleco’s policy is to base its contributions to the employee pension plan upon actuarial computations utilizing the projected unit credit method, subject to the IRS’s full funding limitation. During the first six months of 2012, Cleco made no discretionary or required contributions to the pension plan and does not expect to make required or discretionary contributions to the pension plan for the remainder of the year. During 2011, Cleco made $60.0 million in discretionary contributions to the pension plan, with $40.1 million designated for the 2010 plan year and the remaining $19.9 million designated for the 2011 plan year. The required contributions are driven by liability funding target percentages set by law which could cause the required contributions to be uneven among the years. The ultimate amount and timing of the contributions may be affected by changes in the discount rate, changes in the funding regulations, and actual returns on fund assets. Cleco Power is considered the plan sponsor, and Support Group is considered the plan administrator.

Cleco's retirees and their dependents are eligible to receive medical, dental, vision, and life insurance benefits (other benefits). Cleco recognizes the expected cost of these other benefits during the periods in which the benefits are earned.
The components of net periodic pension and other benefit cost for the three and six months ended June 30, 2012, and 2011 are as follows:

	PENSION BENEFITS		OTHER BENEFITS	
	FOR THE THREE MONTHS ENDED JUNE 30,			
(THOUSANDS)	2012	2011	2012	2011
Components of periodic benefit cost:				
Service cost	$2,007	$2,143	$397	$379
Interest cost	4,697	4,422	476	460
Expected return on plan assets	(5,209)	(6,811)	—	—
Amortizations:				
Transition obligation	—	—	5	5
Prior period service cost	(18)	(18)	—	(51)
Net loss	2,390	1,376	200	256
Net periodic benefit cost	$3,867	$1,112	$1,078	$1,049

	PENSION BENEFITS		OTHER BENEFITS	
	FOR THE SIX MONTHS ENDED JUNE 30,			
(THOUSANDS)	2012	2011	2012	2011
Components of periodic benefit cost:				
Service cost	$4,156	$4,195	$793	$758
Interest cost	9,127	8,815	953	921
Expected return on plan assets	(10,403)	(12,323)	—	—
Amortizations:				
Transition obligation	—	—	10	10
Prior period service cost	(36)	(36)	—	(103)
Net loss	4,173	2,778	400	513
Net periodic benefit cost	$7,017	$3,429	$2,156	$2,099

Since Cleco Power is the pension plan sponsor and the related trust holds the assets, the net unfunded status of the pension plan is reflected at Cleco Power. The liability of Cleco's other subsidiaries is transferred, with a like amount of assets, to Cleco Power monthly. The expense of the pension plan related to Cleco's other subsidiaries for the three and six months ended June 30, 2012, was $0.5 million and $1.1 million, respectively. Amounts for the same periods in 2011 were also $0.5 million and $1.1 million, respectively.
Cleco Corporation is the plan sponsor for the other benefit plans. There are no assets set aside in a trust, and the liabilities are reported on the individual subsidiaries' financial statements. The current portion of the other benefits liability for Cleco was $3.1 million at June 30, 2012. The amount at December 31, 2011, was also $3.1 million. The current portion of the other benefits liability for Cleco Power was $2.9 million at June 30, 2012. The amount at December 31, 2011, was also $2.9 million. The expense related to other benefits reflected in Cleco Power's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2012, was $0.9 million and $1.8 million, respectively. Amounts for the same periods in 2011 were also $0.9 million and $1.8 million, respectively.
In March 2010, the President signed the PPACA, a comprehensive health care law, which was upheld by the U.S.

Supreme Court on June 28, 2012. While all provisions of the PPACA are not effective immediately, the provisions could increase the Registrants' retiree medical unfunded liability and related expenses before the effective date. Management will continue to monitor this law and its possible impact on the Registrants.

SERP

Certain Cleco executive officers are covered by the SERP. The SERP is a non-qualified, non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee's years of service, age at retirement, and the sum of the highest base salary paid out of the last five calendar years and the average of the three highest bonuses paid during the 60 months prior to retirement, reduced by benefits received from any other defined benefit pension plan, SERP Plan, or Cleco contributions under the enhanced 401(k) Plan to the extent such contributions exceed the limits of the 401(k) Plan. Cleco does not fund the SERP liability but instead pays for current benefits out of the general funds available. Cleco Power has formed a Rabbi Trust designated as the beneficiary for life insurance policies issued on the SERP participants. Proceeds from the life insurance policies are expected to be used to pay the SERP participants' life insurance benefits, as well as future SERP payments. However, since SERP is a non-qualified plan, the assets of the trust could be used to satisfy general creditors of Cleco in the event of insolvency. All SERP benefits are paid out of the general cash available of the respective companies from which the officer retired. No contributions to the SERP were made during the three and six months ended June 30, 2012, or 2011. Cleco Power is considered the plan sponsor, and Support Group is considered the plan administrator.

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011	2012	2011
Components of periodic benefit cost:				
Service (credit) cost	$(258)	$333	$744	$783
Interest cost	690	527	1,263	1,052
Amortizations:				
Prior period service cost	13	13	27	27
Net loss	573	208	882	470
Net periodic benefit cost	$1,018	$1,081	$2,916	$2,332

The SERP liabilities are reported on the individual subsidiaries' financial statements. At June 30, 2012, and December 31, 2011, the current portion of the SERP liability for Cleco was $2.8 million and $2.2 million, respectively. The current portion of the SERP liability for Cleco Power was $0.8 million at June 30, 2012. The amount at December 31, 2011, was also $0.8 million. The expense related to the SERP reflected on Cleco Power's Condensed Consolidated Statements of Income was $0.4 million and $0.7 million for the three and six months ended June 30, 2012, respectively, compared to $0.3 million and $0.6 million for the same periods in 2011.

401(k) Plan

Most employees are eligible to participate in the 401(k) Plan. Under the 401(k) Plan, Cleco makes matching contributions and funds dividend reinvestments with cash. Cleco's 401(k) Plan expense for the three and six months ended June 30, 2012, and 2011 is as follows:

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011	2012	2011
401(k) Plan expense	$847	$852	$2,341	$2,053

Cleco Power is the plan sponsor for the 401(k) Plan. The expense of the 401(k) Plan related to Cleco's other subsidiaries for the three and six months ended June 30, 2012, was $0.2 million and $0.6 million, respectively. Amounts for the same periods in 2011 were $0.2 million and $0.5 million, respectively.

Note 7 — Income Taxes

The following table summarizes the effective income tax rates for Cleco and Cleco Power for the three and six month periods ended June 30, 2012, and 2011.

	FOR THE THREE MONTHS ENDED JUNE 30,				FOR THE SIX MONTHS ENDED JUNE 30,			
	2012		2011		2012		2011	
Cleco	30.5	%	34.2	%	30.7	%	32.9	%
Cleco Power	35.5	%	30.8	%	35.3	%	31.5	%

Effective Tax Rates

For the three and six months ended June 30, 2012, and 2011, the effective income tax rate for Cleco was different than the federal statutory rate due to permanent tax deductions, flow-through of tax benefits associated with AFUDC equity, benefits associated with tax credits primarily delivered from Cleco's investment in USB NMTC Fund 2008-1 LLC, and state tax expense.

For the three and six months ended June 30, 2012 and 2011, the effective income tax rate for Cleco Power was different than the federal statutory rate due to permanent tax deductions, flow-through of tax benefits associated with AFUDC equity, and state tax expense.

Valuation Allowance

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. In 2010, a $1.2 million valuation allowance against the $2.7 million deferred tax asset on capital loss carryforwards was reflected on Cleco and Cleco Power's Condensed Consolidated Balance Sheets. The previously recorded $1.2 million valuation allowance was reversed in the second quarter of 2011 due to capital gains generated by the disposition of Acadia Unit 2. In addition, as of June 30, 2012, Cleco had a deferred tax asset resulting from new markets tax credit carryforwards of $68.5 million. If the new markets tax credit carryforwards are not utilized, they will begin to expire in 2029. Management considers it more likely than not that all deferred tax assets related to new markets tax credit carryforwards will be realized; therefore, no valuation allowance has been recorded.

Net Operating Losses

As of June 30, 2012, Cleco generated cumulative federal net operating losses and state net operating losses of $60.3 million and $53.4 million, respectively, which will begin to expire in 2031 and 2026. Cleco Power generated cumulative federal net operating losses and state net operating losses of $16.9 million and $9.6 million, respectively, which will begin to expire in 2031 and 2026. Cleco and Cleco Power consider it more

likely than not that these losses will be utilized to reduce future income taxes. Cleco and Cleco Power expect to utilize the entire net operating loss carryforward in 2012.

Uncertain Tax Positions

Cleco classifies all interest related to uncertain tax positions as a component of interest payable and interest expense. The total amounts of uncertain tax positions and related interest payable and interest expense, as reflected on Cleco and Cleco Power's Condensed Consolidated Balance Sheets and Statements of Income, are shown in the following tables.

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Interest payable		
Cleco	$2,287	$13,843
Cleco Power	$5,369	$17,327

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011	2012	2011
Interest charges				
Cleco	$(2,716)	$1,326	$(8,355)	$2,861
Cleco Power	$(2,271)	$938	$(9,636)	$1,776

The total liability for unrecognized tax benefits for Cleco and Cleco Power at June 30, 2012, and December 31, 2011, are shown in the following tables.

Cleco

(THOUSANDS)	LIABILITY FOR UNRECOGNIZED TAX BENEFITS
Balance at December 31, 2011	$56,235
Additions for tax positions of current period	480
Reductions for tax positions of current period	—
Additions for tax positions of prior periods	1,946
Reduction for tax positions of prior periods	(44,475)
Reduction for settlement with tax authority	—
Reduction for lapse of statute of limitations	—
Balance at June 30, 2012	$14,186

Cleco Power

(THOUSANDS)	LIABILITY FOR UNRECOGNIZED TAX BENEFITS
Balance at December 31, 2011	$52,558
Additions for tax positions of current period	480
Reductions for tax positions of current period	—
Additions for tax positions of prior periods	1,946
Reduction for tax positions of prior periods	(43,384)
Reduction for settlement with tax authority	—
Reduction for lapse of statute of limitations	—
Balance at June 30, 2012	$11,600

The federal income tax years that remain subject to examination by the IRS are 2001 through 2011. The Louisiana state income tax years that remain subject to examination by the Louisiana Department of Revenue are 2001 through 2011. In December 2010, Cleco deposited $52.2 million with the IRS associated with the years under audit. In February 2011, Cleco deposited an additional $8.2 million with the IRS associated with the years currently under audit. Of the $60.4

million deposited, $43.2 million remains to offset tax and interest liabilities for tax years subsequent to 2003.
Cleco is currently under audit by the IRS for the years 2001 through 2009 which has proposed adjustments to taxes for various issues, including but not limited to, deductible storm costs, research and experimentation costs, domestic production activities deduction, and repair allowance deductions. Cleco estimates that it is reasonably possible that the balance of unrecognized tax benefits as of June 30, 2012, could decrease by a maximum of $11.0 million for Cleco and $11.3 million for Cleco Power in the next 12 months as a result of reaching settlements with the IRS and state tax authorities. The settlements could involve the payment of additional taxes, the adjustment of deferred taxes, and/or the recognition of tax benefits, which may have an effect on Cleco's effective tax rate.

Note 8 — Disclosures about Segments

Cleco's reportable segments are based on its method of internal reporting, which disaggregates business units by first-tier subsidiary. Cleco's reportable segments are Cleco Power and Midstream. The reconciling items in the following tables consist of the holding company, a shared services subsidiary, two transmission interconnection facilities, and an investment subsidiary.

Each reportable segment engages in business activities from which it earns revenue and incurs expenses. Segment managers report periodically to Cleco's Chief Executive Officer (the chief operating decision-maker) with discrete financial information and, at least quarterly, present discrete financial information to Cleco Corporation's Board of Directors. Each reportable segment prepared budgets for 2012 that were presented to and approved by Cleco Corporation's Board of Directors.

The financial results of Cleco's segments are presented on an accrual basis. Management evaluates the performance of its segments and allocates resources to them based on segment profit and the requirements to implement new strategic initiatives and projects to meet current business objectives. Material intercompany transactions occur on a regular basis. These intercompany transactions relate primarily to joint and common administrative support services provided by Support Group.

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30,

2012 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$228,293	$ —	$ —	$ —	$ 228,293
Tolling operations	—	6,309	—	(6,309)	—
Other operations	11,613	1	497	—	12,111
Electric customer credits	(281)	—	—	—	(281)
Affiliate revenue	342	—	13,590	(13,932)	—
Operating revenue, net	$239,967	$ 6,310	$ 14,087	$ (20,241)	$ 240,123
Depreciation	$30,559	$ 1,460	$ 232	$ (1)	$ 32,250
Interest charges	$20,805	$ (1,159)	$ 824	$ 146	$ 20,616
Interest income	$(6)	$ —	$ (141)	$ 144	$ (3)
Federal and state income tax expense (benefit)	$20,501	$ 4,051	$ (4,031)	$ (1)	$ 20,520
Segment profit	$37,284	$ 6,534	$ 2,868	$ —	$ 46,686
Additions to long-lived assets	$55,614	$ 6,025	$ 482	$ —	$ 62,121
Equity investment in investees	$14,532	$ —	$ 9	$ —	$ 14,541
Total segment assets	$3,704,786	$ 218,073	$ 189,000	$ (108,351)	$ 4,003,508

2011 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$260,485	$ —	$ —	$ —	$ 260,485
Tolling operations	—	4,222	—	—	4,222
Other operations	12,453	7	526	(3)	12,983
Electric customer credits	(4,822)	—	—	—	(4,822)
Affiliate revenue	348	12	13,075	(13,380)	$ 55
Operating revenue, net	$268,464	$ 4,241	$ 13,601	$ (13,383)	$ 272,923
Depreciation	$28,996	$ 1,457	$ 246	$ —	$ 30,699
Interest charges	$24,322	$ 628	$ 631	$ 38	$ 25,619
Interest income	$168	$ —	$ (35)	$ 37	$ 170
Equity income from investees, before tax	$—	$ 61,440	$ —	$ —	$ 61,440
Federal and state income tax expense (benefit)	$15,879	$ 21,536	$ (895)	$ —	$ 36,520
Segment profit [(1)]	$35,694	$ 34,425	$ 229	$ —	$ 70,348
Additions to long-lived assets	$35,185	$ 122	$ 611	$ —	$ 35,918
Equity investment in investees [(2)]	$14,532	$ —	$ 8	$ —	$ 14,540
Total segment assets [(2)]	$3,726,471	$ 233,891	$ 201,074	$ (111,234)	$ 4,050,202

[(1)] Reconciliation of segment profit to consolidated profit:	Segment profit	$ 70,348
[(2)] Balances as of December 31, 2011	Unallocated items:	
	Preferred dividends requirements	15
	Preferred stock redemption costs	112
	Net income applicable to common stock	$ 70,221

SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30,

2012 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$437,883	$ —	$ —	$ —	$ 437,883
Tolling operations	—	7,543	—	(7,543)	—
Other operations	22,062	1	994	(1)	23,056
Electric customer credits	1,955	—	—	—	1,955
Affiliate revenue	687	—	25,197	(25,884)	—
Operating revenue	$462,587	$ 7,544	$ 26,191	$ (33,428)	$ 462,894
Depreciation	$60,648	$ 2,992	$ 456	$ 1	$ 64,097
Interest charges	$39,291	$ 313	$ 1,444	$ 192	$ 41,240
Interest income	$23	$ —	$ (185)	$ 193	$ 31
Equity income from investees, before tax	$—	$ —	$ 1	$ —	$ 1
Federal and state income tax expense (benefit)	$35,008	$ 4,789	$ (5,866)	$ (1)	$ 33,930
Segment profit	$64,089	$ 7,624	$ 5,004	$ 1	$ 76,718
Additions to long-lived assets	$106,002	$ 2,223	$ 869	$ —	$ 109,094
Equity investment in investees	$14,532	$ —	$ 9	$ —	$ 14,541
Total segment assets	$3,704,786	$ 218,073	$ 189,000	$ (108,351)	$ 4,003,508

2011 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$498,953	$ —	$ —	$ —	$ 498,953
Tolling operations	—	7,003	—	—	7,003
Other operations	24,696	7	1,010	(2)	25,711
Electric customer credits	(5,256)	—	—	—	(5,256)
Affiliate revenue	694	45	24,096	(24,633)	202
Operating revenue	$519,087	$ 7,055	$ 25,106	$ (24,635)	$ 526,613
Depreciation	$57,111	$ 2,913	$ 487	$ 1	$ 60,512
Interest charges	$48,723	$ 1,211	$ 2,198	$ 100	$ 52,232
Interest income	$281	$ 1	$ (96)	$ 99	$ 285
Equity income (loss) from investees, before tax	$—	$ 62,053	$ (1)	$ —	$ 62,052
Federal and state income tax expense (benefit)	$30,279	$ 20,853	$ (2,417)	$ (1)	$ 48,714
Segment profit (loss) (1)	$65,724	$ 33,328	$ 311	$ —	$ 99,363
Additions to long-lived assets	$75,914	$ 1,128	$ 671	$ —	$ 77,713
Equity investment in investees (2)	$14,532	$ —	$ 8	$ —	$ 14,540
Total segment assets (2)	$3,726,471	$ 233,891	$ 201,074	$ (111,234)	$ 4,050,202

(1) Reconciliation of segment profit to consolidated profit:	Segment profit	$ 99,363
(2) Balances as of December 31, 2011	Unallocated items:	
	Preferred dividends requirements	26
		112

Preferred stock redemption costs	
Net income applicable to common stock	$ 99,225

37

Note 9 — Electric Customer Credits

Beginning in 2010, the amount of Cleco Power's yearly retail earnings is subject to the terms of a FRP established by the LPSC. The rates and the FRP became effective upon commencement of commercial operations at Madison Unit 3 on February 12, 2010. The 2010 FRP allows Cleco Power the opportunity to earn a target return on equity of 10.7%, including returning to retail customers 60% of retail earnings between 11.3% and 12.3% and all retail earnings over 12.3%. The amount of credits due customers, if any, is determined by Cleco Power and the LPSC annually. The ultimate amount of any customer refund is subject to LPSC approval. The 2010 FRP established that Cleco Power file monitoring reports for the 12 months ended June 30, 2010, and September 30, 2010, on or before October 31, 2010, and January 31, 2011, respectively. Beginning in 2011, Cleco Power must file annual monitoring reports no later than October 31 for the 12-month period ending June 30.

On October 31, 2011, Cleco Power filed its report for the 12 months ended June 30, 2011, which indicated that $5.1 million was due to be returned to customers. On July 18, 2012, the LPSC approved the monitoring report for the 12 months ended June 30, 2011. Cleco Power plans to issue refunds for this filing on customers' bills in the third quarter of 2012. The accrual for estimated electric customer credits reflected on Cleco and Cleco Power's Condensed Consolidated Balance Sheets at both June 30, 2012, and December 31, 2011, was $7.3 million.

Note 10 — Variable Interest Entities

Cleco reports its investments in VIEs in accordance with the authoritative guidance. 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 (excluding income taxes) 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.

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

Consolidated VIEs

Acadia

In October 2009, Acadia and Entergy Louisiana announced that definitive agreements had been executed whereby Entergy Louisiana would acquire Acadia Unit 2. On April 29, 2011, Acadia completed its disposition of Acadia Unit 2 to Entergy Louisiana for $298.8 million. Following the disposition, Acadia no longer owns any materials and supply inventory, property, plant, and equipment, or land. Following the transaction, ongoing operations at Acadia are minimal, relating only to the previously established accounts receivable, accounts payable, and servicing indemnifications which Cleco assumed in the transaction. In conjunction with the transaction, APH received 100% ownership in Acadia in exchange for its 50% interest in Cajun, and Acadia became a consolidated subsidiary of APH. For more information on the Acadia Unit 2 transaction, see Note 13 — "Acadia Unit 2 Transaction."

The following table contains summarized financial information for Cajun prior to the disposition of Acadia Unit 2.

(THOUSANDS)	FOR THE THREE MONTHS ENDED JUNE 30, 2011*	FOR THE SIX MONTHS ENDED JUNE 30, 2011*
Operating revenue	$50	$5,227
Operating expenses	1,133	5,914
Gain on sale of assets	71,465	71,422
Other income	57	929
Income before taxes	$70,439	$71,664

*The 2011 income statements include only activity through the April 29, 2011, reconsolidation.

Prior to the reconsolidation, income tax expenses related to Cajun were recorded on APH's financial statements. For the four months ended April 30, 2011, income tax expenses related to Cajun on APH's financial statements were $24.0 million.

Equity Method VIEs

Equity investment in investees at June 30, 2012, primarily represented Cleco Power's $14.5 million investment in Oxbow. Equity investments which are less than 100% owned by Cleco Innovations LLC represented less than 0.1 million of the total balance.
The following table presents the equity income (loss) from each investment accounted for using the equity method.

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011	2012	2011
Cajun	$—	$61,440	$—	$62,053
Subsidiaries less than 100% owned by Cleco Innovations	—	—	1	(1)
Total equity income	$—	$61,440	$1	$62,052

Oxbow
Oxbow is owned 50% by Cleco Power and 50% by SWEPCO and is accounted for as an equity method investment. Cleco Power is not the primary beneficiary because it shares the power to control Oxbow's significant activities with SWEPCO. Cleco's current assessment of its maximum exposure to loss related to Oxbow at June 30, 2012, consisted of its equity investment of $14.5 million. The following table presents the components of Cleco Power's equity investment in Oxbow.

INCEPTION TO DATE (THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Purchase price	$12,873	$12,873
Cash contributions	1,659	1,659
Total equity investment in investee	$14,532	$14,532

The following table compares the carrying amount of Oxbow's assets and liabilities with Cleco's maximum exposure to loss related to its investment in Oxbow.

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Oxbow's net assets/liabilities	$29,065	$29,065
Cleco Power's 50% equity	$14,532	$14,532
Cleco's maximum exposure to loss	$14,532	$14,532

The following tables contain summarized financial information for Oxbow.

(THOUSANDS)	AT JUNE 30, 2012	AT DECEMBER 31, 2011
Current assets	$1,624	$1,711
Property, plant, and equipment, net	23,214	23,339
Other assets	4,251	4,128
Total assets	$29,089	$29,178
Current liabilities	$24	$40
Other liabilities	—	73
Partners' capital	29,065	29,065
Total liabilities and partners' capital	$29,089	$29,178

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2012	2011	2012	2011
Operating revenue	$294	$293	$676	$498
Operating expenses	294	293	676	498
Income before taxes	$—	$—	$—	$—

Oxbow's property, plant, and equipment, net consists of land and lignite reserves. The lignite reserves are intended to be used to provide fuel to the Dolet Hills Power Station. DHLC mines the lignite reserves at Oxbow through the Amended Lignite Mining Agreement.

Oxbow has no third-party agreements, guarantees, or other third-party commitments that contain obligations affecting Cleco Power's investment in Oxbow.

Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees

Litigation

Devil's Swamp

In October 2007, Cleco received a Special Notice for Remedial Investigation and Feasibility Study (RI/FS) from the EPA pursuant to CERCLA (also known as the Superfund statute). CERCLA establishes several classes of potentially responsible parties (PRPs) for a contaminated site, and imposes strict, joint and several liability on those PRPs for the cost of response to the contamination. The special notice requested that Cleco Corporation and Cleco Power, along with many other listed PRPs, enter into negotiations with the EPA for the performance of an RI/FS at an area known as the Devil's Swamp Lake site just northwest of Baton Rouge, Louisiana. The EPA has identified Cleco as one of many companies sending PCB wastes for disposal to the site. The Devil's Swamp Lake site has been proposed to be added to the National Priorities List (NPL) based on the release of PCBs to fisheries and wetlands located on the site. The EPA has yet to make a final determination on whether to add Devil's Swamp Lake site to the NPL. The PRPs began discussing a potential proposal to the EPA in February 2008. Negotiations among the PRPs and the EPA are ongoing in regard to the RI/FS for the Devil's Swamp Lake site, with little progress having been made since February 2008. Since this investigation is in the preliminary stages, management is unable to determine how significant Cleco's share of the costs associated with the RI/FS and possible response action at the facility site, if any, may be and whether or not this will have a material adverse effect on the Registrants' financial condition, results of operations, or cash flows.

Discrimination Complaints

On December 11, 2009, a complaint was filed in the U.S. District Court for the Western District of Louisiana (the Court) on behalf of eight current employees and four former employees alleging that Cleco discriminated against each of them on the basis of race. Each is seeking various remedies provided under applicable statutes prohibiting racial discrimination in the workplace, and together, the plaintiffs seek monetary compensation exceeding $35.0 million. On

July 29, 2010, the plaintiffs moved to add an additional current employee alleging that Cleco had discriminated on the basis of race. The additional plaintiff seeks compensation of no less than $2.5 million and became the thirteenth plaintiff. On April 13, 2011, Cleco entered into a settlement with one of the current employees which resulted in a dismissal of one of the thirteen cases with prejudice. In September 2011, the Court ruled on Cleco's summary judgment motions. The judge granted and denied the motions in part, with the end result that eleven out of twelve of the remaining plaintiffs have at least one claim remaining. The Court has severed the cases of the eleven remaining plaintiffs for further proceedings, and, if necessary, trial. After additional depositions were completed in February 2012, Cleco filed a summary judgment motion in each of the remaining eleven cases on March 8, 2012. Each of such motions were fully briefed and submitted for decision by May 11, 2012. None of these cases have been set for trial and likely will not be set until the Court rules on Cleco's motions for summary judgment. In view of the uncertainty of the claims, management is not able to predict or give a reasonable estimate of the possible range of liability, if any, of these claims.

City of Opelousas

On March 9, 2010, a complaint was filed in the 27th Judicial District Court of St. Landry Parish, State of Louisiana, on behalf of three Cleco Power customers in Opelousas, Louisiana. The complaint alleges that Cleco Power overcharged the plaintiffs by applying to customers in Opelousas the same retail rates as Cleco Power applies to all of its retail customers. The plaintiffs claim that Cleco Power owes customers in Opelousas more than $30.0 million as a result of the alleged overcharges. The plaintiffs allege that Cleco Power should have established, solely for customers in Opelousas, retail rates that are separate and distinct from the retail rates that apply to other customers of Cleco Power and that Cleco Power should not collect from customers in Opelousas the storm surcharge approved by the LPSC following hurricanes Katrina and Rita. Cleco Power currently operates in Opelousas pursuant to a franchise granted to Cleco Power by the City of Opelousas in 1986 and an operating and franchise agreement dated May 14, 1991, pursuant to which Cleco Power operates its own electric facilities and leases and operates electric facilities owned by the City of Opelousas. In April 2010, Cleco Power filed a petition with the LPSC appealing to its expertise in declaring that the ratepayers of Opelousas have been properly charged the rates that are applicable to Cleco Power's retail customers and that no overcharges have been collected. In addition, Cleco Power removed the purported class action lawsuit filed on behalf of Opelousas electric customers from the state court to the U.S. District Court for the Western District of Louisiana in April 2010, so that it could be properly addressed under the terms of the Class Action Fairness Act. On May 11, 2010, a second class action lawsuit was filed in the 27th Judicial

District Court for St. Landry Parish, State of Louisiana, repeating the allegations of the first complaint, which was submitted on behalf of 249 Opelousas residents. Cleco Power has responded in the same manner as with the first class action lawsuit. In September 2010, the federal court remanded both cases to the state court in which they were originally filed for further proceedings. In January 2011, the presiding judge in the state court proceeding ruled that the jurisdiction to hear the two class actions resides in the state court and not with the LPSC as argued by both Cleco and the LPSC Staff. Both Cleco and the LPSC Staff appealed this ruling to the Third Circuit Court of Appeals for the State of Louisiana (Third Circuit). In September 2011, the Third Circuit denied both appeals. In October 2011, both Cleco and the LPSC appealed the Third Circuit's ruling to the Louisiana Supreme Court. In November 2011, the Louisiana Supreme Court granted the appeals and remanded the case to the Third Circuit for further briefing, argument, and opinion. In February 2011, the administrative law judge (ALJ) in the LPSC proceeding ruled that the LPSC has jurisdiction to decide the claims raised by the class action plaintiffs. At its December 2011 Business and Executive Session, the LPSC adopted the ALJ's recommendation that Cleco be granted summary judgment in its declaratory action finding that Cleco's ratepayers in the City of Opelousas have been served under applicable rates and policies approved by the LPSC and Cleco's Opelousas ratepayers have not been overcharged in connection with LPSC rates or ratemaking. On January 30, 2012, the class action plaintiffs filed their appeal of such LPSC decision to the 19th Judicial District Court for Baton Rouge Parish, State of Louisiana. On February 15, 2012, the Third Circuit ruled that the State Court, and not the LPSC, has jurisdiction to hear the case. On March 15, 2012, Cleco Power appealed the Third Circuit's ruling to the Louisiana Supreme Court asking that it overturn the Third Circuit decision and confirm the LPSC's exclusive jurisdiction over this matter. The LPSC also appealed the Third Circuit's ruling to the Louisiana Supreme Court in March 2012. On May 18, 2012, the Louisiana Supreme Court granted the writ application of Cleco Power and the LPSC and set the matter for further briefing on the merits of the jurisdiction question raised in the writ application. Cleco Power expects such briefing to be completed during the third quarter of 2012 and the Louisiana Supreme Court has scheduled oral arguments for September 7, 2012. In view of the uncertainty of the claims, management is not able to predict or give a reasonable estimate of the possible range of liability, if any, of these claims. However, if it is found that Cleco Power overcharged customers resulting in a refund, any such refund could have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

LPSC Audits

Fuel Audit

The cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through an LPSC-established fuel adjustment clause that enables Cleco Power to pass on to its customers substantially all such charges. The LPSC Fuel Adjustment Clause General Order issued November 6, 1997, in Docket No. U-21497 provides that an audit of fuel adjustment clause filings will be performed not less than every other year. In March 2009, the LPSC

initiated an audit of fuel adjustment clause filings for the years 2003 through 2008. The total amount of fuel expenses included in the audit is approximately $3.26 billion. In February 2012, the LPSC Staff's consultant issued a preliminary audit report recommending a cost disallowance of approximately $0.4 million plus interest for these filing years. There was no opposition from intervenors to the recommendations of the LPSC Staff's consultant and the report was approved by the LPSC on July 18, 2012. Cleco Power has fuel adjustment clause filings for the years 2009 through 2011 that are still subject to audit.

Environmental Audit

In July 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an environmental adjustment clause to recover certain costs of environmental compliance as an adder to customers' bills. The costs eligible for recovery are prudently incurred air emissions credits associated with complying with federal, state, and local air emission regulations that apply to the generation of electricity reduced by the sale of such allowances. Also eligible for recovery are variable emission mitigation costs, which are the cost of reagents such as ammonia and limestone that are used to reduce air emissions. In November 2011, the LPSC opened Docket No. X-32150 to audit the costs for the period October 2009 through October 2010. The total amount of environmental expenses included in the audit is approximately $11.3 million. Cleco Power has responded to data requests from the LPSC. In April 2012, the LPSC Staff's consultant issued a preliminary audit report recommending no cost disallowance for the review period. There was no opposition from intervenors to the recommendations of the LPSC Staff's consultant and the report was approved by the LPSC on July 18, 2012. Cleco Power has environmental adjustment clause filings for the years 2010 through 2012 that are still subject to audit.

Other

Cleco is involved in various litigation matters, including regulatory, environmental, and administrative proceedings before various courts, regulatory commissions, arbitrators, and governmental agencies regarding matters arising in the ordinary course of business. The liability Cleco may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued. Management regularly analyzes current information and, as of June 30, 2012, believes the range of probable and reasonably estimable liabilities based on the eventual disposition of these matters is between $3.0 million and $7.0 million.

Off-Balance Sheet Commitments

Cleco Corporation and Cleco Power have entered into various off-balance sheet commitments, in the form of guarantees and standby letters of credit, in order to facilitate their activities and the activities of Cleco Corporation's subsidiaries and equity investees (affiliates). Cleco Corporation and Cleco Power also have agreed to contractual terms that require them to pay third parties if certain triggering events occur. These contractual terms generally are defined as guarantees in the authoritative guidance.

Cleco Corporation entered into these off-balance sheet commitments in order to entice desired counterparties to contract with its affiliates by providing some measure of credit assurance to the counterparty in the event Cleco's affiliates do not fulfill certain contractual obligations. If Cleco Corporation had not provided the off-balance sheet commitments, the desired counterparties may not have contracted with Cleco's affiliates, or may have contracted with them at terms less favorable to its affiliates.

The off-balance sheet commitments are not recognized on Cleco's Condensed Consolidated Balance Sheets because management has determined that Cleco's affiliates are able to perform these obligations under their contracts and that it is not probable that payments by Cleco will be required. Cleco's off-balance sheet commitments as of June 30, 2012, are summarized in the following table, and a discussion of the off-balance sheet commitments follows the table. The discussion should be read in conjunction with the table to understand the impact of the off-balance sheet commitments on Cleco's financial condition.

	AT JUNE 30, 2012		
(THOUSANDS)	FACE AMOUNT	REDUCTIONS	NET AMOUNT
Cleco Corporation			
Guarantee issued to Entergy Mississippi on behalf of Attala	$500	$—	$500
Cleco Power			
Obligations under standby letter of credit issued to the Louisiana Department of Labor	3,725	—	3,725
Total	$4,225	$—	$4,225

In January 2006, Cleco Corporation provided a $0.5 million guarantee to Entergy Mississippi for Attala's obligations under the Interconnection Agreement. This guarantee will be effective through the life of the agreement.

The State of Louisiana allows employers of certain financial net worth to self-insure their workers' compensation benefits. Cleco Power has a certificate of self-insurance from the Louisiana Office of Workers' Compensation and is required to post a $3.7 million letter of credit, an amount equal to 110% of the average losses over the previous three years, as surety.

On January 4, 2012, Cleco Corporation provided a $1.0 million guarantee to Tenaska Power Services for Cleco Evangeline's obligations under the Western Systems Power Pool agreement. This guarantee terminated on May 31, 2012.

Disclosures about Guarantees

Cleco Corporation provided a limited guarantee and an indemnification to Entergy Louisiana and Entergy Gulf States for Perryville's performance, indemnity, representation, and warranty obligations under the Sale Agreement, the Power Purchase Agreement, and other ancillary agreements related to the sale of the Perryville facility in 2004. This is a continuing guarantee and all obligations of Cleco Corporation shall continue until the guaranteed obligations have been fully performed or otherwise extinguished. The discounted probability-weighted liability under the guarantees and indemnifications recognized on Cleco's Condensed Consolidated Balance Sheet as of June 30, 2012, was $0.2 million. The maximum amount of the potential payment to Entergy Louisiana and Entergy Gulf States is $42.4 million. Currently, management does not expect to be required to pay Entergy Louisiana and Entergy Gulf States under the guarantee.

In February 2010, Cleco Power acquired Acadia Unit 1 and half of Acadia Power Station's related common facilities. Acadia provided limited guarantees and indemnifications to Cleco Power under the Master Reorganization and Redemption Agreement. The maximum amount of the potential payment to Cleco Power for indemnifications is $30.0 million, except for the indemnifications relating to the fundamental organizational structure of Acadia against which there is no maximum amount. Cleco Corporation is obligated to pay a maximum of $10.0 million if Acadia is unable to pay claims to Cleco Power pursuant to the guarantee. Acadia recorded an indemnification liability of $13.5 million which represents the fair value of these indemnifications.

Acadia and APH will reduce the indemnification liabilities either through expiration of the contractual life or through a reduction in the probability of a claim arising. The indemnification obligation is expected to have a term of approximately three years. After the three-year period, a residual value of less than \$0.1 million will remain. At June 30, 2012, Acadia had an indemnification liability of approximately \$0.4 million remaining, which represents the risk of payment, as a contingent sale obligation recorded on Cleco's Condensed Consolidated Balance Sheet. APH recognized no income for the three and six months ended June 30, 2012, and income of \$0.1 million and \$0.9 million for the three and six months ended June 30, 2011, respectively, primarily due to the contractual expiration of the underlying indemnifications. Acadia recognized no income for the three months ended June 30, 2012 and income of \$7.2 million for the six months ended June 30, 2012, primarily due to the contractual expiration of the underlying indemnifications. During the three and six months ended June 30, 2011, Acadia recognized income of \$0.1 million and \$1.0 million, respectively, primarily due to the contractual expiration of the underlying indemnifications.

On April 29, 2011, Acadia completed its disposition of Acadia Unit 2 and Acadia Power Station's remaining common facilities to Entergy Louisiana. Acadia provided limited guarantees and indemnifications to Entergy Louisiana and recorded an indemnification liability of \$21.8 million, which represents the fair value of these indemnifications. In conjunction with the disposition of Acadia Unit 2, APH received 100% ownership in Acadia in exchange for its 50% interest in Cajun, and Acadia became a consolidated subsidiary of APH.

Acadia and APH will reduce the indemnification liabilities either through expiration of the contractual life or through a reduction in the probability of a claim arising. The indemnification obligation is expected to have a term of three years. After the three-year period, a residual value of approximately \$0.2 million will remain. At June 30, 2012, Acadia had an indemnification liability of \$10.0 million remaining, which represents the risk of payment, as a contingent sale obligation recorded on Cleco's Condensed Consolidated Balance Sheet. Acadia recognized income of \$11.8 million for the three and six months ended June 30, 2012, primarily due to the contractual expiration of the underlying indemnifications. The maximum amount of the potential payment to Entergy Louisiana for the indemnifications is the purchase price of \$298.8 million, except for the liabilities retained by Acadia, for which there is no maximum amount. Cleco Corporation is obligated to pay the same maximum amounts as Acadia if Acadia is unable to pay claims to Entergy Louisiana pursuant to the guarantee.

As part of the Amended Lignite Mining Agreement ,Cleco Power and SWEPCO, joint owners of Dolet Hills, have agreed to pay the lignite miner's loan and lease principal obligations when due, if the lignite miner does not have sufficient funds or credit to pay. Any amounts paid on behalf of the miner would be credited by the lignite miner against the next invoice for lignite delivered. At June 30, 2012, Cleco Power had a liability of $3.8 million related to the amended agreement. The maximum projected payment by Cleco Power under this guarantee is estimated to be $72.5 million; however, the Amended Lignite Mining Agreement does not contain a cap. The projection is based on the forecasted loan and lease

obligations to be incurred by DHLC, primarily for purchases of equipment. Cleco Power has the right to dispute the incurrence of loan and lease obligations through the review of the mining plan before the incurrence of such loan and lease obligations. The Amended Lignite Mining Agreement does not terminate pursuant to its terms until 2026 and does not affect the amount the Registrants can borrow under their credit facilities. Currently, management does not expect to be required to pay DHLC under the guarantee.
The following table summarizes the expected termination dates of the off-balance sheet commitments and on-balance sheet guarantees discussed above.

					AT JUNE 30, 2012
		AMOUNT OF COMMITMENT EXPIRATION PER PERIOD			
(THOUSANDS)	NET AMOUNT COMMITTED	LESS THAN ONE YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Off-balance sheet commitments	$ 4,225	$ 3,725	$ —	$—	$ 500
On-balance sheet guarantees	14,356	—	10,350	—	4,006
Total	$ 18,581	$ 3,725	$ 10,350	$—	$ 4,506

In its bylaws, Cleco Corporation has agreed to indemnify directors, officers, agents, and employees who are made a party to a pending or completed suit, arbitration, investigation, or other proceeding whether civil, criminal, investigative or administrative, if the basis of inclusion arises as the result of acts conducted in the discharge of their official capacity. Cleco Corporation has purchased various insurance policies to reduce the risks associated with the indemnification. In its operating agreement, Cleco Power provides for the same indemnification as described above with respect to its managers, officers, agents, and employees.
Generally, neither Cleco Corporation nor Cleco Power has recourse that would enable them to recover amounts paid under their guarantee or indemnification obligations. The one exception is the insurance contracts associated with the indemnification of directors, managers, officers, agents, and employees. There are no assets held as collateral for third parties that either Cleco Corporation or Cleco Power could obtain and liquidate to recover amounts paid pursuant to the guarantees or indemnification obligations.

Other Commitments

New Markets Tax Credits
In August 2008, Cleco Corporation acquired a 99.9% membership interest in USB NMTC Fund 2008-1 LLC (the Fund). The Fund was formed by U.S. Bancorp Community Development Corporation (USBCDC). The purpose of the Fund is to invest in projects located in qualified active low-income communities that are underserved by typical debt capital markets. These investments are designed to generate new markets tax credits and historical rehabilitation tax credits.

In July 2011, the operating agreement of the Fund was amended to include renewable energy investments qualifying for grants under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009. As part of the amendment, the guarantee performance targets provided to Cleco by the Fund were increased. U.S. Bank is the parent company of the managing member of the Fund and is the guarantor of the performance targets. In April 2012, the operating agreement of the Fund was amended. The primary purpose of the amendment was to adjust the ownership percentage of an

underlying project. There was no material change to total capital contributions made by Cleco or total benefits and cash to be received by Cleco.

The tax benefits received from the Fund reduce the federal income tax obligations of Cleco Corporation. In total, Cleco Corporation will contribute $286.3 million of equity contributions to the Fund and will receive at least $304.6 million of net tax benefits and cash from the inception of the investment in 2008 over the life of the investment, which ends in 2017 under the new amendment. The $18.3 million difference between equity contributions and total benefits received will be recognized over the life of the Fund as net tax benefits are delivered. The following table reflects remaining future equity contributions.

(THOUSANDS)	CONTRIBUTION
Six months ending December 31, 2012	$28,319
Years ending December 31,	
2013	48,777
2014	37,525
2015	13,998
2016	12,530
2017	5,211
Total	$146,360

Of the $146.4 million, $51.3 million is due to be paid within the next twelve months. Due to the right of offset, the investment and associated debt are presented on Cleco's Condensed Consolidated Balance Sheet in the line item titled tax credit fund investment, net. The amount of tax benefits delivered in excess of capital contributions as of June 30, 2012, was $96.4 million. The amount of tax benefits delivered but not utilized as of June 30, 2012, was $77.2 million and is reflected as a deferred tax asset.

The equity contribution does not contain a stated rate of interest. Cleco Corporation has recorded the liability and investment at its calculated fair value within the framework of the authoritative guidance. In order to calculate the fair value, management used an imputed rate of interest assuming that Cleco Corporation obtained financing of a similar nature from a third-party. The imputed interest rate was used in a net present value model in order to calculate the fair value of the remaining portion of the delayed equity contributions. The following table contains the disclosures required by the authoritative guidelines for equity investments with an imputed interest rate.

(THOUSANDS)	
Equity contributions, imputed interest rate 6%	
Principal payment schedule above:	$146,360
Less: unamortized discount	14,775
Total	$131,585

The gross investment amortization expense will be recognized over a ten-year period, with five years remaining under the new amendment, using the cost method in accordance with the authoritative guidance for investments. The grants received under Section 1603 and other cash reduce the basis of the investment. Periodic amortization of the investment and the deferred taxes generated by the basis reduction temporary difference are included as components of income tax expense.

Risks and Uncertainties

Cleco Corporation

Cleco Corporation could be subject to possible adverse consequences if Cleco's counterparties fail to perform their obligations or if Cleco Corporation or its affiliates are not in compliance with loan agreements or bond indentures.

Other

Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. After assessing the current operating performance, liquidity, and credit ratings of Cleco Corporation, management believes that Cleco will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. If Cleco Corporation's credit ratings were to be downgraded by Moody's and Standard & Poor's, Cleco Corporation would be required to pay additional fees and higher interest rates under its bank credit and other debt agreements.

Changes in the regulatory environment or market forces could cause Cleco to determine its assets have suffered an other-than-temporary decline in value, whereby an impairment would be required to be taken and Cleco's financial condition could be materially adversely affected.

Cleco Power

Cleco Power supplies the majority of its customers' electric power requirements from its own generation facilities. In addition to power obtained from power purchase agreements, Cleco Power purchases power from other utilities and marketers to supplement its generation at times of relatively high demand or when the purchase price of power is less than its own cost of generation. Due to its location on the transmission grid, Cleco Power relies on two main suppliers of electric transmission when accessing external power markets. At times, constraints limit the amount of purchased power these transmission providers can deliver into Cleco Power's service territory.

Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. After assessing the current operating performance, liquidity, and credit ratings of Cleco Power, management believes that Cleco Power will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. Cleco Power pays fees and interest under its bank credit agreements based on the highest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's and Standard & Poor's, Cleco Power would be required to pay additional fees and higher interest rates under its bank credit agreements. Cleco Power's collateral for derivatives is based on the lowest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's or Standard & Poor's, Cleco Power would be required to pay additional collateral for derivatives.

Note 12 — Affiliate Transactions

At June 30, 2012, Cleco Corporation had no affiliate balances that were payable to or due from its non-consolidated affiliates.

Cleco Power has affiliate balances that are payable to or due from its affiliates. At June 30, 2012, the payable to Support Group was $7.4 million, the payable to Cleco Corporation was $2.3 million, the payable to Evangeline was $1.5 million, and the payable to other affiliates was less than $0.1 million. Also, at June 30, 2012, the receivable from Support Group was $2.4 million, the receivable from Cleco Corporation was $1.6 million, and the receivable from other affiliates was $0.1 million.

Note 13 — Acadia Unit 2 Transaction

On April 29, 2011, Acadia completed its disposition of Acadia Unit 2 and Acadia Power Station's remaining common facilities to Entergy Louisiana. The significant terms of the transaction were:

- Entergy Louisiana acquired Acadia Unit 2 for $298.8 million;
- In exchange for $10.9 million, APH indemnified the third-party owners of Cajun and their affiliates against 50% of Acadia's liabilities and other obligations related to the Acadia Unit 2 transaction;
- APH recognized a gain of $62.0 million, which included $26.2 million of equity income that represents the 2007 investment impairment charge of $45.9 million, partially offset by $19.7 million of capitalized interest during the construction of Acadia;
- APH received 100% ownership in Acadia in exchange for its 50% interest in Cajun, and Acadia became a consolidated subsidiary of APH; and
- Cleco Power operates Acadia Unit 2 on behalf of Entergy Louisiana.

Following the transaction, ongoing operations at Acadia are minimal, relating only to the previously established accounts receivable, accounts payable, and servicing of indemnities. Therefore, Acadia does not meet the definition of a business.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in combination with the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and Cleco and Cleco Power's Condensed Consolidated Financial Statements contained in this Combined Quarterly Report on Form 10-Q. The information included therein is essential to understanding the following discussion and analysis. Below is information concerning the consolidated results of operations of Cleco for the three and six months ended June 30, 2012, and June 30, 2011.