Cleco Corporate Holdings LLC
Form 10-Q
November 02, 2016

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 September 30, 2016
Or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-15759
CLECO CORPORATE HOLDINGS LLC
(Exact name of registrant as specified in its charter)

Louisiana	72-1445282
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2030 Donahue Ferry Road, Pineville, Louisiana	71360-5226
(Address of principal executive offices)	(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	72-0244480
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2030 Donahue Ferry Road, Pineville, Louisiana	71360-5226
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

As of November 2, 2016, Cleco Corporate Holdings LLC has no common stock outstanding. All of the outstanding interest of Cleco Corporate Holdings LLC is held by Cleco Group LLC, a wholly owned subsidiary of Cleco Partners L.P.

Cleco Power LLC, a wholly owned subsidiary of Cleco Corporate Holdings LLC, 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.

CLECO HOLDINGS
CLECO POWER 2016 3RD QUARTER FORM 10-Q

This Combined Quarterly Report on Form 10-Q is separately filed by Cleco Corporate Holdings LLC and Cleco Power LLC. Information in this filing relating to Cleco Power LLC is filed by Cleco Corporate Holdings LLC and separately by Cleco Power LLC on its own behalf. Cleco Power LLC makes no representation as to information relating to Cleco Corporate Holdings LLC (except as it may relate to Cleco Power LLC) or any other affiliate or subsidiary of Cleco Corporate Holdings LLC.
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 Corporate Holdings LLC (Cleco Holdings) 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 which is the greater of the prime rate, the federal funds effective rate plus 0.50%, or the LIBOR plus 1.0%
Acadia	Acadia Power Partners, LLC, previously a wholly owned subsidiary of Midstream. Acadia Power Partners, LLC was dissolved effective August 29, 2014.
Acadia Unit 1	Cleco Power’s 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana
Acadia Unit 2	Entergy Louisiana’s 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana, which is operated by Cleco Power
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
Amended Lignite Mining Agreement	Amended and restated lignite mining agreement effective December 29, 2009
AMI	Advanced Metering Infrastructure
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Holdings
CCR	Coal combustion by-products or residual
CPP	Clean Power Plan
Cleco Group	Cleco Group LLC, a wholly owned subsidiary of Cleco Partners
Cleco Katrina/Rita	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power
Cleco Partners	Cleco Partners L.P., a Delaware limited partnership that is owned by a consortium of investors, including funds or investment vehicles managed by Macquarie Infrastructure and Real Assets, British Columbia Investment Management Corporation, John Hancock Financial, and other infrastructure investors.
CO_2	Carbon dioxide
Coughlin	Cleco Power’s 775-MW, combined-cycle power plant located in St. Landry, Louisiana
DHLC	Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Holdings
Dolet Hills	A 650-MW generating unit at Cleco Power’s plant site in Mansfield, Louisiana. Cleco Power has a 50% ownership interest in the capacity of Dolet Hills.
EAC	Environmental Adjustment Clause
EGU	Electric Generating Unit
Entergy Gulf States	Entergy Gulf States Louisiana, L.L.C.
Entergy Louisiana	Entergy Louisiana, LLC
EPA	U.S. Environmental Protection Agency
ERO	Electric Reliability Organization
ESPP	Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream

FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FTR	Financial Transmission Right
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the U.S.
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
kWh	Kilowatt-hour(s)
LED	Louisiana Economic Development
LIBOR	London Interbank Offered Rate
LPSC	Louisiana Public Service Commission
LTIP	Long-Term Incentive Compensation Plan
Madison Unit 3	A 641-MW generating unit at Cleco Power’s plant site in Boyce, Louisiana
MATS	Mercury and Air Toxics Standards
Merger	Merger of Merger Sub with and into Cleco Corporation pursuant to the terms of the Merger Agreement which was completed on April 13, 2016
Merger Agreement	Agreement and Plan of Merger, dated as of October 17, 2014, by and among Cleco Partners, Merger Sub, and Cleco Corporation
Merger Commitments	Cleco Partners’, Cleco Holdings’, and Cleco Power’s 77 commitments to the LPSC as defined in Docket No. U-33434 of which a performance report must be filed annually by October 31 for the 12 months ending June 30

ABBREVIATION OR ACRONYM	DEFINITION
Merger Sub	Cleco MergerSub Inc., previously an indirect wholly owned subsidiary of Cleco Partners that was merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Holdings
MISO	Midcontinent Independent System Operator, Inc.
Moody's	Moody's Investors Service, a credit rating agency
MW	Megawatt(s)
MWh	Megawatt-hour(s)
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NMTC	New Markets Tax Credit
NMTC Fund	USB NMTC Fund 2008-1 LLC was formed to invest in projects qualifying for New Markets Tax Credits and Solar Projects
NO_x	Nitrogen oxides
Oxbow	Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Holdings
Registrant(s)	Cleco Holdings and/or Cleco Power
Rodemacher Unit 2	A 523-MW generating unit at Cleco Power's plant site in Boyce, Louisiana. Cleco Power has a 30% ownership interest in the capacity of Rodemacher Unit 2.
ROE	Return on equity
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Services, a credit rating agency
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SO_2	Sulfur dioxide
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Holdings
SWEPCO	Southwestern Electric Power Company, an electric utility subsidiary of American Electric Power Company, Inc.
VaR	Value-at-Risk

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; business strategies; goals, beliefs, plans and objectives; competitive strengths; market developments; development and operation of facilities; growth in sales volume; meeting capacity requirements; expansion of service to existing 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:

- the effects of the Merger on Cleco Holdings' and Cleco Power's business relationships, operating results, and business generally,
- regulatory factors such as changes in rate-setting practices or policies; the unpredictability in political actions of governmental regulatory bodies; adverse regulatory ratemaking actions; recovery of investments made under traditional regulation; recovery of storm restoration costs; the frequency, timing, and amount of rate increases or decreases; the impact that rate cases or requests for FRP extensions may have on operating decisions of Cleco Power; the results of periodic NERC, LPSC, and FERC audits; participation in MISO and the related operating challenges and uncertainties, including increased wholesale competition relative to more suppliers; and compliance with the ERO reliability standards for bulk power systems by Cleco Power,
- the ability to recover fuel costs through the FAC,
- factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage caused by hurricanes and other storms or severe drought conditions; unscheduled generation outages; unanticipated maintenance or repairs; unanticipated changes to fuel costs or fuel supply costs, fuel shortages, transportation problems, or other developments; fuel mix of Cleco's generating facilities; decreased customer load; environmental incidents and compliance costs; and power transmission system constraints,
- reliance on third parties for determination of Cleco Power's commitments and obligations to markets for generation resources and reliance on third-party transmission services,
- global and domestic economic conditions, including the ability of customers to continue paying utility bills, related growth and/or downsizing of businesses in Cleco's service area, monetary fluctuations, changes in commodity prices, and inflation rates,
- the ability of the lignite reserves at Dolet Hills to provide sufficient fuel to the Dolet Hills Power Station until at least 2036,
- Cleco Power's ability to maintain its right to sell wholesale power at market-based rates within its control area,
- Cleco Power's dependence on energy from sources other than its facilities and future sources of such additional energy,
- reliability of Cleco Power's generating facilities,
- the imposition of energy efficiency requirements or increased conservation efforts of customers,
- the impact of current or future environmental laws and regulations, including those related to CCRs, greenhouse gases, and energy efficiency that could limit or terminate the operation of certain generating units, increase costs, or reduce customer demand for electricity,

- the ability to recover costs of compliance with environmental laws and regulations, including those through the EAC,
- financial or regulatory accounting principles or policies imposed by FASB, the SEC, FERC, the LPSC, or similar entities with regulatory or accounting oversight,
- 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,
- legal, environmental, and regulatory delays and other obstacles associated with acquisitions, reorganizations, investments in joint ventures, or other capital projects,
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters,
- the availability and use of alternative sources of energy and technologies, such as wind, solar, battery storage, and distributed generation,
- changes in federal, state, or local laws (including tax laws), changes in tax rates, disallowances of tax positions, or changes in other regulating policies that may result in a change to tax benefits or expenses,
- the restriction on the ability of Cleco Power to make distributions to Cleco Holdings in certain instances, as a result of the Merger Commitments,
- Cleco Holdings' dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations,

- acts of terrorism, cyber attacks, data security breaches or other attempts to disrupt Cleco's business or the business of third parties, or other man-made disasters,
- nonperformance by and creditworthiness of the guarantor counterparty of the NMTC Fund,
- credit ratings of Cleco Holdings and Cleco Power,
- the ability to remain in compliance with debt covenants,
- the availability or cost of capital resulting from changes in global markets, Cleco's business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries, and
- employee work force factors, including aging workforce and changes in management.

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 see "Risk Factors" in the Registrants' Combined Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
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 (UNAUDITED)

Cleco Holdings
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, 2015. 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 HOLDINGS

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	SUCCESSOR FOR THE THREE MONTHS ENDED SEPT. 30, 2016	PREDECESSOR FOR THE THREE MONTHS ENDED SEPT. 30, 2015
Operating revenue		
Electric operations	$ 323,707	$ 325,994
Other operations	18,976	19,937
Gross operating revenue	342,683	345,931
Electric customer credits	177	(463)
Operating revenue, net	342,860	345,468
Operating expenses		
Fuel used for electric generation	101,908	105,052
Power purchased for utility customers	36,058	31,544
Other operations	35,361	33,021
Maintenance	19,412	20,183
Depreciation and amortization	42,535	39,120
Taxes other than income taxes	12,574	13,145
Merger transaction and commitment costs	1,869	831
Total operating expenses	249,717	242,896
Operating income	93,143	102,572
Interest income	318	346
Allowance for equity funds used during construction	1,308	660
Other income	658	162
Other expense	(248)	(2,723)
Interest charges		
Interest charges, including amortization of debt issuance costs, premiums, and discounts, net	32,233	18,781
Allowance for borrowed funds used during construction	(375)	(188)
Total interest charges	31,858	18,593
Income before income taxes	63,321	82,424
Federal and state income tax expense	23,700	27,761
Net income	$ 39,621	$ 54,663

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	SUCCESSOR FOR THE THREE MONTHS ENDED SEPT. 30, 2016	PREDECESSOR FOR THE THREE MONTHS ENDED SEPT. 30, 2015
Net income	$ 39,621	$ 54,663
Other comprehensive (loss) income, net of tax		
Postretirement benefits (loss) gain (net of tax benefit of $1,442 and tax expense of $366, respectively)	(2,305)	586
Net gain on cash flow hedges (net of tax expense of $0 and $33, respectively)	—	53
Total other comprehensive (loss) income, net of tax	(2,305)	639
Comprehensive income, net of tax	$ 37,316	$ 55,302

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	SUCCESSOR APR. 13, 2016 - SEPT. 30, 2016	PREDECESSOR JAN. 1, 2016 - APR. 12, 2016	FOR THE NINE MONTHS ENDED SEPT. 30, 2015
Operating revenue			
Electric operations	$ 553,634	$281,154	$880,169
Other operations	33,110	19,080	53,472
Gross operating revenue	586,744	300,234	933,641
Electric customer credits	(381)	(364)	(3,642)
Operating revenue, net	586,363	299,870	929,999
Operating expenses			
Fuel used for electric generation	168,159	96,378	277,187
Power purchased for utility customers	60,439	27,249	109,758
Other operations	59,633	33,563	93,018
Maintenance	42,317	29,813	60,700
Depreciation and amortization	76,695	44,076	112,866
Taxes other than income taxes	22,953	14,611	38,734
Merger transaction and commitment costs	173,172	34,912	2,561
Gain on sale of asset	—	(1,095)	—
Total operating expenses	603,368	279,507	694,824
Operating (loss) income	(17,005)	20,363	235,175
Interest income	515	265	734
Allowance for equity funds used during construction	2,057	723	2,197
Other income	2,395	870	1,279
Other expense	(435)	(590)	(3,494)
Interest charges			
Interest charges, including amortization of debt issuance costs, premiums, and discounts, net	58,926	22,330	59,264
Allowance for borrowed funds used during construction	(603)	(207)	(640)
Total interest charges	58,323	22,123	58,624
(Loss) income before income taxes	(70,796)	(492)	177,267
Federal and state income tax (benefit) expense	(28,502)	3,468	65,448
Net (loss) income	$ (42,294)	$(3,960)	$111,819

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	SUCCESSOR APR. 13, 2016 - SEPT. 30, 2016	PREDECESSOR JAN. 1, 2016 - APR. 12, 2016	FOR THE NINE MONTHS ENDED SEPT. 30, 2015
Net (loss) income	$ (42,294)	$ (3,960)	$ 111,819
Other comprehensive (loss) income, net of tax			
Postretirement benefits (loss) gain (net of tax benefit of $1,442, tax expense of $367, and tax expense of $1,158, respectively)	(2,305)	587	1,851
Net gain on cash flow hedges (net of tax expense of $0, $37, and $99, respectively)	—	60	159
Total other comprehensive (loss) income, net of tax	(2,305)	647	2,010
Comprehensive (loss) income, net of tax	$ (44,599)	$ (3,313)	$ 113,829

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	SUCCESSOR AT SEPT. 30, 2016	PREDECESSOR AT DEC. 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 81,570	$ 68,246
Restricted cash and cash equivalents	31,684	9,263
Customer accounts receivable (less allowance for doubtful accounts of $4,901 in 2016 and $2,674 in 2015)	61,017	43,255
Accounts receivable - affiliate	3,794	—
Other accounts receivable	24,416	27,677
Unbilled revenue	47,075	33,995
Fuel inventory, at average cost	29,661	72,838
Material and supplies, at average cost	81,131	76,731
Energy risk management assets	9,994	7,673
Accumulated deferred fuel	23,472	12,910
Cash surrender value of company-/trust-owned life insurance policies	76,861	73,823
Prepayments	5,658	7,883
Regulatory assets	39,468	14,117
Other current assets	696	448
Total current assets	516,497	448,859
Property, plant, and equipment		
Property, plant, and equipment	3,402,425	4,661,212
Accumulated depreciation	(47,134)	(1,536,158)
Net property, plant, and equipment	3,355,291	3,125,054
Construction work in progress	112,547	66,509
Total property, plant, and equipment, net	3,467,838	3,191,563
Equity investment in investee	19,272	16,822
Goodwill	1,491,519	—
Prepayments	4,608	4,542
Restricted cash and cash equivalents	22,869	16,195
Regulatory assets - deferred taxes, net	234,128	236,941
Regulatory assets	477,919	284,689
Net investment in direct financing lease	13,431	13,464
Intangible asset	147,516	74,963
Tax credit fund investment, net	11,499	13,741
Other deferred charges	17,416	22,299
Total assets	$ 6,424,512	$ 4,324,078

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

(Continued on next page)

CLECO HOLDINGS

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	SUCCESSOR AT SEPT. 30, 2016	PREDECESSOR AT DEC. 31, 2015
Liabilities and member’s equity/shareholders’ equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	$ 20,385	$ 19,421
Accounts payable	89,674	93,822
Accounts payable - affiliate	175	—
Customer deposits	56,806	55,233
Provision for rate refund	3,201	2,696
Provision for merger commitments	32,996	—
Taxes payable	29,413	2,573
Interest accrued	39,323	7,814
Energy risk management liabilities	418	275
Regulatory liabilities - other	—	312
Deferred compensation	11,425	10,156
Other current liabilities	22,515	14,277
Total current liabilities	306,331	206,579
Long-term liabilities and deferred credits		
Accumulated deferred federal and state income taxes, net	1,026,019	925,103
Accumulated deferred investment tax credits	2,874	3,245
Postretirement benefit obligations	238,107	205,036
Restricted storm reserve	17,077	16,177
Other deferred credits	32,521	24,670
Total long-term liabilities and deferred credits	1,316,598	1,174,231
Long-term debt, net	2,744,041	1,268,427
Total liabilities	4,366,970	2,649,237
Commitments and Contingencies (Note 12)		
Member’s equity/Shareholders’ equity		
Member’s equity/Common shareholders’ equity		
Membership interest/Common stock [1]	2,102,141	456,412
(Accumulated deficit)/Retained earnings	(42,294)	1,245,014
Accumulated other comprehensive loss	(2,305)	(26,585)
Total member’s equity/common shareholders’ equity	2,057,542	1,674,841
Total liabilities and member’s equity/shareholders’ equity	$ 6,424,512	$ 4,324,078

[1]At December 31, 2015, shareholders’ equity included $418.5 million of premium on common stock, $61.1 million of common stock, and $23.2 million of treasury stock. At December 31, 2015, Cleco Holdings had 100,000,000 shares of common stock authorized, 61,058,918 shares of common stock issued, and 60,482,468 shares of common stock outstanding, par value $1 per share. At December 31, 2015, Cleco Holdings had 576,450 shares of treasury stock.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS

Condensed Consolidated Statements of Cash Flows (Unaudited)

	SUCCESSOR	PREDECESSOR	
(THOUSANDS)	APR. 13, 2016 - SEPT. 30, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE NINE MONTHS ENDED SEPT. 30, 2015
Operating activities			
Net (loss) income	$ (42,294)	$ (3,960)	$ 111,819
Adjustments to reconcile net (loss) income to net cash provided by operating activities			
Depreciation and amortization	104,561	45,869	117,831
Gain on sale of asset	—	(1,095)	—
Unearned compensation expense	769	3,276	4,819
Allowance for equity funds used during construction	(2,056)	(724)	(2,197)
Net deferred income taxes	(25,681)	2,219	62,871
Deferred fuel costs	(11,489)	977	1,010
Cash surrender value of company-/trust-owned life insurance	(2,198)	(840)	2,258
Provision for merger commitments	40,357	—	—
Changes in assets and liabilities			
Accounts receivable	(23,157)	(1,865)	(24,890)
Accounts and notes receivable, affiliate	(3,794)	—	—
Unbilled revenue	(13,643)	563	(2,019)
Fuel inventory and materials and supplies	19,464	19,312	(3,422)
Prepayments	(236)	2,395	3,659
Accounts payable	(15,294)	8,348	(32,248)
Customer deposits	5,421	3,342	9,357
Postretirement benefit obligations	2,267	9,746	10,430
Regulatory assets and liabilities, net	9,640	5,178	13,858
Other deferred accounts	(2,065)	6,878	(8,029)
Taxes accrued	5,006	10,820	24,878
Interest accrued	13,479	17,909	13,115
Deferred compensation	(987)	(793)	(1,335)
Other operating	8,633	2,224	2,239
Net cash provided by operating activities	66,703	129,779	304,004
Investing activities			
Additions to property, plant, and equipment	(102,677)	(42,392)	(116,678)
Allowance for equity funds used during construction	2,056	724	2,197
Proceeds from sale of property	263	1,932	429
Premiums paid on trust-owned life insurance	—	—	(2,571)
Contributions to equity investment in investee	—	(2,450)	(1,840)
Return of equity investment in tax credit fund	901	476	1,649
Contributions to tax credit fund	—	—	(4,091)

Transfer of cash (to) from restricted accounts, net	(33,943)	4,847	4,536
Other investing	137	53	173
Net cash used in investing activities	(133,263)	(36,810)	(116,196)

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CLECO HOLDINGS

Condensed Consolidated Statements of Cash Flows (Unaudited)

	SUCCESSOR	PREDECESSOR	
(THOUSANDS)	APR. 13, 2016 - SEPT. 30, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE NINE MONTHS ENDED SEPT. 30, 2015
Financing activities			
Draws on credit facilities	15,000	3,000	108,000
Payments on credit facilities	(15,000)	(10,000)	(147,000)
Issuance of long-term debt	1,350,000	—	—
Repayment of long-term debt	(1,358,268)	(8,546)	(100,824)
Payment of financing costs	(6,860)	(43)	(186)
Dividends paid	(572)	(24,579)	(73,076)
Contribution from member	100,720	—	—
Distributions to member	(56,000)	—	—
Other financing	(1,220)	(717)	(1,816)
Net cash provided by (used in) financing activities	27,800	(40,885)	(214,902)
Net (decrease) increase in cash and cash equivalents	(38,760)	52,084	(27,094)
Cash and cash equivalents at beginning of period	120,330	68,246	44,423
Cash and cash equivalents at end of period	$ 81,570	$ 120,330	$ 17,329
Supplementary cash flow information			
Interest paid, net of amount capitalized	$ 42,963	$ 2,478	$ 42,201
Income taxes paid (refunded), net	$ 256	$ (481)	$ 1,434
Supplementary non-cash investing and financing activities			
Accrued additions to property, plant, and equipment	$ 15,853	$ 10,619	$ 4,869
Additions to property, plant, and equipment - ARO	$ —	$ 961	$ —

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS

Condensed Consolidated Statements of Changes in Equity (Unaudited)

(THOUSANDS)	COMMON STOCK/MEMBERSHIP INTEREST[1]	RETAINED EARNINGS/(ACCUMULATED DEFICIT)	AOCI	TOTAL SHAREHOLDERS'/ MEMBER'S EQUITY
PREDECESSOR				
Balances, Dec. 31, 2015	$ 456,412	$ 1,245,014	$(26,585)	$ 1,674,841
Common stock issued for compensatory plans	(1,277)	—	—	(1,277)
Dividends on common stock, $0.40 per share	—	(24,190)	—	(24,190)
Net loss	—	(3,960)	—	(3,960)
Other comprehensive income, net of tax	—	—	647	647
Balances, Apr. 12, 2016	$ 455,135	$ 1,216,864	$(25,938)	$ 1,646,061
SUCCESSOR				
Balances, Apr. 13, 2016 [2]	$ 2,158,141	$ —	$—	$ 2,158,141
Distributions to member	(56,000)	—	—	(56,000)
Net loss	—	(42,294)	—	(42,294)
Other comprehensive loss, net of tax	—	—	(2,305)	(2,305)
Balances, Sept. 30, 2016	$ 2,102,141	$ (42,294)	$(2,305)	$ 2,057,542

[1]At April 12, 2016, and December 31, 2015, shareholders' equity of the predecessor company included $61.1 million of common stock. At April 12, 2016, and December 31, 2015, shareholders' equity of the predecessor company included $414.6 million and $418.5 million of premium on common stock, and $20.5 million and $23.2 million of treasury stock, respectively.
[2]The April 13, 2016, beginning balance of the successor company differs from the April 12, 2016, ending balances of the predecessor company due to acquisition accounting adjustments related to the Merger.
The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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, 2015. 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)	FOR THE THREE MONTHS ENDED SEPT. 30, 2016	2015
Operating revenue		
Electric operations	$326,281	$325,994
Other operations	18,460	19,418
Affiliate revenue	213	240
Gross operating revenue	344,954	345,652
Electric customer credits	177	(463)
Operating revenue, net	345,131	345,189
Operating expenses		
Fuel used for electric generation	101,908	105,052
Power purchased for utility customers	36,058	31,544
Other operations	35,886	33,639
Maintenance	19,326	19,932
Depreciation and amortization	40,353	38,376
Taxes other than income taxes	12,180	12,680
Total operating expenses	245,711	241,223
Operating income	99,420	103,966
Interest income	264	303
Allowance for equity funds used during construction	1,308	660
Other income	629	223
Other expense	(445)	(544)
Interest charges		
Interest charges, including amortization of debt issuance costs, premiums, and discounts, net	19,552	18,497
Allowance for borrowed funds used during construction	(375)	(188)
Total interest charges	19,177	18,309
Income before income taxes	81,999	86,299
Federal and state income tax expense	29,427	27,638
Net income	$52,572	$58,661

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	FOR THE THREE MONTHS ENDED SEPT. 30,	
(THOUSANDS)	2016	2015
Net income	$52,572	$58,661
Other comprehensive income, net of tax		
Postretirement benefits gain (net of tax expense of $1,364 in 2016 and $138 in 2015)	2,180	218
Net gain on cash flow hedges (net of tax expense of $33 in 2016 and 2015)	53	53
Total other comprehensive income, net of tax	2,233	271
Comprehensive income, net of tax	$54,805	$58,932

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

	FOR THE NINE MONTHS ENDED SEPT. 30,	
(THOUSANDS)	2016	2015
Operating revenue		
Electric operations	$839,593	$880,169
Other operations	50,638	51,913
Affiliate revenue	669	904
Gross operating revenue	890,900	932,986
Electric customer credits	(745)	(3,642)
Operating revenue, net	890,155	929,344
Operating expenses		
Fuel used for electric generation	264,537	277,187
Power purchased for utility customers	87,688	109,758
Other operations	94,566	93,770
Maintenance	71,818	60,106
Depreciation and amortization	115,196	111,485
Taxes other than income taxes	36,096	37,159
Merger commitment costs	151,501	—
Gain on sale of asset	(1,095)	—
Total operating expenses	820,307	689,465
Operating income	69,848	239,879
Interest income	590	607
Allowance for equity funds used during construction	2,780	2,197
Other income	828	1,521
Other expense	(1,082)	(1,606)
Interest charges		
Interest charges, including amortization of debt issuance costs, premiums, and discounts, net	58,587	58,252
Allowance for borrowed funds used during construction	(810)	(640)
Total interest charges	57,777	57,612
Income before income taxes	15,187	184,986
Federal and state income tax expense	2,965	65,906
Net income	$12,222	$119,080

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	FOR THE NINE MONTHS ENDED SEPT. 30,	
(THOUSANDS)	2016	2015
Net income	$12,222	$119,080
Other comprehensive income, net of tax		
Postretirement benefits gain (net of tax expense of $1,602 in 2016 and $264 in 2015)	2,561	419
Net gain on cash flow hedges (net of tax expense of $99 in 2016 and 2015)	159	159
Total other comprehensive income, net of tax	2,720	578
Comprehensive income, net of tax	$14,942	$119,658

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPT. 30, 2016	AT DEC. 31, 2015
Assets		
Utility plant and equipment		
Property, plant, and equipment	$4,718,236	$4,645,698
Accumulated depreciation	(1,593,398)	(1,525,298)
Net property, plant, and equipment	3,124,838	3,120,400
Construction work in progress	112,161	66,069
Total utility plant, net	3,236,999	3,186,469
Current assets		
Cash and cash equivalents	55,269	65,705
Restricted cash and cash equivalents	31,684	9,263
Customer accounts receivable (less allowance for doubtful accounts of $4,901 in 2016 and $2,674 in 2015)	61,017	43,255
Accounts receivable - affiliate	1,929	1,908
Other accounts receivable	23,640	27,553
Unbilled revenue	47,075	33,995
Fuel inventory, at average cost	29,661	72,838
Material and supplies, at average cost	81,131	76,731
Energy risk management assets	9,994	7,673
Accumulated deferred fuel	23,472	12,910
Cash surrender value of company-owned life insurance policies	19,947	20,003
Prepayments	4,875	6,309
Regulatory assets	17,939	14,117
Other current assets	—	337
Total current assets	407,633	392,597
Equity investment in investee	19,272	16,822
Prepayments	4,608	4,542
Restricted cash and cash equivalents	22,848	16,174
Regulatory assets - deferred taxes, net	234,128	236,941
Regulatory assets	278,028	284,689
Intangible asset	61,789	74,963
Other deferred charges	14,551	20,534
Total assets	$4,279,856	$4,233,731

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

(Continued on next page)

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPT. 30, 2016	AT DEC. 31, 2015
Liabilities and member's equity		
Member's equity	$1,532,346	$1,552,404
Long-term debt, net	1,215,633	1,234,433
Total capitalization	2,747,979	2,786,837
Current liabilities		
Long-term debt due within one year	20,385	19,421
Accounts payable	81,293	88,235
Accounts payable - affiliate	8,063	6,598
Customer deposits	56,806	55,233
Provision for rate refund	3,201	2,696
Provision for merger commitments	32,996	—
Taxes payable	18,652	17,045
Interest accrued	22,960	7,813
Energy risk management liabilities	418	275
Regulatory liabilities - other	—	312
Other current liabilities	16,116	10,078
Total current liabilities	260,890	207,706
Commitments and Contingencies (Note 12)		
Long-term liabilities and deferred credits		
Accumulated deferred federal and state income taxes, net	1,049,386	1,043,531
Accumulated deferred investment tax credits	2,874	3,245
Postretirement benefit obligations	169,129	152,152
Restricted storm reserve	17,077	16,177
Other deferred credits	32,521	24,083
Total long-term liabilities and deferred credits	1,270,987	1,239,188
Total liabilities and member's equity	$4,279,856	$4,233,731

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

	FOR THE NINE MONTHS ENDED SEPT. 30,	
(THOUSANDS)	2016	2015
Operating activities		
Net income	$12,222	$119,080
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	120,703	115,160
Unearned compensation expense	1,394	1,465
Gain on sale of asset	(1,095)	—
Allowance for equity funds used during construction	(2,780)	(2,197)
Net deferred income taxes	5,201	34,073
Deferred fuel costs	(10,512)	1,010
Provision for merger commitments	40,357	—
Changes in assets and liabilities		
Accounts receivable	(24,378)	(24,847)
Accounts and notes receivable, affiliate	1,647	6,558
Unbilled revenue	(13,080)	(2,019)
Fuel inventory and materials and supplies	38,776	(3,422)
Prepayments	1,368	1,741
Accounts payable	(9,485)	(29,097)
Accounts and notes payable, affiliate	(2,583)	(2,377)
Customer deposits	8,763	9,357
Postretirement benefit obligations	3,656	5,366
Regulatory assets and liabilities, net	13,893	13,858
Other deferred accounts	4,813	(6,560)
Taxes accrued	1,607	58,915
Interest accrued	15,147	12,681
Other operating	8,832	1,602
Net cash provided by operating activities	214,466	310,347
Investing activities		
Additions to property, plant, and equipment	(144,637)	(116,360)
Allowance for equity funds used during construction	2,780	2,197
Proceeds from sale of property	2,195	429
Contributions to equity investment in investee	(2,450)	(1,840)
Transfer of cash (to) from restricted accounts, net	(29,096)	4,536
Other investing	190	173
Net cash used in investing activities	(171,018)	(110,865)
Financing activities		
Draws on credit facility	15,000	63,000
Payments on credit facility	(15,000)	(83,000)
Repayment of long-term debt	(16,814)	(100,824)
Contributions from parent	50,000	—
Distributions to parent	(85,000)	(100,000)

Other financing	(2,070)	(1,999)
Net cash used in financing activities	(53,884)	(222,823)
Net decrease in cash and cash equivalents	(10,436)	(23,341)
Cash and cash equivalents at beginning of period	65,705	39,162
Cash and cash equivalents at end of period	$55,269	$15,821
Supplementary cash flow information		
Interest paid, net of amount capitalized	$40,153	$42,165
Income taxes (refunded) paid, net	$(485)	$565
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant, and equipment	$15,837	$4,860
Additions to property, plant, and equipment - ARO	$961	$—

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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CLECO POWER

Condensed Consolidated Statements of Changes in Member's Equity (Unaudited)

(THOUSANDS)	MEMBER'S EQUITY	AOCI	TOTAL MEMBER'S EQUITY
Balances, Dec. 31, 2015	$ 1,569,496	$ (17,092)	$ 1,552,404
Other comprehensive income, net of tax	—	2,720	2,720
Contributions from parent	50,000	—	50,000
Distributions to parent	(85,000)	—	(85,000)
Net income	12,222	—	12,222
Balances, Sept. 30, 2016	$ 1,546,718	$ (14,372)	$ 1,532,346

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CLECO HOLDINGS
CLECO POWER 2016 3RD QUARTER FORM 10-Q

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
On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. At the effective time of the Merger, each outstanding share of Cleco Corporation common stock, par value $1.00 per share (other than shares that were owned by Cleco Corporation, Cleco Partners, Merger Sub, or any other direct or indirect wholly owned subsidiary of Cleco Partners or Cleco Corporation), were cancelled and were converted into the right to receive $55.37 per share in cash, without interest,

with all dividends payable before the effective time of the Merger.

Cleco Holdings has accounted for the merger transaction by applying the acquisition method of accounting. The objective of the acquisition method is to establish a new accounting basis for the acquiree, Cleco Holdings and its subsidiaries, and requires the acquirer, Cleco Group, to recognize and measure the acquiree's assets and liabilities at fair value as of the acquisition date. Cleco Power's assets and liabilities were recorded at historical cost since Cleco did not elect pushdown accounting at the Cleco Power level. The financial statements and accompanying footnotes for Cleco have been segregated to present pre-merger activity as the "Predecessor" and post-merger activity as the "Successor." The predecessor period is not comparable to the successor period.

The Condensed Consolidated Financial Statements of Cleco Holdings and Cleco Power have been prepared in accordance with GAAP for interim financial information and with the instructions to the Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all of the information and notes required by GAAP for annual financial statements. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements. Because the interim Condensed Consolidated Financial Statements and the accompanying notes do not include all of the information and notes required by GAAP for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and accompanying notes in the Registrants' Combined Annual Report on Form 10-K for the year ended December 31, 2015.

These Condensed Consolidated Financial Statements, in the opinion of management, reflect all normal recurring adjustments that are necessary to fairly present the financial position and results of operations of Cleco. Amounts reported in Cleco's interim financial statements are not necessarily indicative of amounts expected for the annual periods due to the effects of seasonal temperature variations on energy consumption, regulatory rulings, the timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices, effects of the completion of the Merger, discrete income tax items, and other factors.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. For information on recent authoritative guidance and its effect on financial results, see Note 3 — "Recent Authoritative Guidance."

Reclassifications
Reclassifications have been made to the 2015 financial statements to conform them to the presentation used in the 2016 financial statements. Cleco and Cleco Power's Condensed Consolidated Balance Sheets for the year ended December 31, 2015, have been adjusted to reflect credit facility debt issuance costs as Other deferred charges as compared to Long-term debt, net as presented in the prior year. The amount of the reclassification was $0.7 million and $0.4 million for Cleco and Cleco Power, respectively. These reclassifications had no effect on Cleco or Cleco Power's net income or equity.

Goodwill
Goodwill is the excess of the purchase price (consideration transferred and liabilities assumed) over the estimated fair value of net assets of the acquired business and is not subject to amortization. Goodwill will be assessed annually or more often if an event occurs or circumstances change that would indicate the carrying amount may be impaired. If the fair value of Cleco is less than the carrying value, a full valuation of Cleco's assets and liabilities, conducted as though Cleco were a newly acquired business, would occur. For more information on goodwill, see Note 15 — "Intangible Assets and Goodwill."

Intangible Assets
Intangible assets include Cleco Katrina/Rita's right to bill and collect storm recovery charges, fair value adjustments for long-term wholesale power supply agreements, and a fair value adjustment for the valuation of the Cleco trade name. The intangible assets are being amortized over their estimated useful lives in a manner that best reflects the economic benefits derived from such assets. Impairment will be tested if there are events or circumstances that indicate that an impairment analysis should be performed. If such an event or circumstance occurs, intangible impairment testing will be performed prior to goodwill impairment testing. Impairment is calculated as the excess of the asset's carrying amount over its fair value. For more information on intangible assets, see Note 15 — "Intangible Assets and Goodwill."

Property, Plant, and Equipment
Property, plant, and equipment consist primarily of regulated utility generation and energy transmission and distribution 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.
Most of the carrying value of Cleco's assets were determined to be stated at fair value at the Merger date, considering that most of these assets are subject to regulation by the LPSC and FERC. A fair value adjustment was made to record the stepped-up basis for the Coughlin assets, since Cleco Power is able to earn a return on and recover these costs from customers. At the date of the Merger, the gross balance of fixed depreciable assets at Cleco was adjusted to be net of accumulated depreciation, as no accumulated depreciation existed on the date of the Merger. Since pushdown accounting was not elected at the Cleco Power level, Cleco Power retained its accumulated depreciation. For more information about merger related adjustments to property, plant, and equipment, see Note 2 — "Business Combinations."
Cleco and Cleco Power's property, plant, and equipment consisted of:
Cleco

(THOUSANDS)	SUCCESSOR AT SEPT. 30, 2016	PREDECESSOR AT DEC. 31, 2015
Utility plants	$ 3,387,712	$ 4,645,698

Other	14,713	15,514
Total property, plant, and equipment	3,402,425	4,661,212
Accumulated depreciation	(47,134)	(1,536,158)
Net property, plant, and equipment	$ 3,355,291	$ 3,125,054

Cleco Power

(THOUSANDS)	AT SEPT. 30, 2016	AT DEC. 31, 2015
Regulated utility plants	$4,718,236	$4,645,698
Accumulated depreciation	(1,593,398)	(1,525,298)
Net property, plant, and equipment	$3,124,838	$3,120,400

Restricted Cash and Cash Equivalents

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 and Cleco Power's restricted cash and cash equivalents consisted of:

Cleco

(THOUSANDS)	SUCCESSOR AT SEPT. 30, 2016	PREDECESSOR AT DEC. 31, 2015
Current		
Cleco Katrina/Rita's storm recovery bonds	$ 3,569	$ 9,263
Cleco Power's charitable contributions	1,200	—
Cleco Power's rate credit escrow	26,915	—
Total current	31,684	9,263
Non-current		
Diversified Lands' mitigation escrow	21	21
Cleco Power's future storm restoration costs	17,072	16,174
Cleco Power's charitable contributions	4,341	—
Cleco Power's rate credit escrow	1,435	—
Total non-current	22,869	16,195
Total restricted cash and cash equivalents	$ 54,553	$ 25,458

Cleco Power

(THOUSANDS)	AT SEPT. 30, 2016	AT DEC. 31, 2015
Current		
Cleco Katrina/Rita's storm recovery bonds	$3,569	$9,263
Charitable contributions	1,200	—
Rate credit escrow	26,915	—
Total current	31,684	9,263
Non-current		
Future storm restoration costs	17,072	16,174
Charitable contributions	4,341	—
Rate credit escrow	1,435	—
Total non-current	22,848	16,174
Total restricted cash and cash equivalents	$54,532	$25,437

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 administration fees, interest, and principal on storm recovery bonds. During the nine months ended September 30, 2016, Cleco Katrina/Rita collected $15.5 million net of administration fees. In March and September 2016, Cleco Katrina/Rita used $8.5 million and $8.3 million, respectively, for scheduled storm recovery bond principal payments and $2.3 million and $2.1 million, respectively, for related interest payments.
Included in the Merger Commitments were $6.0 million of charitable contributions to be disbursed over five years and $136.0 million of rate credits to eligible customers. On April 25, 2016, in accordance with the Merger Commitments, Cleco Power established the charitable contribution fund and also deposited the rate credit funds into an escrow account. On April 28, 2016, the LPSC voted to issue the rate credits equally to customers with service as of June 30, 2016, beginning in July 2016. As of September 30, 2016, $0.5 million of the charitable contributions and $107.7 million of the rate credits had been remitted from restricted cash.

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 on the date of acquisition or debt issuance. Cleco and Cleco Power disclose the fair value of certain assets and liabilities by one of three levels when required for recognition purposes. For more information about fair value levels, see Note 5 — "Fair Value Accounting."

Risk Management
Market risk inherent in Cleco's market risk-sensitive instruments and positions includes potential changes in value arising from changes in interest rates and the commodity market prices of power, FTRs, and natural gas in the industry 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, FTRs, and natural gas. Cleco evaluates derivatives and hedging activities to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market.
Cleco Power may also enter into risk mitigating positions that would not meet the requirements of a normal-purchase, normal-sale transaction in order to attempt to mitigate the volatility in customer fuel costs. These positions would be marked-to-market with the resulting gain or loss recorded on Cleco and Cleco Power's Condensed Consolidated Balance Sheets as a component of energy risk management assets or liabilities. Such gain or loss would be deferred as a component of deferred fuel assets or liabilities in accordance with regulatory policy. When these positions close, actual gains or losses would be included in the FAC and reflected on customers' bills as a component of the fuel cost adjustment. In June 2015, the LPSC approved a long-term natural gas hedging pilot program that requires Cleco Power to establish a proposal for a program that will be designed to provide gas price stability for a minimum of five years. This proposal is currently scheduled to be submitted to the LPSC in the second

half of 2017. There were no open natural gas positions at September 30, 2016, or December 31, 2015.
Cleco Power purchases the majority of its FTRs in annual auctions facilitated by MISO during the second quarter of each year and may also purchase additional FTRs in monthly auctions facilitated by MISO. FTRs are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Cleco Power's customer load. FTRs are not designated as hedging instruments for accounting purposes. Cleco Power initially records FTRs at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period based on the most recent MISO FTR auction prices. Unrealized gains or losses on FTRs held by Cleco Power are included in Accumulated deferred fuel on Cleco Power's Condensed Consolidated Balance Sheets. Realized gains or losses on settled FTRs are recorded in Fuel used for electric generation on Cleco Power's Condensed Consolidated Statements of Income. At September 30, 2016, Cleco Power's Condensed

Consolidated Balance Sheets reflected the fair value of open FTR positions of $10.0 million in Energy risk management assets and $0.4 million in Energy risk management liabilities, compared to $7.7 million in Energy risk management assets and $0.3 million in Energy risk management liabilities at December 31, 2015. For more information on FTRs, see Note 5 — “Fair Value Accounting — Commodity Contracts.”

Cleco and Cleco Power maintain a master netting agreement policy and monitor credit risk exposure through review of counterparty credit quality, aggregate counterparty credit exposure, and aggregate counterparty concentration levels. Cleco manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and 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 may enter into 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 the nine months ended September 30, 2016, and the year ended December 31, 2015, Cleco did not enter into any contracts to mitigate the volatility in interest rate risk.

Accounting for MISO Transactions

Cleco Power participates in MISO’s Energy and Operating Reserve market where sales and purchases are netted hourly. If the hourly activity nets to sales, the result is reported in Electric operations on Cleco and Cleco Power’s Condensed Consolidated Statements of Income. If the hourly activity nets to purchases, the result is reported in Power purchased for utility customers on Cleco and Cleco Power’s Condensed Consolidated Statements of Income.

Stock-Based Compensation

Prior to the completion of the Merger, Cleco had two stock-based compensation plans: the ESPP and the LTIP. As a result of the completion of the Merger, the ESPP and the LTIP were terminated.

Pursuant to the terms of the LTIP, certain officers, key employees, and directors of Cleco were eligible to be granted stock options, restricted stock, also known as non-vested stock, common stock equivalents, and stock appreciation rights. For the predecessor period January 1, 2016, through April 12, 2016, Cleco granted no shares of non-vested stock pursuant to the LTIP. As a result of the completion of the Merger, all unvested shares outstanding under the LTIP that were granted prior to January 1, 2015, vested at target and were paid out in cash to plan participants. Unvested shares that were granted during 2015 were prorated to the target

amount and paid out in cash to plan participants in accordance with the terms of the Merger Agreement. In April 2016, Cleco incurred $2.3 million of merger expense due to the accelerated vesting of the LTIP shares for the predecessor period. For more information about the Merger, see Note 2 — "Business Combinations."
Cleco and Cleco Power reported pretax compensation expense for their share-based compensation plans as shown in the following tables:

Cleco

(THOUSANDS)	SUCCESSOR FOR THE THREE MONTHS ENDED SEPT. 30, 2016	PREDECESSOR FOR THE THREE MONTHS ENDED SEPT. 30, 2015	SUCCESSOR APR. 13, 2016 - SEPT. 30, 2016	PREDECESSOR JAN. 1, 2016 - APR. 12, 2016	FOR THE NINE MONTHS ENDED SEPT. 30, 2015
Equity classification					
Non-vested stock	$ —	$ 1,419	$ —	$ 3,241	$ 4,644
Tax benefit	$ —	$ 546	$ —	$ 1,247	$ 1,787

Cleco Power

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPT. 30, 2016	2015	FOR THE NINE MONTHS ENDED SEPT. 30, 2016	2015
Equity classification				
Non-vested stock	$ —	$ 519	$997	$1,465
Tax benefit	$ —	$ 200	$384	$564

Note 2 — Business Combinations

On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. At the effective time of the Merger, each outstanding share of Cleco Corporation common stock, par value $1.00 per share (other than shares that were owned by Cleco Corporation, Cleco Partners, Merger Sub, or any other direct or indirect wholly owned subsidiary of Cleco Partners or Cleco Corporation), were cancelled and were converted into the right to receive $55.37 per share in cash, without interest, with all dividends payable before the effective time of the Merger.

Regulatory Matters

On March 28, 2016, the LPSC approved the Merger. The LPSC's written order approving the Merger was issued on April 7, 2016. Approval of the Merger was conditioned upon certain commitments, including $136.0 million of customer rate credits, a $7.0 million one-time contribution for economic development in Cleco Power's service territory to be administered by the LED or another state agency, $6.0 million of charitable contributions to be disbursed over five years, and $2.5 million of contributions for economic development for Louisiana state and local organizations to be disbursed over five years. These commitment costs were accrued on April 13, 2016, and are included in Merger transaction and commitment costs and Merger commitment costs on Cleco and Cleco Power's Condensed Consolidated Statements of Income, respectively. In addition, the Merger Commitments also included $1.2 million of annual refunds to customers representing cost savings due to the Merger. For more information, see Note 10 — "Regulation and Rates."

Accounting for the Merger Transaction

The total purchase price consideration was approximately $3.36 billion, which consisted of cash paid to Cleco Corporation shareholders of $3.35 billion and cash paid for Cleco LTIP equity awards of $9.5 million. There were no remaining LTIP equity awards as of the close of the Merger.

Pushdown accounting was applied to Cleco Holdings, and accordingly, the Cleco Holdings consolidated assets acquired and liabilities assumed were recorded on April 13, 2016, at their estimated fair values as follows:

Preliminary Purchase Price Allocation

(THOUSANDS)	AT APR. 13, 2016
Current assets	$455,016
Property, plant, and equipment, net	3,432,144
Goodwill	1,491,519
Other long-term assets	1,022,312
Less	
Current liabilities	228,515
Net deferred income tax liabilities	1,059,486
Other deferred credits	279,379
Long-term debt, net	1,470,126
Total purchase price	$3,363,485

Cleco Power's assets and liabilities were recorded at historical cost since Cleco did not elect pushdown accounting at the Cleco Power level.

The following tables present the preliminary fair value adjustments to Cleco Holdings' balance sheet and recognition of goodwill:

(THOUSANDS)	AT APR. 13, 2016
Property, plant, and equipment	$(1,334,932)
Accumulated depreciation	$1,565,776
Goodwill	$1,491,519
Intangible assets	$90,651
Regulatory assets	$250,409
Deferred income tax liabilities	$126,400
Other deferred credits	$21,175
Long-term debt	$198,599

Most of the carrying values of Cleco's assets and liabilities were determined to be stated at fair value at the Merger date, considering that most of these assets are subject to regulation by the LPSC and FERC. Under such regulation, rates charged to customers are established by a regulator to provide for recovery of costs and a fair return on rate base and are generally measured at historical cost. As such, a market participant would not expect to recover any more or less than the carrying value of the assets. Prior to the Merger, the Coughlin step-up value was not recorded on Cleco's Condensed Consolidated Balance Sheet due to the accounting treatment for the transfer of that asset in March 2014. However, the recovery of the step-up value of the Coughlin asset was approved by the LPSC for recovery in base rates, including a return on rate base. On the date of the Merger, the step-up value for the Coughlin asset was recognized on Cleco's Condensed Consolidated Balance Sheet since Cleco Power is able to earn a return on and recover these costs from its customers. The beginning balance of fixed depreciable assets was shown net at the date of the Merger, as no accumulated depreciation existed on the date of the Merger.
The excess of the purchase price over the estimated fair value of assets acquired and the liabilities assumed was $1.49 billion, which was recognized as goodwill by Cleco Holdings at the Merger date. The goodwill represents the potential long-term return of Cleco to its member.
A fair value adjustment was recorded on Cleco's Condensed Consolidated Balance Sheet to reflect the valuation of the Cleco trade name. This adjustment is classified as an Intangible asset on Cleco's Condensed Consolidated Balance Sheet. The valuation of the trade name was estimated by applying the relief-from-royalty method under the income approach. This valuation method is based on the premise that, in lieu of ownership of the asset, a company would be willing to pay a royalty to a third-party for the use of that asset. The owner of the asset is spared this cost, and the value of the asset is estimated by the cost savings. The projected revenue attributed to the trade name was based on projections of the value of Cleco's wholesale contracts. The trade name is being amortized over 20 years. The amortization of the Cleco trade name is included in Depreciation and amortization on Cleco's Condensed Consolidated Statement of Income.
On the date of the Merger, fair value adjustments were recorded on Cleco's Condensed Consolidated Balance Sheet for the difference between the contract price and the market price of long-term wholesale power supply agreements. These adjustments are classified as Intangible assets on Cleco's Condensed Consolidated Balance Sheet. The valuation of the power supply agreements was estimated using the income

approach. The income approach is based upon discounted projected future cash flows associated with the underlying contracts. The intangible assets for the power supply agreements will be amortized over the remaining term of the applicable contract. The amortization of the power supply agreements is included in Electric operations on Cleco's Condensed Consolidated Statement of Income.
The net increase in deferred tax liabilities on Cleco's Condensed Consolidated Balance Sheet represents the differences between the assigned fair values of assets acquired and their related income tax basis, net of a deferred tax asset

representing the net operating loss carryforward that will be utilized in future periods. As the underlying asset assigned fair values are amortized, the related deferred tax liabilities will be included in income tax expense. Goodwill is not deductible for income tax purposes; therefore, no deferred income tax assets or liabilities were recognized for goodwill.
Other fair value adjustments were recorded for long-term debt, postretirement benefit remeasurements and deferred losses, and interest rate derivative settlement gains/losses. These fair value adjustments are subject to rate regulation, but do not earn a return. In these instances, a corresponding regulatory asset was established, as the underlying utility asset or liability amounts are recoverable from or refundable to customers at historical cost through the rate setting process. These regulatory assets established to offset fair value adjustments are amortized in amounts and over time frames consistent with the realization or settlement of the fair value adjustments. For more information, see Note 4 — "Regulatory Assets and Liabilities."
The valuations performed in the second quarter of 2016 to estimate the fair value of assets acquired and liabilities assumed were considered preliminary as a result of the short time period between the closing of the Merger and the end of the second quarter of 2016. During the third quarter of 2016, valuations were performed for the final valuation and assessment of the postretirement benefit plans as of April 13, 2016, and the economic useful life of the Cleco trade name. Accounting guidance provides that the allocation of the purchase price may be modified up to one year from the date of the Merger, as more information is obtained about the fair value of assets acquired and liabilities assumed. The preliminary amounts recognized are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the date of the Merger. Cleco has not yet completed its evaluation and determination of the fair value of certain assets and liabilities acquired. Cleco expects the final valuations and assessments to be complete by the end of 2016, which may affect the purchase price allocation and goodwill.

Note 3 — Recent Authoritative Guidance

The Registrants adopted, or will adopt, the recent authoritative guidance listed below on their respective effective dates.
In May 2014, FASB amended the accounting guidance for revenue recognition. The amended guidance affects entities that enter into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the new

guidance, an entity must identify the performance obligations in a contract and the transaction price, and allocate the price to specific performance obligations to recognize the revenue when the obligation is completed. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts. In August 2015, FASB amended the revenue recognition guidance to provide for a one-year deferral of the effective date. The standard will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Cleco does not plan to early adopt the amended guidance. Reporting entities have the option of using either a full retrospective or a modified retrospective approach. Management will evaluate the advantages and disadvantages of each transition method before selecting the method of adoption. Management is assessing the potential areas of impact, including the identification of specific contracts that would fall under the scope of this guidance. Management will continue to evaluate the impact of this guidance. The amended guidance could have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

In July 2015, FASB issued the accounting guidance to simplify the measurement of inventory. This guidance requires entities to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of this guidance is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. These amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. Management does not expect this guidance to have a significant impact on the results of operations, financial condition, or cash flows of the Registrants.

In September 2015, FASB amended the business combinations guidance to simplify the accounting for measurement-period adjustments. This guidance eliminates the requirement to retrospectively account for these adjustments. The adoption of this guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. This amendment should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted. Cleco was subject to this guidance starting January 1, 2016. As a result of the Merger on April 13, 2016, Cleco adopted this guidance and does not expect it to have a material impact on the results of operations, financial condition, or cash flows of the Registrants as a result of provisional merger adjustments in future periods.

In January 2016, FASB amended the guidance for recognition and measurement of financial assets and liabilities. These amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of this guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption of certain provisions of this guidance is permitted as of the beginning of the fiscal year of adoption. Entities should apply these amendments by

means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair value should be applied prospectively to equity investments that exist as of the date of adoption. Management does not expect this guidance to have a significant impact on the results of operations, financial condition, or cash flows of the Registrants.

In February 2016, FASB amended the guidance to account for leases. This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of this guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes practical expedients that may be elected by entities. Management will continue to evaluate the impact of this guidance. The amended guidance could have a material impact on the results of operations, financial condition, or cash flows of the

Registrants.

In March 2016, FASB amended the derivatives and hedging accounting guidance to address the effect of derivative contract novations on existing hedge accounting relationships. The amended guidance clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of the hedging relationship provided that all other hedge accounting criteria continue to be met. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Entities have the option to apply these amendments on either a prospective basis or a modified retrospective basis. This guidance will not have an impact on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the derivatives and hedging accounting guidance related to contingent put and call options in debt instruments. This guidance clarifies the requirements for assessing whether contingent put and call options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. Entities performing the assessment will be required to assess the embedded put and call options solely in accordance with the four-step decision sequence clarified in the amended guidance. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Entities should apply these amendments on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Management is evaluating the impact that the adoption of this guidance will have on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the accounting guidance to simplify the transition to the equity method of accounting. This guidance impacts entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. This amended guidance eliminates the requirement to retroactively adopt the equity method of accounting. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Early adoption is permitted. These amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that results in the adoption of the equity method. Management does not expect this guidance to have any impact on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the stock compensation guidance to provide for improvements to employee share-based payment accounting. The adoption of this guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those periods. Early adoption is permitted. On April 13, 2016, Cleco Holdings completed the Merger and no longer has common stock; as a result, this guidance will not have an impact on the results of operations, financial condition, or cash flows of the Registrants.

In June 2016, FASB amended the guidance for the measurement of credit losses on financial instruments. The guidance affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The guidance affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The adoption of this guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those years. Early adoption is permitted. Management does not expect this guidance to have any impact on the results of operations, financial condition, or cash flows of the Registrants.

In August 2016, FASB amended the guidance for certain cash flow issues with the objective of reducing existing diversity in practice. This guidance affects the cash flow classification related to certain types of transactions including debt, contingent consideration, proceeds from the settlement of insurance claims, and distributions from equity method investees. The adoption of this guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted. Management is evaluating the impact that the adoption of this guidance will have on the results of operations, financial condition, or cash flows of the Registrants.

In October 2016, FASB amended the income tax guidance related to intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This new guidance states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The adoption of this guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. Management is currently evaluating the effect the adoption of this guidance will have on the results of operations, financial condition, or cash flows of the Registrants.

In October 2016, FASB amended the consolidations guidance as it relates to interest held through related parties that are under common control. This amended guidance changes the evaluation of whether a reporting entity is the

primary beneficiary of a variable interest entity (VIE) by changing how a reporting entity that is a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have an effect on the results of operations, financial condition, or cash flows of the Registrants.

Note 4 — Regulatory Assets and Liabilities

Cleco capitalizes or defers certain costs for recovery from customers and recognizes a liability for amounts expected to be returned to customers based on regulatory approval and management’s ongoing assessment that it is probable these items will be recovered or refunded through the ratemaking process.

Under the current regulatory environment, Cleco believes these regulatory assets will be fully recoverable; however, if in the future, as a result of regulatory changes or competition, Cleco's ability to recover these regulatory assets would no longer be probable, then to the extent that such regulatory assets were determined not to be recoverable, Cleco would be required to write-down such assets. In addition, potential deregulation of the industry or possible future changes in the method of rate regulation of Cleco could require discontinuance of the application of the authoritative guidance on regulated operations.

The following table summarizes Cleco Power's regulatory assets and liabilities:

(THOUSANDS)	AT SEPT. 30, 2016	AT DEC. 31, 2015
Regulatory assets – deferred taxes, net	$234,128	$236,941
Mining costs	7,010	8,921
Interest costs	4,951	5,221
AROs	1,942	2,462
Postretirement costs	158,374	150,274
Tree trimming costs	4,893	6,318
Training costs	6,747	6,863
Surcredits, net	6,767	9,661
Amended lignite mining agreement contingency	—	3,781
AMI deferred revenue requirement	4,909	5,318
Production operations and maintenance expenses	8,245	12,436
AFUDC equity gross-up	70,464	71,444
Acadia Unit 1 acquisition costs	2,468	2,548
Financing costs	8,755	9,032
Biomass costs	26	50
MISO integration costs	1,637	2,340
Coughlin transaction costs	1,007	1,030
Corporate franchise tax	1,962	373
Acadia FRP true-up	—	377
MATS costs	4,982	—
Other	828	357
Total regulatory assets	295,967	298,806
Power purchase agreement true-up	—	(312)
Fuel and purchased power	23,472	12,910
Total regulatory assets, net	$553,567	$548,345

The following table summarizes Cleco's net regulatory assets and liabilities:

	SUCCESSOR [(1)]	PREDECESSOR
(THOUSANDS)	AT SEPT. 30, 2016	AT DEC. 31, 2015
Total Cleco Power regulatory assets, net	$ 553,567	$ 548,345
Cleco Holdings' Merger adjustments		
Fair value of long-term debt	179,931	—
Postretirement costs	23,859	—
Financing costs	9,053	—
Debt issuance costs	8,577	—
Total Cleco regulatory assets, net	$ 774,987	$ 548,345

(1) Cleco Holdings' regulatory assets include acquisition accounting adjustments as a result of the Merger.

Tree Trimming Costs

As a result of increased vegetation growth and to remain in compliance with regulatory requirements, Cleco Power anticipates the need to spend $20.8 million through December 2020 in tree and vegetation management costs. In September 2016, Cleco Power requested approval from the LPSC to defer a portion of these costs utilizing the same accounting treatment of similar costs approved in Dockets U-30689 and U-32779. In October 2016, the LPSC approved additional deferment of up to $10.9 million. Of the remaining costs, $4.0 million will be expensed to Maintenance on Cleco Power's Condensed Consolidated Statements of Income, and $5.9 million will be deferred and recovered in current base rates through June 2020.

Amended Lignite Mining Agreement Contingency

The provisions of the Amended Lignite Mining Agreement between Cleco Power, SWEPCO and DHLC include a requirement that if DHLC is unable to pay for loans and lease payments when due, Cleco Power and SWEPCO each will pay 50% of the amounts due. Any payments under this provision will be considered a prepayment of lignite to be delivered in the future and will be credited to future invoices from DHLC. Previously, Cleco Power recorded a liability of $3.8 million related to the amended agreement with an offsetting regulatory asset due to Cleco Power's ability to recover prudent fuel costs from customers through the FAC. Management determined that it does not expect to be required to pay DHLC under this guarantee. As a result of this determination, the liability and the offsetting regulatory asset were remeasured to zero during the second quarter of 2016.

MATS Costs

On February 1, 2016, the LPSC approved Cleco Power's request to recover the revenue requirements associated with the installation of MATS equipment. The MATS rule required affected EGUs to meet specific emission standards and work practice standards to address hazardous air pollutants by April 2015. The LPSC approval also allowed Cleco Power to record

a regulatory asset of $7.1 million representing the unrecovered revenue requirements of the MATS equipment placed in service in the years prior to the LPSC review and approval. This amount is being amortized over three years beginning on January 1, 2016.

Fuel and Purchased Power

The cost of fuel used for electric generation and power purchased for utility customers are recovered through the LPSC-established FAC or related wholesale contract provisions, which enable Cleco Power to pass on to its customers substantially all such charges. For the three and nine months ended September 30, 2016, approximately 74% and 75%,

respectively, of Cleco Power's total fuel cost was regulated by the LPSC.
Fuel and purchased power increased $10.6 million during the nine months ended September 30, 2016. Of this amount, $13.6 million was due to higher fuel costs and power purchases, the timing of collections, and customer usage, partially offset by a $3.0 million decrease in the mark-to-market value of FTRs.

Cleco Holdings' Merger Adjustments
As a result of the Merger, Cleco implemented acquisition accounting, which eliminated AOCI at the Cleco Holdings consolidated level on the date of the Merger. Cleco will continue to recover expenses related to certain postretirement costs; therefore, Cleco recognized a regulatory asset based on its determination that these costs can continue to be collected from customers. These costs will be amortized to Other operations expense over the average remaining service period of participating employees. Cleco will also continue to recover financing costs associated with the settlement of two treasury rate locks and a forward starting swap contract that were previously recognized in AOCI. Additionally, as a result of the Merger, a regulatory asset was recorded for debt issuance costs that were eliminated at Cleco Holdings and a regulatory asset was recorded for the difference between the carrying value and the fair value of long-term debt. These regulatory assets will be amortized over the terms of the related debt issuances.
Note 5 — Fair Value Accounting
The amounts reflected on Cleco and Cleco Power's Condensed Consolidated Balance Sheets at September 30, 2016, and December 31, 2015, for cash equivalents, restricted cash equivalents, accounts receivable, other accounts receivable, and accounts payable approximate fair value because of their short-term nature.
The following tables summarize the carrying value and estimated market value of Cleco and Cleco Power's financial instruments not measured at fair value on Cleco and Cleco Power's Condensed Consolidated Balance Sheets:

Cleco

	SUCCESSOR AT SEPT. 30, 2016		PREDECESSOR AT DEC. 31, 2015	
(THOUSANDS)	CARRYING VALUE*	ESTIMATED FAIR VALUE	CARRYING VALUE*	ESTIMATED FAIR VALUE
Long-term debt	$2,772,068	$2,859,558	$1,299,529	$1,463,989

* The carrying value of long-term debt does not include deferred issuance costs.

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	AT SEPT. 30, 2016		AT DEC. 31, 2015	
(THOUSANDS)	CARRYING VALUE*	ESTIMATED FAIR VALUE	CARRYING VALUE*	ESTIMATED FAIR VALUE
Long-term debt	$ 1,242,137	$ 1,461,566	$ 1,265,529	$ 1,429,989

* The carrying value of long-term debt does not include deferred issuance costs.

Fair Value Measurements and Disclosures

Cleco classifies 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:

Cleco

	CLECO CONSOLIDATED FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
	SUCCESSOR				PREDECESSOR			
(THOUSANDS)	AT SEPT. 30, 2016	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	AT DEC. 31, 2015	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	$ 132,682	$ —	$ 132,682	$ —	$ 89,584	$ —	$ 89,584	$ —
FTRs	9,994	—	—	9,994	7,673	—	—	7,673
Total assets	$ 142,676	$ —	$ 132,682	$ 9,994	$ 97,257	$ —	$ 89,584	$ 7,673
Liability description								
Long-term debt	$ 2,859,558	$ —	$ 2,859,558	$ —	$ 1,463,989			