

CLECO CORP  
Form 10-Q  
April 28, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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  No

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

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

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

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

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

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

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

Registrant	Description of Class	Shares Outstanding at April 22, 2014
Cleco Corporation	Common Stock, \$1.00 Par Value	60,359,534

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

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

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

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## GLOSSARY OF TERMS

References in this filing to “Cleco”, including all items in Parts I and II, 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 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, a wholly owned subsidiary of Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
Acadia Unit 1	Cleco Power’s 580-MW, combined cycle, natural gas-fired power plant located at the Acadia Power Station in Eunice, Louisiana
Acadia Unit 2	Entergy Louisiana’s 580-MW, combined cycle, natural gas-fired power plant located at the Acadia Power Station in Eunice, Louisiana
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
ARRA	American Recovery and Reinvestment Act of 2009, an economic stimulus package passed by Congress in February 2009
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation
CERCLA	The Comprehensive Environmental Response, Compensation, and Liability Act of 1980
Cleco Katrina/Rita	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power
Coughlin	Coughlin Power Station, a 775-MW combined-cycle, natural gas-fired 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 Corporation
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010.
Dolet Hills	A 650-MW lignite/natural gas generating unit at Cleco Power’s plant site in Mansfield, Louisiana. Cleco Power has a 50% ownership interest in the capacity of Dolet Hills.
Entergy Gulf States	Entergy Gulf States Louisiana, L.L.C.
Entergy Louisiana	Entergy Louisiana, LLC
Entergy Mississippi	Entergy Mississippi, Inc.
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESPP	Cleco Corporation 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
FTRs	Financial transmission rights are used to provide a financial hedge to manage the risk of congestion cost in the Day-Ahead Energy and Operating Reserve Market.
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the United States

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GO Zone	Gulf Opportunity Zone Act of 2005 (Public Law 109-135)
Interconnection Agreement	One of two Interconnection 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
kWh	Kilowatt-hour(s) as applicable
LIBOR	London Inter-Bank Offer Rate
LMP	Locational Marginal Price
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
MATS	Mercury and Air Toxics Standards
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
MISO	Midcontinent Independent System Operator, Inc.
Moody's	Moody's Investors Service, a credit rating agency
MW	Megawatt(s) as applicable
MWh	Megawatt-hour(s) as applicable
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

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ABBREVIATION OR ACRONYM	DEFINITION
OCI	Other Comprehensive Income
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 Corporation
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
Rodemacher Unit 2	A 523-MW coal/natural gas 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.
RTO	Regional Transmission Organization
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
S&P	Standard & Poor's Ratings Services, a credit rating agency
SEC	Securities and Exchange Commission
SERP	Cleco Corporation Supplemental Executive Retirement Plan
SPP RE	Southwest Power Pool Regional Entity
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.
VaR	Value-at-Risk

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### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Combined Quarterly Report on Form 10-Q includes “forward-looking statements” about future events, circumstances, and results. All statements other than statements of historical fact included in this Combined Quarterly Report are forward-looking statements, including, without limitation, 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; 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:

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 and 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 maintain its right to sell wholesale generation 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,

nonperformance by and creditworthiness of the guarantor counterparty of the NMTC Fund,

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 impact that rate cases

or requests for extensions of an FRP may have on wholesale decisions of Cleco Power, the results of periodic NERC

and LPSC audits, participation in MISO and the related operating challenges and uncertainties, including increased

wholesale competition relative to more suppliers, and the compliance

with the ERO reliability standards for bulk power systems by Cleco Power,

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,

financial or regulatory accounting principles or policies imposed by FASB, the SEC, 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, such as wind, solar, and distributed generation,  
the imposition of energy efficiency requirements or increased conservation efforts of customers,  
reliability of Cleco Power's generating facilities,  
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,  
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 federal, state, or local laws (including tax laws), changes in tax rates, disallowances of uncertain tax positions, or changes in other regulating policies 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 MATS project,  
costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters,  
the impact of current or future environmental laws and regulations, including those related to greenhouse gases and  
energy efficiency that could limit or terminate the operation of certain generating units, increase costs, or reduce customer demand for electricity,



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the ability of Cleco Power to recover from its customers the costs of compliance with environmental laws and regulations, including capital expenditures associated with MATS,  
the ability of Dolet Hills lignite reserve to provide sufficient fuel to the Dolet Hills Power Station until at least 2036,  
and  
the ability of Cleco Power to recover from its customers the costs associated with the transfer of Coughlin.  
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, 2013. All subsequent written and oral forward-looking statements attributable to the Registrants or persons acting on their behalf are expressly qualified in their entirety by the factors identified above.  
The Registrants undertake no obligation to update any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cleco Corporation

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with Cleco Corporation's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013. 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."

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED MAR. 31,	
	2014	2013
Operating revenue		
Electric operations	\$269,759	\$229,425
Other operations	14,814	11,543
Gross operating revenue	284,573	240,968
Electric customer credits	(186	) (21
Operating revenue, net	284,387	240,947
Operating expenses		
Fuel used for electric generation	59,047	85,365
Power purchased for utility customers	52,724	4,856
Other operations	26,993	26,924
Maintenance	32,369	17,635
Depreciation	41,741	34,032
Taxes other than income taxes	14,106	12,634
Loss on sale of assets	69	1,034
Total operating expenses	227,049	182,480
Operating income	57,338	58,467
Interest income	602	201
Allowance for other funds used during construction	1,631	1,164
Other income	971	2,273
Other expense	(672	) (435
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	20,758	21,831
Allowance for borrowed funds used during construction	(490	) (375
Total interest charges	20,268	21,456
Income before income taxes	39,602	40,214
Federal and state income tax expense	13,678	13,081
Net income applicable to common stock	\$25,924	\$27,133
Average number of basic common shares outstanding	60,472,969	60,399,697
Average number of diluted common shares outstanding	60,713,587	60,667,401
Basic earnings per share		
Net income applicable to common stock	\$0.43	\$0.45
Diluted earnings per share		
Net income applicable to common stock	\$0.43	\$0.45
Cash dividends paid per share of common stock	\$0.3625	\$0.3375

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

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED MAR.	
	31, 2014	2013
Net income	\$25,924	\$27,133
Other comprehensive income, net of tax:		
Amortization of postretirement benefits (net of tax expense of \$528 in 2014 and \$336 in 2013)	844	536
Net gain on cash flow hedges (net of tax expense of \$33 in 2014 and \$836 in 2013)	53	1,337
Total other comprehensive income, net of tax	897	1,873
Comprehensive income, net of tax	\$26,821	\$29,006

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

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## CLECO CORPORATION

## Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$18,157	\$28,656
Restricted cash and cash equivalents	3,893	8,986
Customer accounts receivable (less allowance for doubtful accounts of \$723 in 2014 and \$849 in 2013)	48,936	50,567
Other accounts receivable	51,836	46,981
Unbilled revenue	25,452	31,166
Fuel inventory, at average cost	53,644	60,913
Material and supplies inventory, at average cost	63,095	62,811
Energy risk management assets	3,972	9,020
Accumulated deferred federal and state income taxes, net	72,180	94,179
Accumulated deferred fuel	1,582	—
Cash surrender value of company-/trust-owned life insurance policies	67,237	64,720
Prepayments	5,945	9,204
Regulatory assets - other	5,930	5,975
Other current assets	1,575	404
Total current assets	423,434	473,582
Property, plant, and equipment		
Property, plant, and equipment	4,326,317	4,326,522
Accumulated depreciation	(1,371,281 )	(1,351,223 )
Net property, plant, and equipment	2,955,036	2,975,299
Construction work in progress	156,048	107,841
Total property, plant, and equipment, net	3,111,084	3,083,140
Equity investment in investees	14,540	14,540
Prepayments	4,532	4,510
Restricted cash and cash equivalents	14,494	5,033
Restricted investments	—	12,829
Regulatory assets - deferred taxes, net	230,489	229,173
Regulatory assets - other	245,185	249,677
Net investment in direct financing lease	13,517	13,523
Intangible asset	102,487	106,007
Other deferred charges	23,235	23,248
Total assets	\$4,182,997	\$4,215,262

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

(Continued on next page)

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## CLECO CORPORATION

## Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	\$17,688	\$17,182
Accounts payable	111,454	110,544
Customer deposits	50,247	48,456
Provision for rate refund	3,720	3,533
Taxes payable	18,766	18,680
Interest accrued	29,472	12,188
Accumulated deferred fuel	—	3,869
Energy risk management liabilities	64	382
Deferred compensation	10,852	11,081
Uncertain tax positions	4,610	4,610
Other current liabilities	14,198	12,948
Total current liabilities	261,071	243,473
Long-term liabilities and deferred credits		
Accumulated deferred federal and state income taxes, net	860,033	869,150
Accumulated deferred investment tax credits	4,905	5,144
Postretirement benefit obligations	104,189	103,483
Restricted storm reserve	14,025	17,646
Tax credit fund investment, net	32,350	41,840
Contingent sale obligations	900	900
Other deferred credits	31,777	31,929
Total long-term liabilities and deferred credits	1,048,179	1,070,092
Long-term debt, net	1,296,965	1,315,500
Total liabilities	2,606,215	2,629,065
Commitments and Contingencies (Note 11)		
Shareholders' equity		
Common shareholders' equity		
Common stock, \$1 par value, authorized 100,000,000 shares, issued 61,051,286 and 61,047,006 shares and outstanding 60,359,534 and 60,454,520 shares at March 31, 2014 and December 31, 2013, respectively	61,051	61,047
Premium on common stock	415,708	422,624
Retained earnings	1,152,801	1,149,003
Treasury stock, at cost, 691,752 and 592,486 shares at March 31, 2014 and December 31, 2013, respectively	(27,799 )	(20,601 )
Accumulated other comprehensive loss	(24,979 )	(25,876 )
Total shareholders' equity	1,576,782	1,586,197
Total liabilities and shareholders' equity	\$4,182,997	\$4,215,262

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



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## CLECO CORPORATION

## Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED MAR.	
	31, 2014	2013
Operating activities		
Net income	\$25,924	\$27,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,137	38,586
Unearned compensation expense	1,977	1,510
Allowance for other funds used during construction	(1,631	) (1,164
Net deferred income taxes	10,366	10,030
Deferred fuel costs	(148	) 4,493
Cash surrender value of company-/trust-owned life insurance	(1,113	) (2,071
Changes in assets and liabilities:		
Accounts receivable	(1,541	) 12,059
Unbilled revenue	5,714	4,845
Fuel, materials and supplies inventory	6,985	10,619
Prepayments	3,237	1,628
Accounts payable	(13,672	) (37,345
Customer deposits	2,598	3,074
Postretirement benefit obligations	2,142	(32,422
Regulatory assets and liabilities, net	(4,367	) (4,836
Other deferred accounts	(4,691	) 2,121
Taxes accrued	(3,702	) 55,930
Interest accrued	17,283	13,276
Other operating	46	(4,019
Net cash provided by operating activities	90,544	103,447
Investing activities		
Additions to property, plant, and equipment	(47,139	) (44,887
Allowance for other funds used during construction	1,631	1,164
Return of investment in company-owned life insurance	1,303	—
Premiums paid on company-/trust-owned life insurance	(1,404	) —
Return of equity investment in tax credit fund	478	9
Contributions to tax credit fund	(11,182	) (12,081
Transfer of cash (to) from restricted accounts	(4,367	) 5,154
Purchase of restricted investments	—	(1,447
Sale of restricted investments	11,138	—
Maturity of restricted investments	1,458	1,409
Other investing	122	969
Net cash used in investing activities	(47,962	) (49,710
Financing activities		
Draws on credit facility	40,000	108,000
Payments on credit facility	(50,000	) (118,000
Issuance of long-term debt	—	60,000
Retirement of long-term debt	(7,581	) (7,129



Repurchase of long-term debt	—	(60,000 )
Repurchase of common stock	(12,449 )	—
Dividends paid on common stock	(22,450 )	(20,593 )
Other financing	(601 )	(568 )
Net cash used in financing activities	(53,081 )	(38,290 )
Net (decrease) increase in cash and cash equivalents	(10,499 )	15,447
Cash and cash equivalents at beginning of period	28,656	31,020
Cash and cash equivalents at end of period	\$18,157	\$46,467
Supplementary cash flow information		
Interest paid (net of amount capitalized)	\$4,346	\$6,326
Income taxes paid (refunded), net	\$9,971	\$(45,343 )
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant, and equipment	\$29,476	\$9,191
Non-cash additions to property, plant, and equipment, net	\$—	\$1,134
Issuance of common stock – ESPP	\$75	\$78

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

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CLECO CORPORATION

## Condensed Consolidated Statements of Changes in Common Shareholders' Equity (Unaudited)

(THOUSANDS, EXCEPT SHARE AMOUNTS)	COMMON STOCK		TREASURY STOCK		PREMIUM ON COMMON STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	COST				
Balances, Dec. 31, 2012	60,961,570	\$60,962	(606,025 )	\$(21,072)	\$416,619	\$1,075,074	\$(32,370 )	\$1,499,213
Common stock issued for compensatory plans	85,436	85	3,159	110	1,260	—	—	1,455
Dividends on common stock, \$0.3375 per share	—	—	—	—	—	(20,544 )	—	(20,544 )
Net income	—	—	—	—	—	27,133	—	27,133
Other comprehensive income, net of tax	—	—	—	—	—	—	1,873	1,873
Balances, Mar. 31, 2013	61,047,006	\$61,047	(602,866 )	\$(20,962)	\$417,879	\$1,081,663	\$(30,497 )	\$1,509,130
Balances, Dec. 31, 2013	61,047,006	\$61,047	(592,486 )	\$(20,601)	\$422,624	\$1,149,003	\$(25,876 )	\$1,586,197
Common stock issued for compensatory plans	4,280	4	150,734	5,251	(6,916 )	—	—	(1,661 )
Repurchase of common stock	—	—	(250,000 )	(12,449 )	—	—	—	(12,449 )
Dividends on common stock, \$0.3625 per share	—	—	—	—	—	(22,126 )	—	(22,126 )
Net income	—	—	—	—	—	25,924	—	25,924
Other comprehensive income, net of tax	—	—	—	—	—	—	897	897
Balances, Mar. 31, 2014	61,051,286	\$61,051	(691,752 )	\$(27,799)	\$415,708	\$1,152,801	\$(24,979 )	\$1,576,782

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



CLECO CORPORATION  
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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, 2013. 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  
CLECO POWER

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## CLECO POWER

## Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED MAR.	
	31, 2014	2013
Operating revenue		
Electric operations	\$269,759	\$229,425
Other operations	14,272	11,038
Affiliate revenue	335	336
Gross operating revenue	284,366	240,799
Electric customer credits	(186	) (21
Operating revenue, net	284,180	240,778
Operating expenses		
Fuel used for electric generation	59,047	85,365
Power purchased for utility customers	58,191	9,693
Other operations	25,321	25,373
Maintenance	30,256	14,794
Depreciation	40,203	32,330
Taxes other than income taxes	12,974	11,458
Total operating expenses	225,992	179,013
Operating income	58,188	61,765
Interest income	602	198
Allowance for other funds used during construction	1,631	1,164
Other income	363	697
Other expense	(509	) (444
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	20,248	21,724
Allowance for borrowed funds used during construction	(490	) (375
Total interest charges	19,758	21,349
Income before income taxes	40,517	42,031
Federal and state income tax expense	14,210	14,238
Net income	\$26,307	\$27,793

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

CLECO CORPORATION  
 CLECO POWER

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CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED MAR.	
	31, 2014	2013
Net income	\$26,307	\$27,793
Other comprehensive income, net of tax:		
Amortization of postretirement benefits (net of tax expense of \$328 in 2014 and \$157 in 2013)	525	251
Net gain on cash flow hedges (net of tax expense of \$33 in 2014 and \$836 in 2013)	53	1,337
Total other comprehensive income, net of tax	578	1,588
Comprehensive income, net of tax	\$26,885	\$29,381

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

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## CLECO POWER

## Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Assets		
Utility plant and equipment		
Property, plant, and equipment	\$4,311,221	\$4,052,774
Accumulated depreciation	(1,361,984 )	(1,260,843 )
Net property, plant, and equipment	2,949,237	2,791,931
Construction work in progress	152,386	104,113
Total utility plant, net	3,101,623	2,896,044
Current assets		
Cash and cash equivalents	11,464	21,055
Restricted cash and cash equivalents	3,893	8,986
Customer accounts receivable (less allowance for doubtful accounts of \$723 in 2014 and \$849 in 2013)	48,936	50,567
Accounts receivable - affiliate	2,932	1,045
Other accounts receivable	51,804	46,939
Unbilled revenue	25,452	31,166
Fuel inventory, at average cost	53,644	60,913
Material and supplies inventory, at average cost	63,095	59,964
Energy risk management asset	3,972	9,020
Accumulated deferred federal and state income taxes, net	58,256	80,981
Accumulated deferred fuel	1,582	—
Cash surrender value of company-owned life insurance policies	19,420	19,326
Prepayments	4,166	7,074
Regulatory assets - other	5,930	5,975
Other current assets	1,177	388
Total current assets	355,723	403,399
Equity investment in investee	14,532	14,532
Prepayments	4,532	4,510
Restricted cash and cash equivalents	14,473	5,012
Restricted investments	—	12,829
Regulatory assets - deferred taxes, net	230,489	229,173
Regulatory assets - other	245,185	249,677
Intangible asset	102,487	106,007
Other deferred charges	22,540	22,529
Total assets	\$4,091,584	\$3,943,712

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

(Continued on next page)

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## CLECO POWER

## Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Liabilities and member's equity		
Member's equity	\$1,500,538	\$1,370,573
Long-term debt, net	1,281,965	1,310,500
Total capitalization	2,782,503	2,681,073
Current liabilities		
Long-term debt due within one year	17,688	17,182
Accounts payable	105,784	98,785
Accounts payable - affiliate	7,793	8,386
Customer deposits	50,247	48,456
Provision for rate refund	3,720	3,533
Taxes payable	982	6,700
Interest accrued	27,977	13,589
Accumulated deferred fuel	—	3,869
Energy risk management liabilities	64	382
Other current liabilities	10,904	9,791
Total current liabilities	225,159	210,673
Commitments and Contingencies (Note 11)		
Long-term liabilities and deferred credits		
Accumulated deferred federal and state income taxes, net	980,908	945,559
Accumulated deferred investment tax credits	4,905	5,144
Postretirement benefit obligations	53,249	52,953
Restricted storm reserve	14,025	17,646
Other deferred credits	30,835	30,664
Total long-term liabilities and deferred credits	1,083,922	1,051,966
Total liabilities and member's equity	\$4,091,584	\$3,943,712

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



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## CLECO POWER

## Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED MAR.	
	31, 2014	2013
Operating activities		
Net income	\$26,307	\$27,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,358	35,094
Allowance for other funds used during construction	(1,631	) (1,164
Net deferred income taxes	14,472	14,560
Deferred fuel costs	(148	) 4,493
Changes in assets and liabilities:		
Accounts receivable	(1,524	) 12,098
Accounts and notes receivable, affiliate	(1,389	) 2,033
Unbilled revenue	5,714	4,845
Fuel, materials and supplies inventory	7,018	10,655
Prepayments	3,055	1,062
Accounts payable	(7,806	) (31,744
Accounts and notes payable, affiliate	(1,150	) (3,621
Customer deposits	2,598	3,074
Postretirement benefit obligations	1,307	(32,903
Regulatory assets and liabilities, net	(4,367	) (4,836
Other deferred accounts	(4,691	) 1,650
Taxes accrued	(5,719	) 8,688
Interest accrued	14,388	13,457
Other operating	403	(2,136
Net cash provided by operating activities	89,195	63,098
Investing activities		
Additions to property, plant, and equipment	(46,894	) (43,599
Allowance for other funds used during construction	1,631	1,164
Return of investment in company-owned life insurance	1,303	—
Transfer of cash (to) from restricted accounts	(4,367	) 5,154
Purchase of restricted investments	—	(1,447
Sale of restricted investments	11,138	—
Maturity of restricted investments	1,458	1,409
Other investing	123	988
Net cash used in investing activities	(35,608	) (36,331
Financing activities		
Draws on credit facility	20,000	90,000
Payments on credit facility	(40,000	) (90,000
Issuance of long-term debt	—	60,000
Retirement of long-term debt	(7,581	) (7,129
Repurchase of long-term debt	—	(60,000
Distribution to parent	(35,000	) —
Other financing	(597	) (567

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Net cash used in financing activities	(63,178	)	(7,696	)
Net (decrease) increase in cash and cash equivalents	(9,591	)	19,071	
Cash and cash equivalents at beginning of period	21,055		23,368	
Cash and cash equivalents at end of period	\$11,464		\$42,439	
Supplementary cash flow information				
Interest paid (net of amount capitalized)	\$4,381		\$6,260	
Income taxes refunded, net	\$(788	)	\$—	
Supplementary non-cash investing and financing activities				
Accrued additions to property, plant, and equipment	\$29,381		\$7,634	
Non-cash additions to property, plant, and equipment, net	\$176,244		\$1,134	
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	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL MEMBER'S EQUITY
Balances, Dec. 31, 2012	\$ 1,340,340	\$ (20,421 )	\$ 1,319,919
Other comprehensive income, net of tax	—	1,588	1,588
Net income	27,793	—	27,793
Balances, Mar. 31, 2013	\$ 1,368,133	\$ (18,833 )	\$ 1,349,300
Balances, Dec. 31, 2013	\$ 1,385,750	\$ (15,177 )	\$ 1,370,573
Other comprehensive income, net of tax	—	578	578
Contributions	138,080	—	138,080
Distributions to parent	(35,000 )	—	(35,000 )
Net income	26,307	—	26,307
Balances, Mar. 31, 2014	\$ 1,515,137	\$ (14,599 )	\$ 1,500,538

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

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

Note 1	Summary of Significant Accounting Policies	Cleco Corporation and Cleco Power
Note 2	Recent Authoritative Guidance	Cleco Corporation and Cleco Power
Note 3	Regulatory Assets and Liabilities	Cleco Corporation and Cleco Power
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Note 5	Debt	Cleco Corporation and Cleco Power
Note 6	Pension Plan and Employee Benefits	Cleco Corporation and Cleco Power
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Note 8	Disclosures about Segments	Cleco Corporation
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Note 11	Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees	Cleco Corporation and Cleco Power
Note 12	Affiliate Transactions	Cleco Corporation and Cleco Power
Note 13	Accumulated Other Comprehensive Loss	Cleco Corporation and Cleco Power
Note 14	Coughlin Transfer	Cleco Corporation and Cleco Power

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 in accordance with GAAP for interim financial information and with the instructions to 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, 2013.

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, 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 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 consists 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.

During the first quarter of 2014, Cleco's investment in regulated utility property, plant, and equipment increased primarily due to the transfer of Coughlin from Midstream to Cleco Power. The transfer of Coughlin was recorded on Cleco Power's books at the historical carrying value of approximately \$176.0 million, net of the related accumulated depreciation of \$82.6 million. The transfer of Coughlin was accounted for as a business under common control, which is typically accounted for as if the transfer had occurred at the beginning of the period. However, management determined the retrospective application of this transfer to be quantitatively and qualitatively immaterial when taken as a whole in relation to Cleco Power's financial statements. As a result, Cleco Power's financial statements were not retrospectively adjusted to reflect the transfer. For more information regarding the Coughlin transfer, see Note 14 — "Coughlin Transfer."

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Cleco's property, plant, and equipment consisted of:

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Regulated utility plants	\$4,311,221	\$4,052,774
Other	15,096	273,748
Total property, plant, and equipment	4,326,317	4,326,522
Accumulated depreciation	(1,371,281	) (1,351,223
Net property, plant, and equipment	\$2,955,036	\$2,975,299

#### 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's restricted cash and cash equivalents consisted of:

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Diversified Lands' mitigation escrow	\$21	\$21
Cleco Katrina/Rita's storm recovery bonds	3,893	8,986
Cleco Power's future storm restoration costs	14,025	4,726
Cleco Power's building renovation escrow	448	286
Total restricted cash and cash equivalents	\$18,387	\$14,019

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 three months ended March 31, 2014, Cleco Katrina/Rita collected \$5.5 million net of administration fees. In March 2014, Cleco Katrina/Rita used \$7.6 million for scheduled storm recovery bond principal payments and \$3.0 million for related interest.

Cleco Power's restricted cash and cash equivalents held for future storm restoration costs increased \$9.3 million from December 31, 2013, primarily due to the transfer of \$13.2 million of restricted investments that were held with an outside investment manager and liquidated during the first quarter of 2014. The liquidated holdings are now held in restricted cash and cash equivalents and reported in the above table in Cleco Power's future storm restoration costs. Partially offsetting this amount was the transfer of \$4.0 million to cover the expenses associated with recent storm activity.

In connection with Cleco Power's building modernization project, Cleco Power was required to establish an escrow account with a qualified financial institution and deposit all retainage monies as they accrue under the construction contract. Upon completion of the construction work, the funds including any interest held in the escrow account will be released from escrow and paid to the construction contractor.

#### 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. For more information about fair value levels, see Note 4 — "Fair Value Accounting."

#### Risk Management

Market risk inherent in Cleco's market risk-sensitive instruments and positions includes potential changes 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 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 also enter into 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 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 in accordance with regulatory policy. When these positions close, actual gains or losses will be included in the FAC and reflected on customers' bills as a component of the fuel cost adjustment. As part of the integration into MISO, Cleco Power was awarded FTRs in November 2013. Cleco Power also purchased FTRs in auctions facilitated by MISO. FTRs provide a financial hedge to manage the risk of congestion cost in the Day-Ahead Energy Market. FTRs represent rights to congestion credits or charges along a transmission path during a given time frame for a certain MW quantity. At March 31, 2014, Cleco and Cleco Power's Condensed Consolidated Balance Sheets reflected open FTR positions of \$4.0 million in Energy risk management assets and \$0.1 million in Energy risk management liabilities, compared with \$9.0 million in Energy risk management assets and \$0.4 million in Energy risk management liabilities at December 31, 2013. There were no open natural gas positions at March 31, 2014 or December 31, 2013.

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 more information on the interest rate risk contracts, see Note 4 — "Fair Value Accounting — Derivatives and Hedging."

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## Accounting for MISO Transactions

Cleco Power participates in the energy market through MISO. MISO requires Cleco Power to submit hourly day-ahead, real time and FTR bids and offers for energy at locations across the MISO region. In each monthly reporting period, the hourly sale and purchase net amounts are aggregated and separately reported in Electric operations or Power purchased for utility

customers on Cleco's Condensed Consolidated Statements of Income. For more information on FTRs, see Note 4 — "Fair Value Accounting — Derivatives and Hedging."

## Earnings per Average Common Share

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

(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED MAR. 31,					
	INCOME	SHARES	2014 PER SHARE AMOUNT	INCOME	SHARES	2013 PER SHARE AMOUNT
Basic net income applicable to common stock	\$25,924	60,472,969	\$0.43	\$27,133	60,399,697	\$ 0.45
Effect of dilutive securities						
Add: restricted stock (LTICP)		240,618			267,704	
Diluted net income applicable to common stock	\$25,924	60,713,587	\$0.43	\$27,133	60,667,401	\$ 0.45

Stock option grants are excluded from the computation of diluted earnings per share if the exercise price is higher than the average market price. All stock options were exercised during 2012 and no additional options were granted through March 31, 2014. Therefore, no stock option grants were excluded from the computation of diluted earnings per share for the three months ended March 31, 2014 and 2013.

## Stock-Based Compensation

At March 31, 2014, 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 three months ended March 31, 2014, Cleco granted 120,935 shares of non-vested stock to certain officers, and key employees 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:

(THOUSANDS)	CLECO CORPORATION		CLECO POWER	
	2014	2013	2014	2013
Equity classification				
Non-vested stock	\$1,922	\$1,428	\$426	\$331
Total equity classification	\$1,922	\$1,428	\$426	\$331
Liability classification				



Common stock equivalent units	\$—	\$1	\$—	\$—
Total pre-tax compensation expense	\$1,922	\$1,429	\$426	\$331
Tax benefit	\$739	\$550	\$164	\$127

#### Common Stock Repurchase Program

In January 2011, Cleco Corporation's Board of Directors approved the implementation of a new common stock repurchase program. This program authorizes management to repurchase, from time to time, shares of common stock so that Cleco's diluted average shares of common stock outstanding remain approximately equal to its diluted average shares of

common stock outstanding for 2010. Under this program, purchases may be made on a discretionary basis at times and in amounts as determined by management, subject to market conditions, legal requirements and other factors. Purchases under the program will not be announced in advance and may be made in the open market or through privately negotiated transactions. During the three months ended March 31, 2014, 250,000 shares of common stock were repurchased by Cleco Corporation. During the three months ended March 31, 2013, Cleco Corporation repurchased no shares of common stock.

#### Note 2 — Recent Authoritative Guidance

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

In February 2013, FASB revised the disclosure requirements related to items reclassified out of accumulated other comprehensive income. This guidance is intended to improve the transparency of changes in OCI. This revision is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. Cleco adopted the revisions to this amendment during the first quarter of 2013. The adoption of this revision did not have an impact on the financial condition, results of operations, or cash flows of the Registrants because it relates to disclosures. For more information on items reclassified out of accumulated other comprehensive income, see Note 13 — "Accumulated Other Comprehensive Loss."

In February 2013, FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The adoption of this guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have an impact on the financial condition, results of operations, or cash flows of the Registrants.

In April 2013, FASB issued guidance on applying the liquidation basis of accounting and the related disclosure requirements. Under this accounting standards update, an entity must use the liquidation basis of accounting to present its financial statements when it determines that liquidation is imminent, unless the liquidation is the same as that under the plan specified in an entity's governing documents created at its inception. The adoption of this standard is effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and

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interim reporting periods therein. The adoption of this guidance did not have an impact on the financial condition, results of operations, or cash flows of the Registrants.

In July 2013, FASB amended the income tax guidance to provide for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The adoption of this guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have an impact on the financial condition, results of operations, or cash flows of the Registrants.

In January 2014, FASB amended the accounting guidance for investments in qualified affordable housing projects. This guidance modifies the conditions that must be met to present the pretax effects and related tax benefits of such investments as a component of income taxes. The adoption of this guidance is effective for annual periods and interim reporting periods within those annual periods, beginning after December 31, 2014. Management is currently evaluating the effect the adoption of this guidance will have on the financial condition, results of operations, or cash flows of the Registrants.

In January 2014, FASB amended the accounting guidance for service concession arrangements. This guidance states that certain service concession arrangements with public-sector grantors are not within the scope of lease accounting. Operating entities entering into these arrangements should not recognize the related infrastructure as its property, plant and equipment and should apply other accounting guidance. The adoption of this guidance is effective for interim periods beginning after December 15, 2014. Management is currently evaluating the effect the adoption of this guidance will have on the financial condition, results of operations, or cash flows of the Registrants.

In April 2014, FASB amended the accounting guidance for the reporting of discontinued operations. These amendments improve the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results. This guidance also requires additional disclosures about discontinued operations. The adoption of this guidance is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this guidance is not expected to have an effect on the financial condition, results of operations, or cash flows of the Registrants.

### 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 March 31, 2014 and December 31, 2013:

(THOUSANDS)	AT MAR. 31, 2014	AT DEC. 31, 2013
Regulatory assets – deferred taxes, net	\$230,489	\$229,173
Mining costs	\$13,382	\$14,019
Interest costs	5,853	5,943
Asset removal costs	954	936
Postretirement plan costs	91,638	93,333
Tree trimming costs	5,560	4,840
Training costs	7,136	7,175
Surcredits, net	17,033	16,738
Amended Lignite mining agreement contingency	3,781	3,781
Power purchase agreement capacity costs	6,143	9,749
AMI deferred revenue requirement	5,400	4,682
Production Operations & Maintenance expenses	8,459	8,459
AFUDC equity gross-up	73,257	73,306

Rate case costs	—	45	
Acadia Unit 1 acquisition costs	2,734	2,760	
Financing costs	9,679	9,772	
Biomass costs	106	114	
Total regulatory assets – other	\$251,115	\$255,652	
Fuel and purchased power	1,582	(3,869)	)
Total regulatory assets, net	\$483,186	\$480,956	

#### 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 allowed Cleco Power to defer and recover a portion of capacity costs associated with the power purchase agreement. On March 15, 2014, Coughlin was transferred to Cleco Power and the power purchase agreement was terminated. The recovery of the remaining capacity costs will be determined as part of Cleco Power's FRP extension.

#### Fuel and Purchased Power Costs

The cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through the LPSC-established FAC, which enables Cleco Power to pass on to its customers substantially all such charges. For the three months ended March 31, 2014, approximately 88% of Cleco Power's total fuel cost was regulated by the LPSC, while the remainder was regulated by FERC.

The \$5.5 million change in the under/over recovered costs was primarily due to a \$4.7 million decrease in net mark-to-market gains as a result of lower valuations of open FTR positions and the settlement of certain positions, and an \$0.8 million increase in fuel and purchased power costs.

#### Note 4 — Fair Value Accounting

The amounts reflected in Cleco and Cleco Power's Condensed Consolidated Balance Sheets at March 31, 2014 and December 31, 2013, for cash equivalents, restricted cash equivalents, accounts receivable, other accounts receivable, accounts payable, and short-term debt 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 in Cleco and Cleco Power's Condensed Consolidated Balance Sheets.

CLECO CORPORATION  
CLECO POWER

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## Cleco

(THOUSANDS)	AT MAR. 31, 2014		AT DEC. 31, 2013	
	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial instruments not marked-to-market:				
Cash equivalents	\$12,176	\$12,176	\$22,204	\$22,204
Restricted cash equivalents	\$18,362	\$18,362	\$14,019	\$14,019
Long-term debt, excluding debt issuance costs	\$1,313,649	\$1,473,263	\$1,331,230	\$1,420,048

## Cleco Power

(THOUSANDS)	AT MAR. 31, 2014		AT DEC. 31, 2013	
	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial instruments not marked-to-market:				
Cash equivalents	\$5,900	\$5,900	\$14,900	\$14,900
Restricted cash equivalents	\$18,341	\$18,341	\$13,998	\$13,998
Long-term debt, excluding debt issuance costs	\$1,298,649	\$1,458,263	\$1,326,230	\$1,415,048

## 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 MAR. 31, 2014	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)			SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	AT DEC. 31, 2013	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)			SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
		FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)				FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)		
Asset Description												
Institutional money market funds	\$30,538											