

CLECO CORP
Form 10-Q
October 28, 2015

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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 October 21, 2015
Cleco Corporation	Common Stock, \$1.00 Par Value	60,482,051

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

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This Combined Quarterly Report on Form 10-Q is separately filed by Cleco Corporation and Cleco Power. Information in this filing relating to Cleco Power is filed by Cleco Corporation and separately by Cleco Power on its own behalf. Cleco Power makes no representation as to information relating to Cleco Corporation (except as it may relate to Cleco Power) or any other affiliate or subsidiary of Cleco Corporation. This report should be read in its entirety as it pertains to each respective Registrant. The Notes to the Unaudited Condensed Consolidated Financial Statements are combined.

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GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
ABR	Alternate Base Rate 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, 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, 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
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
Brame Energy Center	A facility consisting of Nesbitt Unit 1, Rodemacher Unit 2, and Madison Unit 3
CCR	Coal combustion by-products or residual
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
Cleco Partners	Cleco Partners L.P., a Delaware limited partnership that prior to the closing of the Merger will be 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.
Coughlin	Cleco Power’s 775-MW, combined-cycle, natural gas-fired power plant located in St. Landry, Louisiana. Coughlin was transferred to Cleco Power on March 15, 2014.
CSAPR	The Cross-State Air Pollution Rule
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.
EAC	Environmental Adjustment Clause
EGU	Electric Generating Unit
Entergy Gulf States	Entergy Gulf States Louisiana, L.L.C.

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Entergy Louisiana	Entergy Louisiana, LLC
Entergy Mississippi	Entergy Mississippi, Inc.
EPA	U.S. Environmental Protection Agency
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
FTR	Financial Transmission Right
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the U.S.
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
IRS	Internal Revenue Service
kWh	Kilowatt-hour(s)
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

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ABBREVIATION OR ACRONYM	DEFINITION
Merger	Merger of Merger Sub with and into Cleco Corporation pursuant to the terms of the Merger Agreement
Merger Agreement	Agreement and Plan of Merger, dated as of October 17, 2014, by and among Cleco Partners, Merger Sub, and Cleco Corporation
Merger Sub	Cleco Merger Sub, Inc., a Louisiana corporation and an indirect wholly-owned subsidiary of Cleco Partners
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)
MWh	Megawatt-hour(s)
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 Corporation
PPA	Power Purchase Agreement
ppb	Parts per billion
PRP	Potentially Responsible Party
Registrant(s)	Cleco Corporation and/or Cleco Power
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.
ROE	Return on Equity
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Services, a credit rating agency
SEC	Securities and Exchange Commission
SERP	Cleco Corporation Supplemental Executive Retirement Plan
SO ₂	Sulfur dioxide
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company, an electric utility subsidiary of American Electric Power Company, Inc.
VaR	Value-at-Risk
VIE	Variable Interest Entity

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- certain risks and uncertainties associated with the merger of an indirect, wholly-owned subsidiary of Cleco Partners with and into Cleco Corporation including, without limitation:
 - the occurrence of any event, change, or other circumstance that could give rise to the termination of the Merger Agreement or could otherwise cause the failure of the Merger to close;
 - the failure to obtain regulatory approvals required for the Merger, or required regulatory approvals delaying the Merger or causing the parties to abandon the Merger;
 - the failure to obtain any financing necessary to complete the Merger;
 - risks related to disruption of management’s attention from Cleco’s ongoing business operations due to the Merger;
 - the outcome of any legal proceeding, regulatory proceeding, or enforcement matter that may be instituted against Cleco and others relating to the Merger;
 - the risk that the pendency of the Merger disrupts current plans and operations and the potential difficulties in employee retention as a result of the pendency of the Merger;
 - the effect of the Merger on Cleco’s relationships with its customers, operating results, and business;
 - the amount of the costs, fees, expenses, and charges related to the Merger;
 - the receipt of an unsolicited offer from another party to acquire assets or capital stock of Cleco Corporation that could interfere with the Merger; and
 - future regulatory or legislative actions that could adversely affect Cleco’s participation in the Merger.

- 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 and LPSC audits, participation in MISO and the related operating challenges and uncertainties, including increased wholesale competition relative to more suppliers, and compliance with the Electric Reliability Organization 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, fuel supply costs, or availability constraints due to higher demand, 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 down-sizing of businesses in Cleco's service area, monetary fluctuations, changes in commodity prices, and inflation rates,

the ability of the Dolet Hills lignite reserve 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 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,

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 of Cleco Power to recover from its customers the costs of compliance with environmental laws and regulations,

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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, 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, 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, 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 Corporation and Cleco Power, ability to remain in compliance with debt covenants, 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 work stoppages, aging workforce, and changes in key executives.

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 this report and in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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 (UNAUDITED)

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, 2014. 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 SEPT. 30,	
	2015	2014
Operating revenue		
Electric operations	\$325,994	\$352,763
Other operations	19,937	19,497
Gross operating revenue	345,931	372,260
Electric customer credits	(463) (874
Operating revenue, net	345,468	371,386
Operating expenses		
Fuel used for electric generation	105,052	104,463
Power purchased for utility customers	31,544	63,024
Other operations	33,021	29,851
Maintenance	20,183	20,558
Depreciation	39,120	37,834
Taxes other than income taxes	13,145	7,273
Merger transaction costs	831	1,141
Total operating expenses	242,896	264,144
Operating income	102,572	107,242
Interest income	346	416
Allowance for equity funds used during construction	660	631
Other income	162	848
Other expense	(2,723) (685
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	18,781	13,375
Allowance for borrowed funds used during construction	(188) (200
Total interest charges	18,593	13,175
Income before income taxes	82,424	95,277
Federal and state income tax expense	27,761	24,442
Net income applicable to common stock	\$54,663	\$70,835
Basic average number of common shares outstanding	60,481,584	60,372,569
Diluted average number of common shares outstanding	60,793,391	60,689,596
Basic earnings per average common share	\$0.90	\$1.17
Diluted earnings per average common share	\$0.90	\$1.17
Dividends declared per share of common stock	\$0.40	\$0.40

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 SEPT. 30,	
	2015	2014
Net income	\$54,663	\$70,835
Other comprehensive income, net of tax		
Postretirement benefits gain (net of tax expense of \$366 in 2015 and \$199 in 2014)	586	318
Net gain on cash flow hedges (net of tax expense of \$33 in 2015 and 2014)	53	53
Total other comprehensive income, net of tax	639	371
Comprehensive income, net of tax	\$55,302	\$71,206

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

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE NINE MONTHS ENDED SEPT. 30,	
	2015	2014
Operating revenue		
Electric operations	\$880,169	\$939,519
Other operations	53,472	48,878
Gross operating revenue	933,641	988,397
Electric customer credits	(3,642)	(23,555)
Operating revenue, net	929,999	964,842
Operating expenses		
Fuel used for electric generation	277,187	220,206
Power purchased for utility customers	109,758	197,141
Other operations	93,018	85,568
Maintenance	60,700	79,173
Depreciation	112,866	117,145
Taxes other than income taxes	38,734	32,946
Merger transaction costs	2,561	1,506
Gain on sale of assets	—	(145)
Total operating expenses	694,824	733,540
Operating income	235,175	231,302
Interest income	734	1,369
Allowance for equity funds used during construction	2,197	4,291
Other income	1,279	4,314
Other expense	(3,494)	(1,727)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	59,264	54,767
Allowance for borrowed funds used during construction	(640)	(1,259)
Total interest charges	58,624	53,508
Income before income taxes	177,267	186,041
Federal and state income tax expense	65,448	52,649
Net income applicable to common stock	\$111,819	\$133,392
Basic average number of common shares outstanding	60,474,228	60,410,122
Diluted average number of common shares outstanding	60,759,939	60,711,543
Basic earnings per average common share	\$1.85	\$2.21
Diluted earnings per average common share	\$1.84	\$2.20
Dividends declared per share of common stock	\$1.20	\$1.1625

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

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Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPT. 30,	
	2015	2014
Net income	\$111,819	\$133,392
Other comprehensive income, net of tax		
Postretirement benefits gain (net of tax expense of \$1,158 in 2015 and \$1,001 in 2014)	1,851	1,600
Net gain on cash flow hedges (net of tax expense of \$99 in 2015 and 2014)	159	159
Total other comprehensive income, net of tax	2,010	1,759
Comprehensive income, net of tax	\$113,829	\$135,151

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 SEPT. 30, 2015	AT DEC. 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$17,329	\$44,423
Restricted cash and cash equivalents	3,702	8,986
Customer accounts receivable (less allowance for doubtful accounts of \$2,081 in 2015 and \$922 in 2014)	61,503	41,500
Other accounts receivable	21,264	28,098
Unbilled revenue	40,494	38,475
Fuel inventory, at average cost	62,251	64,747
Material and supplies inventory, at average cost	77,041	71,124
Energy risk management assets	14,563	10,776
Accumulated deferred federal and state income taxes, net	26,083	76,785
Accumulated deferred fuel	18,662	21,554
Cash surrender value of company-/trust-owned life insurance policies	71,480	71,167
Prepayments	7,161	10,284
Regulatory assets	14,497	12,212
Other current assets	3,237	473
Total current assets	439,267	500,604
Property, plant, and equipment		
Property, plant, and equipment	4,616,808	4,508,960
Accumulated depreciation	(1,512,711)	(1,442,960)
Net property, plant, and equipment	3,104,097	3,066,000
Construction work in progress	76,971	99,458
Total property, plant, and equipment, net	3,181,068	3,165,458
Equity investment in investees	16,380	14,540
Prepayments	4,355	4,891
Restricted cash and cash equivalents	15,878	15,130
Regulatory assets - deferred taxes, net	236,341	234,370
Regulatory assets	287,031	311,867
Net investment in direct financing lease	13,473	13,498
Intangible asset	78,608	90,642
Tax credit fund investment, net	8,488	7,251
Other deferred charges	24,460	20,822
Total assets	\$4,305,349	\$4,379,073

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

(Continued on next page)

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Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPT. 30, 2015	AT DEC. 31, 2014
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	\$19,382	\$18,272
Accounts payable	85,198	127,268
Customer deposits	54,910	53,411
Provision for rate refund	4,164	2,264
Taxes payable	28,282	2,197
Interest accrued	21,909	8,669
Energy risk management liabilities	488	827
Regulatory liabilities - other	468	312
Deferred compensation	9,975	11,374
Other current liabilities	16,014	13,176
Total current liabilities	240,790	237,770
Long-term liabilities and deferred credits		
Accumulated deferred federal and state income taxes, net	936,170	918,858
Accumulated deferred investment tax credits	3,474	4,161
Postretirement benefit obligations	205,084	197,623
Regulatory liabilities - other	—	312
Restricted storm reserve	15,859	14,916
Other deferred credits	25,005	28,510
Total long-term liabilities and deferred credits	1,185,592	1,164,380
Long-term debt, net	1,207,217	1,349,653
Total liabilities	2,633,599	2,751,803
Commitments and Contingencies (Note 11)		
Shareholders' equity		
Common shareholders' equity		
Common stock, \$1 par value, authorized 100,000,000 shares, issued 61,058,918 and 61,051,286 shares and outstanding 60,482,051 and 60,421,467 shares at September 30, 2015, and December 31, 2014, respectively	61,059	61,051
Premium on common stock	417,022	415,482
Retained earnings	1,247,506	1,208,712
Treasury stock, at cost, 576,867 and 629,819 shares at September 30, 2015, and December 31, 2014, respectively	(23,182)	(25,310)
Accumulated other comprehensive loss	(30,655)	(32,665)
Total common shareholders' equity	1,671,750	1,627,270
Total liabilities and shareholders' equity	\$4,305,349	\$4,379,073

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

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Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPT. 30,	
	2015	2014
Operating activities		
Net income	\$111,819	\$133,392
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,831	124,515
Unearned compensation expense	4,819	4,974
Allowance for equity funds used during construction	(2,197)	(4,291)
Net deferred income taxes	62,871	51,584
Deferred fuel costs	1,010	(23,908)
Cash surrender value of company-/trust-owned life insurance	2,258	(2,854)
Changes in assets and liabilities:		
Accounts receivable	(24,890)	(19,666)
Unbilled revenue	(2,019)	(18,245)
Fuel, materials and supplies inventory	(3,422)	505
Prepayments	3,659	2,544
Accounts payable	(32,248)	(14,767)
Customer deposits	9,357	11,979
Postretirement benefit obligations	10,430	6,501
Regulatory assets and liabilities, net	13,858	(2,881)
Other deferred accounts	(8,029)	(17,006)
Taxes accrued	24,878	969
Interest accrued	13,115	9,381
Other operating	904	2,830
Net cash provided by operating activities	304,004	245,556
Investing activities		
Additions to property, plant, and equipment	(116,678)	(160,181)
Allowance for equity funds used during construction	2,197	4,291
Return of investment in company-owned life insurance	—	1,303
Premiums paid on company-/trust-owned life insurance	(2,571)	(2,831)
Contributions to equity investment in investee	(1,840)	—
Return of equity investment in tax credit fund	1,649	1,541
Contributions to tax credit fund	(4,091)	(36,252)
Transfers of cash from (to) restricted accounts, net	4,536	(4,989)
Sale of restricted investments	—	11,138
Maturity of restricted investments	—	1,458
Other investing	602	(413)
Net cash used in investing activities	(116,196)	(184,935)
Financing activities		
Draws on credit facilities	108,000	189,000
Payments on credit facilities	(147,000)	(167,000)
Repayment of long-term debt	(100,824)	(14,876)

Repurchase of common stock	—	(12,449)
Dividends paid on common stock	(73,076)	(70,879)
Other financing	(2,002)	(1,863)
Net cash used in financing activities	(214,902)	(78,067)
Net decrease in cash and cash equivalents	(27,094)	(17,446)
Cash and cash equivalents at beginning of period	44,423	28,656
Cash and cash equivalents at end of period	\$17,329	\$11,210
Supplementary cash flow information		
Interest paid, net of amount capitalized	\$42,201	\$42,536
Income taxes paid, net	\$1,434	\$15,321
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant, and equipment	\$4,869	\$10,777
Issuance of common stock – ESPP	\$—	\$220

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

CLECO CORPORATION
CLECO POWER

2015 3RD QUARTER FORM 10-Q

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	AOCI	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	COST				
Balances, Dec. 31, 2014	61,051,286	\$ 61,051	(629,819)	\$(25,310)	\$ 415,482	\$ 1,208,712	\$(32,665)	\$ 1,627,270
Common stock issued for compensatory plans	7,632	8	52,952	2,128	1,540	—	—	3,676
Dividends on common stock, \$1.20 per share	—	—	—	—	—	(73,025)	—	(73,025)
Net income	—	—	—	—	—	111,819	—	111,819
Other comprehensive income, net of tax	—	—	—	—	—	—	2,010	2,010
Balances, Sept. 30, 2015	61,058,918	\$ 61,059	(576,867)	\$(23,182)	\$ 417,022	\$ 1,247,506	\$(30,655)	\$ 1,671,750

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

CLECO CORPORATION
CLECO POWER

2015 3RD QUARTER FORM 10-Q

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, 2014. 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
 CLECO POWER

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CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPT. 30,	
	2015	2014
Operating revenue		
Electric operations	\$325,994	\$352,763
Other operations	19,418	18,957
Affiliate revenue	240	332
Gross operating revenue	345,652	372,052
Electric customer credits	(463) (874
Operating revenue, net	345,189	371,178
Operating expenses		
Fuel used for electric generation	105,052	104,463
Power purchased for utility customers	31,544	63,024
Other operations	33,639	30,816
Maintenance	19,932	19,926
Depreciation	38,376	37,518
Taxes other than income taxes	12,680	7,128
Total operating expenses	241,223	262,875
Operating income	103,966	108,303
Interest income	303	398
Allowance for equity funds used during construction	660	631
Other income	223	476
Other expense	(544) (684
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	18,497	14,686
Allowance for borrowed funds used during construction	(188) (200
Total interest charges	18,309	14,486
Income before income taxes	86,299	94,638
Federal and state income tax expense	27,638	29,094
Net income	\$58,661	\$65,544

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

CLECO CORPORATION
 CLECO POWER

2015 3RD QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPT. 30,	
	2015	2014
Net income	\$58,661	\$65,544
Other comprehensive income, net of tax		
Postretirement benefits gain (net of tax expense of \$138 in 2015 and \$58 in 2014)	218	92
Net gain on cash flow hedges (net of tax expense of \$33 in 2015 and 2014)	53	53
Total other comprehensive income, net of tax	271	145
Comprehensive income, net of tax	\$58,932	\$65,689

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

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CLECO CORPORATION
 CLECO POWER

2015 3RD QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED	
	SEPT. 30, 2015	2014
Operating revenue		
Electric operations	\$880,169	\$939,519
Other operations	51,913	47,256
Affiliate revenue	904	998
Gross operating revenue	932,986	987,773
Electric customer credits	(3,642)	(23,555)
Operating revenue, net	929,344	964,218
Operating expenses		
Fuel used for electric generation	277,187	220,206
Power purchased for utility customers	109,758	202,608
Other operations	93,770	85,279
Maintenance	60,106	76,386
Depreciation	111,485	115,016
Taxes other than income taxes	37,159	31,197
Total operating expenses	689,465	730,692
Operating income	239,879	233,526
Interest income	607	1,349
Allowance for equity funds used during construction	2,197	4,291
Other income	1,521	1,228
Other expense	(1,606)	(1,625)
Interest charges		
Interest charges, including amortization of debt expense, premium, and discount, net	58,252	56,144
Allowance for borrowed funds used during construction	(640)	(1,259)
Total interest charges	57,612	54,885
Income before income taxes	184,986	183,884
Federal and state income tax expense	65,906	59,375
Net income	\$119,080	\$124,509

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