TURBOCHEF TECHNOLOGIES INC
Form 25-NSE
January 06, 2009

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2011

2012

2011

401(k) Plan expense
$
847

$
852

$
2,341

$
2,053

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

Note 7 — Income Taxes

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

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

Effective Tax Rates

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

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

AFUDC equity, and state tax expense.

Valuation Allowance

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

Net Operating Losses

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

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

Uncertain Tax Positions

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

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

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

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

Cleco

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

Cleco Power

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

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

34

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

Note 8 — Disclosures about Segments

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

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

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

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30,

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

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

[(1)] Reconciliation of segment profit to consolidated profit:
[(2)] Balances as of December 31, 2011

Segment profit	$ 70,348
Unallocated items:	
Preferred dividends requirements	15
Preferred stock redemption costs	112
Net income applicable to common stock	$ 70,221

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SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30,

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

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

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

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

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Note 9 — Electric Customer Credits

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

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

Note 10 — Variable Interest Entities

Cleco reports its investments in VIEs in accordance with the authoritative guidance. Cleco and Cleco Power report the investment in Oxbow on the equity method of accounting. Under the equity method, the assets and liabilities of this entity are reported as equity investment in investees on Cleco and Cleco Power's Condensed Consolidated Balance Sheets. The revenue and expenses (excluding income taxes) of this entity are netted and reported as equity income or loss from investees on Cleco and Cleco Power's Condensed Consolidated Statements of Income.

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

Consolidated VIEs

Acadia

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

consolidated subsidiary of APH. For more information on the Acadia Unit 2 transaction, see Note 13 — "Acadia Unit 2 Transaction."

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

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

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

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

Equity Method VIEs

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

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

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

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

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

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

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The following tables contain summarized financial information for Oxbow.

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

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

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

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

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

Litigation

Devil's Swamp

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

Discrimination Complaints

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

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

City of Opelousas

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

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

LPSC Audits

Fuel Audit

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

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

Environmental Audit

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

Other

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

Off-Balance Sheet Commitments

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

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

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

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

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

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

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

Disclosures about Guarantees

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

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

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

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

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

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

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

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

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

Other Commitments

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

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

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

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

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

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

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

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

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

Risks and Uncertainties

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

Other
Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. After assessing the current operating performance, liquidity, and credit ratings of Cleco Corporation, management believes that Cleco will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. If Cleco Corporation's credit ratings were to be downgraded by Moody's and Standard & Poor's, Cleco Corporation would be required to pay additional fees and higher interest rates under its bank credit and other debt agreements.
Changes in the regulatory environment or market forces could cause Cleco to determine its assets have suffered an other-than-temporary decline in value, whereby an impairment would be required to be taken and Cleco's financial condition could be materially adversely affected.

Cleco Power
Cleco Power supplies the majority of its customers' electric power requirements from its own generation facilities. In addition to power obtained from power purchase agreements, Cleco Power purchases power from other utilities and marketers to supplement its generation at times of relatively high demand or when the purchase price of power is less than its own cost of generation. Due to its location on the transmission grid, Cleco Power relies on two main suppliers of electric transmission when accessing external power markets. At times, constraints limit the amount of purchased power these transmission providers can deliver into Cleco Power's service territory.
Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. After assessing the current operating performance, liquidity, and credit ratings of Cleco Power, management believes that Cleco Power will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. Cleco Power pays fees and interest under its bank credit agreements based on the highest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's and Standard & Poor's, Cleco Power would be required to pay additional fees and higher interest rates under its bank credit agreements. Cleco Power's collateral for derivatives is based on the lowest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's or Standard & Poor's, Cleco Power would be required to pay additional collateral for derivatives.

Note 12 — Affiliate Transactions

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

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

Note 13 — Acadia Unit 2 Transaction

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

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

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

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

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

RESULTS OF OPERATIONS

Overview

Cleco is a regional energy company that conducts substantially all of its business operations through its two primary subsidiaries:

- Cleco Power, a regulated electric utility company, which owns 9 generating units with a total nameplate capacity of 2,524 MW and serves approximately 281,000 customers in Louisiana through its retail business and 10 communities across Louisiana and Mississippi through wholesale power contracts; and
- Midstream, a wholesale energy business, which owns Evangeline (which operates Coughlin).

Cleco Power

Many factors affect Cleco Power's primary business of selling electricity. These factors include the presence of a stable regulatory environment, which can impact cost recovery and return on equity, as well as the recovery of costs related to growing energy demand and rising fuel prices; the ability to increase energy sales while containing costs; and the ability to meet increasingly stringent regulatory and environmental standards. Key initiatives that Cleco Power is currently working on include the Acadiana Load Pocket project, the AMI project and long-term power supply options beyond 2012. These initiatives are discussed below.

Acadiana Load Pocket Project

In September 2008, Cleco Power entered into an agreement with two other utilities to upgrade and expand interconnected transmission systems in south central Louisiana in an area known as the Acadiana Load Pocket. The project received LPSC and SPP approval in February 2009. Cleco Power's estimated cost for its portion of the project is $125.0 million, including AFUDC. As of June 30, 2012, Cleco Power had spent $112.0 million on the project, including AFUDC. A return on and recovery of the costs associated with the completed portions of the Acadiana Load Pocket project are included in base revenue. The project was substantially completed by the end of June 2012. Remaining portions of the project are expected to be complete by December 2012. For information on the impact the Acadiana Load Pocket project is expected to have on base revenue, see "— Comparison of the Three Months Ended June 30, 2012, and 2011 — Cleco Power — Base."

AMI Project

In May 2010, Cleco Power accepted the terms of a $20.0 million grant from the DOE under the DOE's small-grant process to implement advanced metering technology for all of Cleco Power's retail customers. Cleco Power estimates the project will cost $73.0 million, with the DOE grant providing $20.0 million toward the project and Cleco Power providing the remaining $53.0 million. The grant program is a part of the American Recovery and Reinvestment Act of 2009, an economic stimulus package passed by Congress in February 2009. Advanced metering technology includes the installation of electric meters that enable two-way communication capabilities between a home or business and a utility company. At June 30, 2012, Cleco Power had incurred $24.7 million in project costs, of which

$10.6 million has been submitted to the DOE for reimbursement. As of June 30, 2012, Cleco Power had received $8.1 million in payments from the DOE. The project is expected to be completed in the third quarter of 2013. For more information on the AMI Project, see "— Financial Condition — Regulatory and Other Matters — AMI Project."

Power Supply Options
Cleco Power is evaluating a range of long-term power supply options beyond 2012. Cleco Power is continuing to update its IRP to look at future sources of supply to meet its capacity and energy requirements and to comply with new environmental standards, primarily CSAPR. In August 2011, Cleco Power issued an RFP for resources to enhance reliability for January through April 2012 and selected and negotiated two agreements from the RFP, a power purchase agreement with NRG Power Marketing LLC and a tolling agreement with Evangeline. Both agreements began on January 1, 2012. In October 2011, a second RFP, seeking up to approximately 750 MW of capacity and energy, for a three- or five-year period was issued for supply starting May 1, 2012, to meet CSAPR. Cleco Power selected Evangeline's proposal for a 730-MW product beginning May 1, 2012, and ending April 30, 2015. The definitive agreement between Evangeline and Cleco Power was executed in January 2012 and approved by the LPSC in March 2012 and FERC in April 2012. In May 2012, Cleco Power issued a draft RFP seeking long-term resources beyond April 2015. The final RFP was issued in July 2012. For more information on Cleco Power's RFPs, see "— Financial Condition — Regulatory and Other Matters — Generation RFP."

Cleco Midstream

Evangeline
In March 2010, Evangeline restructured its tolling agreement with JPMVEC and shortened the expiration of the prior long-term agreement from 2020 to December 31, 2011 (with a JPMVEC option to extend one year). JPMVEC did not exercise the option to extend the tolling agreement and as a result, Coughlin's capacity and energy became available to Midstream beginning January 1, 2012. Evangeline was one of the successful bidders in Cleco Power's RFP for short-term 2012 resources beginning January 1, 2012, and began providing 250 MW of capacity and energy to Cleco Power

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under a tolling agreement through April 30, 2012. In addition to Cleco Power's RFP referenced above, in December 2011, Evangeline was also notified that Cleco Power selected its proposal to fulfill Cleco Power's capacity and energy needs as defined in the Cleco Power RFP for contractual resources to meet CSAPR beginning in 2012. The proposal was for a 730-MW product beginning May 1, 2012, and ending April 30, 2015. The definitive agreement between Evangeline and Cleco Power was executed in January 2012 and was approved by the LPSC in March 2012 and FERC in April 2012. Currently, Midstream is marketing Coughlin's capacity for periods beginning after April 30, 2015, and is evaluating various options to optimize Coughlin's value. For more information, see "— Financial Condition — Regulatory and Other Matters — Generation RFP."

Comparison of the Three Months Ended June 30, 2012, and 2011
Cleco Consolidated

	FOR THE THREE MONTHS ENDED JUNE 30,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2012	2011	VARIANCE	CHANGE
Operating revenue, net	$240,123	$272,923	$(32,800)	(12.0)%
Operating expenses	165,880	203,342	37,462	18.4%
Operating income	$74,243	$69,581	$4,662	6.7%
Allowance for other funds used during construction	$1,399	$876	$523	59.7%
Equity income from investees, before tax	$—	$61,440	$(61,440)	(100.0)%
Other income	$13,014	$1,050	$11,964	*
Interest charges	$20,616	$25,619	$5,003	19.5%
Federal and state income taxes	$20,520	$36,520	$16,000	43.8%
Net income applicable to common stock	$46,686	$70,221	$(23,535)	(33.5)%

* Not meaningful

Consolidated net income applicable to common stock decreased $23.5 million, or 33.5%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to lower Midstream earnings. Partially offsetting this decrease was higher corporate earnings.

Operating revenue, net decreased $32.8 million, or 12.0%, in the second quarter of 2012 compared to the second quarter of 2011 largely as a result of lower fuel cost recovery revenue at Cleco Power.

Operating expenses decreased $37.5 million, or 18.4%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to lower per unit costs and volumes of fuel used for electric generation.

Allowance for funds used during construction increased $0.5 million, or 59.7%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to higher AFUDC accruals related to the AMI Project and miscellaneous transmission projects.

Equity income from investees, before tax, decreased $61.4 million, or 100.0%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to the absence of the gain from the disposition of Acadia Unit 2 during the second quarter of 2011.

Other income increased $12.0 million in the second quarter of 2012 compared to the second quarter of 2011 largely as a result of the contractual expiration of an underlying indemnification resulting from the disposition of Acadia Unit 2.

Interest charges decreased $5.0 million, or 19.5%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to lower interest charges at Cleco Power.

Federal and state income taxes decreased $16.0 million, or 43.8%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to $15.4 million for the change in pre-tax income excluding AFUDC equity, $1.6 million for tax credits, and $1.1 million to record tax expense at the projected annual effective tax rate. These decreases were partially offset by $1.3 million for the absence in 2012 of the valuation allowance reversal booked in

2011, and $0.8 million for miscellaneous items.

Results of operations for Cleco Power and Midstream are more fully described below.

Cleco Power

	FOR THE THREE MONTHS ENDED JUNE 30,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2012	2011	VARIANCE	CHANGE
Operating revenue				
Base	$156,192	$157,934	$(1,742)	(1.1)%
Fuel cost recovery	72,101	102,551	(30,450)	(29.7)%
Electric customer credits	(281)	(4,822)	4,541	94.2 %
Other operations	11,613	12,453	(840)	(6.7)%
Affiliate revenue	342	348	(6)	(1.7)%
Operating revenue, net	239,967	268,464	(28,497)	(10.6)%
Operating expenses				
Fuel used for electric generation – recoverable	54,205	77,277	23,072	29.9 %
Power purchased for utility customers – recoverable	17,899	25,269	7,370	29.2 %
Non-recoverable fuel and power purchased	4,958	1,790	(3,168)	(177.0)%
Other operations	27,243	29,321	2,078	7.1 %
Maintenance	19,630	22,581	2,951	13.1 %
Depreciation	30,559	28,996	(1,563)	(5.4)%
Taxes other than income taxes	8,682	8,396	(286)	(3.4)%
Gain on sale of assets	(1)	—	1	100.0 %
Total operating expenses	163,175	193,630	30,455	15.7 %
Operating income	$76,792	$74,834	$1,958	2.6 %
Allowance for other funds used during construction	$1,399	$876	$523	59.7 %
Other income	$1,228	$644	$584	90.7 %
Interest charges	$20,805	$24,322	$3,517	14.5 %
Federal and state income taxes	$20,501	$15,879	$(4,622)	(29.1)%
Net income	$37,284	$35,694	$1,590	4.5 %

Cleco Power’s net income in the second quarter of 2012 increased $1.6 million, or 4.5%, compared to the second quarter of 2011. Contributing factors include:

•lower other operations and maintenance expenses,
•lower electric customer credits, and
•lower interest charges.

These factors were partially offset by:

•higher non-recoverable fuel and power purchased,
•lower base revenue,

- higher depreciation expense,
- lower other operations revenue, and
- higher effective income tax rate.

	FOR THE THREE MONTHS ENDED JUNE 30,		
(MILLION kWh)	2012	2011	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	848	871	(2.6)%
Commercial	667	648	2.9%
Industrial	578	597	(3.2)%
Other retail	33	33	—
Total retail	2,126	2,149	(1.1)%
Sales for resale	466	397	17.4%
Unbilled	168	204	(17.6)%
Total retail and wholesale customer sales	2,760	2,750	0.4%

	FOR THE THREE MONTHS ENDED JUNE 30,		
(THOUSANDS)	2012	2011	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	$66,150	$69,338	(4.6)%
Commercial	44,317	44,309	—
Industrial	21,132	21,205	(0.3)%
Other retail	2,407	2,418	(0.5)%
Surcharge	2,036	2,833	(28.1)%
Other	(1,566)	(1,585)	1.2%
Total retail	134,476	138,518	(2.9)%
Sales for resale	11,710	11,039	6.1%
Unbilled	10,006	8,377	19.4%
Total retail and wholesale customer sales	$156,192	$157,934	(1.1)%

Cleco Power's residential customers' demand for electricity largely is affected by weather. Weather generally is measured in cooling-degree days and heating-degree days. A cooling-degree day is an indication of the likelihood that a consumer will use air conditioning, while a heating-degree day is an indication of the likelihood that a consumer will use heating. An increase in heating-degree days does not produce the same increase in revenue as an increase in cooling-degree days, because alternative heating sources are more available and because winter energy is priced below the rate charged for energy used in the summer. Normal heating-degree days and cooling-degree days are calculated for a month by separately calculating the average actual heating- and cooling-degree days for that month over a period of 30 years.

The following table shows how cooling degree-days varied from normal conditions and from the prior period. Cleco Power uses weather data provided by the National Oceanic and Atmospheric Administration to determine degree days.

	FOR THE THREE MONTHS ENDED JUNE 30,			2012 CHANGE	
	2012	2011	NORMAL	PRIOR YEAR	NORMAL
Cooling-degree days	1,143	1,206	942	(5.2)%	21.3%

Base

Base revenue decreased $1.7 million, or 1.1%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to milder weather.

Cleco Power expects new industrial load to be added during the remainder of 2012 and 2013, principally driven by expected development of Haynesville shale discovered in northwestern Louisiana. In addition, Cleco Power expects to begin providing service to expansions of current customers' operations, as well as service to new customers. These expansions of service to current customers and service to new customers are expected to contribute base revenue of $0.8 million during the remainder of 2012 and an additional $0.4 million in 2013. Cleco Power also anticipates up to an additional $2.2 million of base revenue for the remainder of 2012 associated with the completed portions of the Acadiana Load Pocket transmission project. For information on the effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see "Risk Factors — Future Electricity Sales" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Fuel Cost Recovery

Fuel cost recovery revenue billed to customers decreased $30.5 million, or 29.7%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to decreases in the per-unit cost of fuel used for electric generation and power purchased for utility customers. Also contributing to the decrease were lower volumes of fuel used for electric generation. Partially offsetting the decrease were higher volumes of power purchased for utility customers. Changes in fuel costs historically have not significantly affected Cleco Power's net income. Generally, fuel and purchased power expenses are recovered through the LPSC-established fuel adjustment clause, which enables Cleco Power to pass on to its customers substantially all such charges. Approximately 88% of Cleco Power's total fuel cost during the second quarter of 2012 was regulated by the LPSC, while the remainder was regulated by FERC. Recovery of fuel adjustment clause costs is subject to refund until approval is received from the LPSC. For information on Cleco Power's current LPSC fuel audit, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees."

Electric Customer Credits

Electric customer credits decreased $4.5 million, or 94.2%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to a decrease in the estimated accrual for rate refunds. For more information on the accrual for electric customer credits, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 9 — Electric Customer Credits."

Other Operations

Other operations revenue decreased $0.8 million, or 6.7%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to $3.4 million related to the absence of a gain on the sale of Cleco Power's fuel oil inventory, partially offset by $2.0 million related to wholesale power sales and $0.6 million related to other miscellaneous revenue.

Operating Expenses
Operating expenses decreased $30.5 million, or 15.7%, in the second quarter of 2012 compared to the second quarter of 2011. Fuel used for electric generation (recoverable) decreased $23.1 million, or 29.9%, primarily due to lower per unit costs and volumes of fuel used for electric generation as compared to the second quarter of 2011. Power purchased for utility customers (recoverable) decreased $7.4 million, or 29.2%, largely due to lower per unit costs of purchased power. Partially offsetting this decrease was higher volumes of purchased power. Fuel used for electric generation and power purchased for utility customers generally are influenced by natural gas prices, as well as availability of transmission. However, other factors such as scheduled and/or unscheduled outages, unusual maintenance or repairs, or other developments may affect fuel used for electric generation and power purchased for utility customers. Non-recoverable fuel and power purchased increased $3.2 million, or 177.0%, primarily due to higher non-recoverable wholesale power purchases. Other operations expense decreased $2.1 million, or 7.1%, primarily due to lower customer service expenses. Maintenance expenses decreased $3.0 million, or 13.1%, primarily due to lower generating station, distribution, and transmission maintenance work performed during the second quarter of 2012. Depreciation expense increased $1.6 million, or 5.4%, primarily due to normal recurring additions to fixed assets.

Allowance for Other Funds Used During Construction
Allowance for other funds used during construction increased $0.5 million, or 59.7%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to higher AFUDC accruals related to the AMI Project and miscellaneous transmission projects.

Other Income
Other income increased $0.6 million, or 90.7%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to higher revenue from mutual assistance to other utilities for restoration efforts and higher royalty payments.

Interest Charges
Interest charges decreased $3.5 million, or 14.5%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to $1.9 million related to uncertain tax positions, $2.3 million related to reacquired debt in October and December 2011, $0.6 million related to the retirement of pollution control bonds in January and May 2012, and $0.2 million of lower other net miscellaneous interest charges. Partially offsetting these decreases was $1.5 million related to the issuance of private placement notes in December 2011 and May 2012.

Income Taxes
Federal and state income taxes increased $4.6 million, or 29.1%, during the second quarter of 2012 compared to the second quarter of 2011. The increase is primarily due to $2.1 million for the change in pre-tax income excluding AFUDC equity, $1.3 million for the absence in 2012 of the valuation allowance reversal booked in 2011, $0.3 million to record tax expense at the projected annual effective rate, and $0.9 million

for miscellaneous items.
Midstream

	FOR THE THREE MONTHS ENDED JUNE 30,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2012	2011	VARIANCE	CHANGE
Operating revenue				
Tolling operations	$6,309	$4,222	$2,087	49.4 %
Other operations	1	7	(6)	(85.7)%

Affiliate revenue	—	12	(12)	(100.0)%
Operating revenue	6,310	4,241	2,069	48.8%
Operating expenses				
Fuel used for electric generation	304	—	(304)	—
Power purchased for utility customers	9	—	(9)	—
Other operations	1,873	2,058	185	9.0%
Maintenance	4,452	5,534	1,082	19.6%
Depreciation	1,460	1,457	(3)	(0.2)%
Taxes other than income taxes	612	626	14	2.2%
Gain on sale of assets	(21)	(506)	(485)	(95.8)%
Total operating expenses	8,689	9,169	480	5.2%
Operating loss	$(2,379)	$(4,928)	$2,549	51.7%
Equity income from investees, before tax	$—	$61,440	$(61,440)	(100.0)%
Other income	$11,809	$86	$11,723	*
Interest charges	$(1,159)	$628	$1,787	284.6%
Federal and state income tax expense	$4,051	$21,536	$17,485	81.2%
Net income	$6,534	$34,425	$(27,891)	(81.0)%

* Not meaningful

Factors affecting Midstream during the second quarter of 2012 are described below.

Operating Revenue

Operating revenue increased $2.1 million, or 48.8%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to higher tolling revenue at Evangeline resulting from the new power purchase agreement with Cleco Power for Units 6 and 7 that began in January 2012 as compared to the Evangeline 2010 Tolling Agreement with JPMVEC for Unit 7.

Operating Expenses

Operating expenses decreased $0.5 million, or 5.2%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to lower maintenance expenses at Evangeline and Acadia. Lower maintenance expenses at Evangeline were due to the absence of compressor blade damages, partially offset by a lower gain on sale of assets. Lower maintenance expenses at Acadia were primarily due to the 2011 disposition of Acadia Unit 2.

Equity Income from Investees

Equity income from investees, before tax, decreased $61.4 million, or 100.0%, in the second quarter of 2012 compared to the second quarter of 2011 primarily due to the absence of the gain from the disposition of Acadia Unit 2 during the second quarter of 2011.

Other Income
Other income increased $11.7 million in the second quarter of 2012 compared to the second quarter of 2011 largely as a result of the contractual expiration of an underlying indemnification resulting from the disposition of Acadia Unit 2.

Interest Charges
Interest charges decreased $1.8 million, or 284.6%, during the second quarter of 2012 compared to the second quarter of 2011 primarily related to uncertain tax positions.

Income Taxes
Federal and state income taxes decreased $17.5 million, or 81.2%, during the second quarter of 2012 compared to the second quarter of 2011 primarily due to a decrease in pre-tax income. The effective income tax rate is different than the federal statutory rate due to state tax expense.

Comparison of the Six Months Ended June 30, 2012, and 2011
Cleco Consolidated

	FOR THE SIX MONTHS ENDED JUNE 30,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2012	2011	VARIANCE	CHANGE
Operating revenue, net	$462,894	$526,613	$(63,719)	(12.1)%
Operating expenses	334,357	392,516	58,159	14.8%
Operating income	$128,537	$134,097	$(5,560)	(4.1)%
Equity income from investees, before tax	$1	$62,052	$(62,051)	(100.0)%
Other income	$22,389	$2,254	$20,135	893.3%
Interest charges	$41,240	$52,232	$10,992	21.0%
Federal and state income taxes	$33,930	$48,714	$14,784	30.3%
Net income applicable to common stock	$76,718	$99,225	$(22,507)	(22.7)%

Consolidated net income applicable to common stock decreased $22.5 million, or 22.7%, in the first six months of 2012 compared to the first six months of 2011 primarily due to lower Midstream and Cleco Power earnings. Partially offsetting this decrease was higher corporate earnings.
Operating revenue, net decreased $63.7 million, or 12.1%, in the first six months of 2012 compared to the first six months of 2011 largely as a result of lower fuel cost recovery revenue at Cleco Power.
Operating expenses decreased $58.2 million, or 14.8%, in the first six months of 2012 compared to the first six months of 2011 primarily due to lower per unit costs and volumes of fuel used for electric generation.
Equity income from investees, before tax, decreased $62.1 million, or 100.0%, in the first six months of 2012 compared to the first six months of 2011 primarily due to the absence of the gain from the disposition of Acadia Unit 2 during the first half of 2011.
Other income increased $20.1 million, or 893.3%, in the first six months of 2012 compared to the first six months of 2011 largely as a result of the contractual expiration of underlying indemnifications resulting from the disposition of Acadia Units 1 and 2.
Interest charges decreased $11.0 million, or 21.0%, during the first six months of 2012 compared to the first six months of 2011 primarily due to lower interest charges at Cleco Power.
Federal and state income taxes decreased $14.8 million,

or 30.3%, during the first six months of 2012 compared to the first six months of 2011 primarily due to $14.3 million for the change in pre-tax income excluding AFUDC equity and $3.1 million for tax credits. These decreases were

partially offset by $0.4 million to record tax expense at the projected annual effective tax rate, $1.3 million for the absence in 2012 of the valuation allowance reversal booked in 2011, and $0.9 million for miscellaneous items.
Results of operations for Cleco Power and Midstream are more fully described below.
Cleco Power

	FOR THE SIX MONTHS ENDED JUNE 30,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2012	2011	VARIANCE	CHANGE
Operating revenue				
Base	$285,524	$292,007	$(6,483)	(2.2)%
Fuel cost recovery	152,359	206,946	(54,587)	(26.4)%
Electric customer credits	1,955	(5,256)	7,211	137.2 %
Other operations	22,062	24,696	(2,634)	(10.7)%
Affiliate revenue	687	694	(7)	(1.0)%
Operating revenue, net	462,587	519,087	(56,500)	(10.9)%
Operating expenses				
Fuel used for electric generation - recoverable	126,883	173,421	46,538	26.8 %
Power purchased for utility customers - recoverable	25,479	33,519	8,040	24.0 %
Non-recoverable fuel and power purchased	7,636	3,412	(4,224)	(123.8)%
Other operations	53,585	54,711	1,126	2.1 %
Maintenance	35,644	38,194	2,550	6.7 %
Depreciation	60,648	57,111	(3,537)	(6.2)%
Taxes other than income taxes	17,614	16,783	(831)	(5.0)%
Gain on sale of assets	(1)	(1)	—	—
Total operating expenses	327,488	377,150	49,662	13.2 %
Operating income	$135,099	$141,937	$(6,838)	(4.8)%
Other income	$2,323	$844	$1,479	175.2 %
Interest charges	$39,291	$48,723	$9,432	19.4 %
Federal and state income taxes	$35,008	$30,279	$(4,729)	(15.6)%
Net income	$64,089	$65,724	$(1,635)	(2.5)%

Cleco Power's net income in the first six months of 2012 decreased $1.6 million, or 2.5%, compared to the first six months of 2011. Contributing factors include:

- lower base revenue,
- higher non-recoverable fuel and power purchased,
- higher depreciation expense,
- lower other operations revenue, and
- higher effective income tax rate.

These were partially offset by:

- lower interest charges,
- lower electric customer credits,
- lower other operations and maintenance expenses, and
- higher other income.

	FOR THE SIX MONTHS ENDED JUNE 30,		
(Million kWh)	2012	2011	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	1,632	1,831	(10.9)%
Commercial	1,237	— 1,242	(0.4)%
Industrial	1,128	1,151	(2.0)%
Other retail	65	66	(1.5)%
Total retail	4,062	4,290	(5.3)%
Sales for resale	856	843	1.5%
Unbilled	80	39	105.1%
Total retail and wholesale customer sales	4,998	5,172	(3.4)%

	FOR THE SIX MONTHS ENDED JUNE 30,		
(THOUSANDS)	2012	2011	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	$122,540	$136,527	(10.2)%
Commercial	86,064	88,401	(2.6)%
Industrial	41,224	41,855	(1.5)%
Other retail	4,767	4,884	(2.4)%
Surcharge	4,851	4,550	6.6%
Other	(3,120)	(3,295)	5.3%
Total retail	256,326	272,922	(6.1)%
Sales for resale	23,495	22,978	2.2%
Unbilled	5,703	(3,893)	246.5%
Total retail and wholesale customer sales	$285,524	$292,007	(2.2)%

The following chart shows how cooling- and heating-degree days varied from normal conditions and from the prior period. Cleco Power uses weather data provided by the National Oceanic and Atmospheric Administration to determine degree days.

			FOR THE SIX MONTHS ENDED JUNE 30,		
				2012 CHANGE	
	2012	2011	NORMAL	PRIOR YEAR	NORMAL
Heating-degree days	500	937	940	(46.6)%	(46.8)%
Cooling-degree days	1,394	1,345	1,020	3.6%	36.7%

Base

Base revenue decreased $6.5 million, or 2.2%, during the first six months of 2012 compared to the first six months of 2011 primarily due to lower electric sales, generally resulting from milder winter weather. For information on the anticipated effects of changes in base revenue in future periods, see "— Comparison of the Three Months Ended June 30, 2012, and 2011 — Cleco Power — Base." For information on the effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see "Risk Factors — Future Electricity Sales" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Fuel Cost Recovery

Fuel cost recovery revenue billed to customers decreased $54.6 million, or 26.4%, during the first six months of 2012 compared to the first six months in 2011 primarily due to decreases in the per-unit cost of fuel used for electric generation and power purchased for utility customers. Also contributing to the decrease were lower volumes of fuel used

for electric generation. Partially offsetting the decrease were higher volumes of power purchased for utility customers. For information on Cleco Power's ability to recover fuel and purchase power costs, see "— Comparison of the Three Months Ended June 30, 2012, and 2011 — Cleco Power — Fuel Cost Recovery."

Electric Customer Credits
Electric customer credits decreased $7.2 million, or 137.2% during the first six months of 2012 compared to the first six months of 2011 due to changes in the estimated accrual for rate refunds. For additional information on the accrual of electric customer credits, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 9 — Electric Customer Credits."

Other Operations
Other operations revenue decreased $2.6 million, or 10.7%, in the first six months of 2012 compared to the first six months of 2011 primarily due to $5.8 million related to lower mineral lease payments, lower transmission revenue, and the absence of a gain on the sale of Cleco Power's fuel oil inventory. Partially offsetting these amounts were $2.0 million related to wholesale power sales and $1.2 million related to other miscellaneous revenue.

Operating Expenses
Operating expenses decreased $49.7 million, or 13.2%, in the first six months of 2012 compared to the first six months of 2011. Fuel used for electric generation (recoverable) decreased $46.5 million, or 26.8%, primarily due to lower per unit costs and volumes of fuel used as compared to the first six months of 2011. Power purchased for utility customers (recoverable) decreased $8.0 million, or 24.0%, largely due to lower per-unit costs of purchased power. Partially offsetting this decrease was higher volumes of purchased power. Fuel used for electric generation and power purchased for utility customers generally are influenced by natural gas prices, as well as availability of transmission. However, other factors such as scheduled and/or unscheduled outages, unusual maintenance or repairs, or other developments may affect fuel used for electric generation and power purchased for utility customers. Non-recoverable fuel and purchased power increased $4.2 million, or 123.8%, primarily due to higher non-recoverable wholesale power purchases and higher capacity payments. Other operations expense decreased $1.1 million, or 2.1%, primarily due to lower customer service expenses. Partially offsetting this decrease was higher generating station expenses. Maintenance expense decreased $2.6 million, or 6.7%, primarily due to lower generating station and distribution maintenance work performed during the first six months of 2012. Depreciation expense increased $3.5 million, or 6.2%, primarily due to Teche Unit 4 and portions of the Acadiana Load Pocket project being placed in service and other normal recurring additions to fixed assets. Taxes other than income taxes increased $0.8 million, or 5.0%, primarily due to higher property taxes.

Other Income
Other income increased $1.5 million, or 175.2%, during the first six months of 2012 compared to the first six months of 2011 primarily due to higher royalty payments.

Interest Charges
Interest charges decreased $9.4 million, or 19.4%, during the first six months of 2012 compared to the first six months of 2011 primarily due to $7.3 million related to uncertain tax positions, $4.5 million related to reacquired debt in October and December 2011, and $0.7 million related to the retirement of pollution control bonds in January and May 2012. Partially offsetting these decreases was $2.9 million related to the issuance of private placement notes in December 2011 and May 2012 and $0.2 million of higher other net miscellaneous interest charges.

Income Taxes
Federal and state income taxes increased $4.7 million, or 15.6%, during the first six months of 2012 compared to the first six months of 2011. The increase is primarily due to $1.3 million for the change in pre-tax income including AFUDC equity, $1.3 million for the absence in 2012 of the valuation allowance reversal booked in 2011, $0.8 million to record tax expense at the projected annual effective tax rate, $1.0 for other miscellaneous items, and $0.3 million for tax credits.
Midstream

	FOR THE SIX MONTHS ENDED JUNE 30,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2012	2011	VARIANCE	CHANGE
Operating revenue				
Tolling operations	$7,543	$7,003	$540	7.7 %
Other operations	1	7	(6)	(85.7)%
Affiliate revenue	—	45	(45)	(100.0)%
Operating revenue	7,544	7,055	489	6.9 %
Operating expenses				
Fuel used for electric generation	304	—	(304)	—
Power purchased for utility customers	9	—	(9)	—
Other operations	3,656	3,874	218	5.6 %
Maintenance	5,625	6,666	1,041	15.6 %
Depreciation	2,992	2,913	(79)	(2.7)%
Taxes other than income taxes	1,284	1,260	(24)	(1.9)%
Gain on sale of assets	(43)	(494)	(451)	(91.3)%
Total operating expenses	13,827	14,219	392	2.8 %
Operating loss	$(6,283)	$(7,164)	$881	12.3 %
Equity income from investees, before tax	$—	$62,053	$(62,053)	(100.0)%
Other income	$19,016	$521	$18,495	*
Interest charges	$313	$1,211	$898	74.2 %
Federal and state income tax expense	$4,789	$20,853	$16,064	77.0 %
Net income	$7,624	$33,328	$(25,704)	(77.1)%

* Not meaningful

Factors affecting Midstream during the first six months of 2012 are described below.

Operating Revenue
Operating revenue increased $0.5 million, or 6.9%, during the first six months of 2012 compared to the first six months of 2011 primarily due to higher tolling revenue at Evangeline resulting from the new power purchase agreement with Cleco Power for Units 6 and 7 that began in January 2012 as compared to the Evangeline 2010 Tolling Agreement with JPMVEC for Unit 7.

Operating Expenses

Operating expenses decreased $0.4 million, or 2.8%, during the first six months of 2012 compared to the first six months of 2011 primarily due to lower maintenance expenses at Evangeline and Acadia. Lower maintenance expenses at Evangeline were due to the absence of compressor blade damages, partially offset by a lower gain on sale of assets. Lower maintenance expenses at Acadia were primarily due to the 2011 disposition of Acadia Unit 2.

Equity Income from Investees

Equity income from investees, before tax, decreased $62.1 million, or 100.0%, during the first six months of 2012 compared to the first six months of 2011 primarily due to the absence of the gain from the disposition of Acadia Unit 2 during the first half of 2011.

Other Income

Other income increased $18.5 million during the first six months of 2012 compared to the first six months of 2011 as a result of the contractual expiration of underlying indemnifications resulting from the disposition of Acadia Units 1 and 2.

Interest Charges

Interest charges decreased $0.9 million, or 74.2%, during the first six months of 2012 compared to the first six months of 2011 primarily due to uncertain tax positions.

Income Taxes

Federal and state income taxes decreased $16.1 million, or 77.0%, during the first six months of 2012 compared to the first six months of 2011 primarily due to a decrease in pre-tax income. The effective income tax rate is different than the federal statutory rate due to state tax expense.

FINANCIAL CONDITION

Liquidity and Capital Resources

General Considerations and Credit-Related Risks

Credit Ratings and Counterparties

Financing for operational needs and capital expenditure requirements not satisfied by operating cash flows depends upon the cost and availability of external funds through both short- and long-term financing. The inability to raise capital on favorable terms could negatively affect Cleco's or Cleco Power's ability to maintain or expand its businesses. Access to funds is dependent upon factors such as general economic and capital market conditions, regulatory authorizations and policies, Cleco Corporation's and Cleco Power's credit ratings, the cash flows from routine operations, and the credit ratings of project counterparties. After assessing the current operating performance, liquidity, and credit ratings of Cleco Corporation and Cleco Power, management believes that Cleco and Cleco Power will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. The following table presents the credit ratings of Cleco Corporation and Cleco Power at June 30, 2012.

	SENIOR UNSECURED DEBT	
	MOODY'S	STANDARD & POOR'S
Cleco Corporation	Baa3	BBB-
Cleco Power	Baa2	BBB

Cleco notes that credit ratings are not recommendations to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

During the six-months ended June 30, 2012, there were no changes to Cleco Corporation or Cleco Power's credit ratings or rating agency's outlooks. At June 30, 2012, Moody's and Standard & Poor's outlooks for both Cleco Corporation and Cleco Power were stable. Cleco Corporation and Cleco Power pay fees and interest under their bank credit agreements based on the highest rating held. If Cleco Corporation or Cleco Power's credit rating were to be downgraded by Moody's and Standard & Poor's, Cleco Corporation and/or Cleco Power would be required to post additional fees and incur higher interest rates under their bank credit agreements. Cleco Power's collateral for derivatives is based on the lowest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's or Standard & Poor's, Cleco Power would be required to post additional collateral for derivatives.

With respect to any open power or natural gas trading positions that Cleco may initiate in the future, Cleco may be required to provide credit support or pay liquidated damages. The amount of credit support that Cleco may be required to provide at any point in the future is dependent on the amount of the initial transaction, changes in the market price of power and natural gas, the changes in open power and gas positions, and changes in the amount counterparties owe Cleco. Changes in any of these factors could cause the amount of requested credit support to increase or decrease.

Global and U.S. Economic Environment

The current economic environment and uncertainty may have an impact on Cleco's business and financial condition. Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. Market conditions during the past few years have limited the availability and have increased the costs of capital for many companies. Although the Registrants have not experienced restrictions in the financial markets, their ability to access the capital markets may be restricted at a time when the Registrants would like, or need, to do so. Any restrictions could have a material impact on the Registrants' ability to fund capital expenditures or debt service, or on their flexibility to react to changing economic and business conditions. Credit constraints could have a material negative impact on the Registrants' lenders or customers, causing them to fail to meet their obligations to the Registrants or to delay payment of such obligations. The lower interest rates that the Registrants have been exposed to have been beneficial to recent debt issuances; however, these rates have negatively affected interest income for the Registrants' short-term investments.

Fair Value Measurements

Various accounting pronouncements require certain assets and liabilities to be measured at their fair values. Some assets and liabilities are required to be measured at their fair value

each reporting period, while others are required to be measured only one time, generally the date of acquisition or debt issuance. Cleco and Cleco Power are required to disclose the fair value of certain assets and liabilities by one of three levels when required for recognition purposes under GAAP. Other financial assets and liabilities, such as long-term debt, are reported at their carrying values at their date of issuance on the consolidated balance sheets with their fair values as of the balance sheet date disclosed within the three levels. For more information about fair value levels, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 4 — Fair Value Accounting."

Cash Generation and Cash Requirements

Restricted Cash

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

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

Cleco Katrina/Rita has the right to bill and collect storm restoration costs from Cleco Power's customers. As cash is collected, it is restricted for payment of operating expenses, interest, and principal on storm recovery bonds. During the six months ended June 30, 2012, Cleco Katrina/Rita had collected $9.6 million net of operating expenses. In March 2012, Cleco Katrina/Rita used $6.7 million for scheduled storm recovery bond principal payments and $3.6 million for related interest.

Debt

Cleco Consolidated

Cleco had no short-term debt outstanding at June 30, 2012, or December 31, 2011.

At June 30, 2012, Cleco's long-term debt outstanding was $1.33 billion, of which $88.5 million was due within one year, compared to $1.36 billion outstanding at December 31, 2011, which included $24.3 million due within one year. The long-term debt due within one year at June 30, 2012, represents$75.0 million in senior notes due May 1, 2013 and $13.5 million principal payments for the Cleco Katrina/Rita storm recovery bonds. For Cleco, long-term debt decreased $28.3 million primarily due to $50.1 million of DeSoto Parish pollution control bonds that were redeemed in May 2012 and $11.2 million of Rapides Parish pollution control bonds that were redeemed in January 2012. Also contributing to the decrease was a $10.0 million reduction in credit facility draws, a $6.7 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2012, and $0.9 million of capital lease payments. These decreases were partially offset by the

issuance of $50.0 million of senior notes in May 2012 and debt premium amortizations of $0.6 million.
On January 25, 2012, Cleco Power redeemed at par $11.2 million of 5.875% Rapides Parish pollution control bonds due September 2029. As part of the redemption, Cleco Power paid $0.3 million of accrued interest on the redeemed notes.
On May 8, 2012, Cleco Power issued $50.0 million senior unsecured private placement notes at an interest rate of 4.33%. The maturity date of the notes is May 15, 2027. The proceeds were used primarily for the early redemption of $50.1 million of 5.875% DeSoto Parish pollution control bonds as described above.
On May 11, 2012, Cleco Power redeemed at par all $50.1 million of 5.875% DeSoto Parish pollution control bonds due September 2029. As part of the redemption, Cleco Power paid $0.6 million of accrued interest on the redeemed notes.
Cash and cash equivalents available at June 30, 2012, were $23.7 million combined with $550.0 million facility capacity ($250.0 million from Cleco Corporation and $300.0 million from Cleco Power) for total liquidity of $573.7 million. Cash and cash equivalents available at June 30, 2012, decreased $69.9 million when compared to cash and cash equivalents available at December 31, 2011. This decrease is primarily due to additions to property, plant, and equipment, the net repayment of debt, and payment of common dividends.
At June 30, 2012, Cleco and Cleco Power were exposed to concentrations of credit risk through their short-term investments classified as cash equivalents. In order to mitigate potential credit risk, Cleco and Cleco Power have established guidelines for short-term investments. For more information on the concentration of credit risk through short-term investments classified as cash equivalents, see Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 4 — Fair Value Accounting.”
At June 30, 2012, and December 31, 2011, Cleco had a working capital surplus of $69.7 million and $135.8 million, respectively. The $66.1 million decrease in working capital is primarily due to:

- a $69.9 million decrease in cash and cash equivalents as discussed above, and
- a $64.3 million increase in long-term debt due within one year primarily due to $75.0 million of senior notes that are due in May 2013.

These decreases in working capital were partially offset by:

- a $38.8 million decrease in accounts payable primarily due to year-end pending ad valorem tax payments, employee incentive payments and fuel payments,
- a $9.1 million net increase related to changes in the recognition of current taxes and uncertain tax positions and related interest charges expected to be settled in the next 12 months,
- an $8.5 million increase in fuel inventory due to dispatching natural gas-fired units due to lower fuel costs, and
- a $7.0 million reduction in the deferred construction carrying costs owed to customers in the next 12 months.

Cleco Corporation (Holding Company Level)
Cleco Corporation had no short-term debt outstanding at June 30, 2012, or December 31, 2011.
At June 30, 2012, Cleco Corporation had no draws outstanding under its $250.0 million credit facility compared to $10.0 million outstanding at December 31, 2011. This facility provides for working capital and other needs. Cleco Corporation and Cleco Power have uncommitted lines of credit with a bank that allow up to $10.0 million each in short term borrowings, but no more than $10.0 million in aggregate, to support their working capital needs.
Cash and cash equivalents available at June 30, 2012, were $10.9 million. Cash and cash equivalents available at June 30, 2012, decreased $11.7 million when compared to cash and cash equivalents available at December 31, 2011, primarily due to routine working capital fluctuations.

Cleco Power

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

At June 30, 2012, Cleco Power's long-term debt outstanding was $1.33 billion, of which $88.5 million was due within one year, compared to $1.35 billion at December 31, 2011, of which $24.3 million was due within one year. The long-term debt due within one year at June 30, 2012, represents $75.0 million in senior notes due May 1, 2013 and $13.5 million principal payments for the Cleco Katrina/Rita storm recovery bonds. For Cleco Power, long-term debt decreased $18.3 million primarily due to $50.1 million of DeSoto Parish pollution control bonds that were redeemed in May 2012 and $11.2 million of Rapides Parish pollution control bonds that were redeemed in January 2012. Also contributing to the decrease was a $6.7 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2012, and $0.9 million of capital lease payments. These decreases were partially offset by the issuance of $50.0 million of senior notes in May 2012 and debt premium amortizations of $0.6 million.

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

On May 8, 2012, Cleco Power issued $50.0 million senior unsecured private placement notes at an interest rate of 4.33%. The maturity date of the notes is May 15, 2027. The proceeds were used primarily for the early redemption of $50.1 million of 5.875% DeSoto Parish pollution control bonds as described above.

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

At June 30, 2012, and December 31, 2011, there were no borrowings outstanding under Cleco Power's $300.0 million credit facility. This facility provides for working capital and other needs. Cleco Corporation and Cleco Power have uncommitted lines of credit with a bank that allow up to $10.0 million each in short term borrowings, but no more than $10.0 million in aggregate, to support their working capital needs.

Cash and cash equivalents available at June 30, 2012, were $10.2 million, combined with $300.0 million facility capacity for total liquidity of $310.2 million. Cash and cash equivalents decreased $57.2 million, when compared to cash and cash equivalents at December 31, 2011, primarily due to additions to property, plant, and equipment, payment of intercompany dividends, and the net repayment of debt.

At June 30, 2012, Cleco Power had a working capital deficit of $33.9 million compared to a surplus of $36.4 million at December 31, 2011. The $70.3 million decrease in working capital is primarily due to:

- a $57.2 million decrease in cash and cash equivalents, as discussed above,
- a $64.3 million increase in long-term debt due within one year primarily due to $75.0 million of senior notes that are due May 2013, and
- a $5.8 million net decrease related to changes in the recognition of current taxes and uncertain tax positions and related interest charges expected to be settled in the next 12 months.

These decreases in working capital were partially offset by:

- a $31.8 million decrease in accounts payable primarily due to year-end pending ad valorem tax payments, employee incentive payments and fuel payments,
- an $8.5 million increase in fuel inventory primarily due to dispatching of natural gas-fired units due to lower fuel costs, and
- a $7.0 million reduction in the deferred construction carrying costs owed to customers in the next 12 months.

Credit Facilities

Cleco Corporation's current credit facility agreement has a maximum capacity of $250.0 million and a maturity date of October 7, 2016. The borrowing costs are LIBOR plus 1.50% or ABR plus 0.50%, plus facility fees of 0.25%. If Cleco Corporation's credit ratings were to be downgraded one level, Cleco Corporation would be required to pay fees and interest at a rate of 0.25% higher than the level for its current credit facility.

Cleco Power's current credit facility agreement has a maximum capacity of $300.0 million and matures on October 7, 2016. The borrowing costs are LIBOR plus 1.275% or ABR plus 0.275%, plus facility fees of 0.225%. If Cleco Power's credit ratings were to be downgraded one level, Cleco Power would be required to pay fees and interest at a rate of 0.25% higher than the level on its current credit facility.

At June 30, 2012, Cleco Corporation and Cleco Power were in compliance with the covenants in their credit facilities. If Cleco Corporation were to default under the covenants in its credit facility or other debt agreements, it would be unable to borrow additional funds under the facility, and the lenders could accelerate all principal and interest outstanding. Further, if Cleco Power were to default under its credit facility or other debt agreements, Cleco Corporation would be considered in default under its credit facility.

Midstream

Midstream had no debt outstanding at June 30, 2012, or December 31, 2011.

Cleco Consolidated Cash Flows

Net Operating Cash Flow

Net cash provided by operating activities was $103.3 million during the first six months of 2012, compared to $148.8 million during the first six months of 2011. Cash provided by operating activities during the first six months of 2012 decreased $45.5 million from the first six months of 2011, primarily due to the following items:

- the absence of the return on equity investment in Acadia of $58.7 million,
- the absence of 2011 fuel oil inventory sales of $28.0 million,

- lower expenditures for other fuel inventories and related transportation of $18.4 million, primarily petroleum coke and coal,
- higher vendor payments of $14.0 million, and
- the absence of $10.9 million cash received in exchange for accepting the contingent sale liability related to the Acadia Unit 2 transaction in 2011.

These increases were partially offset by:

- lower pension plan contributions of $60.0 million,
- lower tax payments of $13.5 million, and
- higher collection of receivables of $8.5 million.

Net Investing Cash Flow

Net cash used in investing activities was $99.8 million during the first six months of 2012, compared to cash provided by investing activities of $17.3 million during the first six months of 2011. Net cash used in investing activities during the first six months of 2012 was higher than the first six months of 2011 primarily due to the absence of the 2011 return of investment in Acadia, higher additions to property, plant, and equipment, higher contributions to the tax credit fund, and lower transfers of cash from restricted accounts, partially offset by a higher return of investment from the investment in new markets tax credits, a casualty loss insurance reimbursement, and higher property, plant, and equipment grants received.

During the first six months of 2012, Cleco had additions to property, plant, and equipment, net of AFUDC of $99.9 million and a $31.3 million investment in new markets tax credits. This was partially offset by a $22.2 million return of investment from the tax credit fund, a $5.5 million casualty loss insurance reimbursement, and $4.6 million of grants received.

During the first six months of 2011, Cleco had an $89.7 million return of equity investment in Acadia and transferred $5.8 million from restricted accounts, primarily related to GO Zone bonds. This was partially offset by additions to property, plant, and equipment, net of AFUDC of $64.2 million and an $18.5 million investment in the tax credit fund.

Net Financing Cash Flow

Net cash used in financing activities was $73.4 million during the first six months of 2012, compared to $195.1 million during the first six months of 2011. Net cash used in financing activities during the first six months of 2012 was lower than the first six months of 2011 primarily due to the absence of 2011 repayments of a bank term loan, the issuance of long-term debt, and lower payments on the credit facility. This was partially offset by higher retirements of long-term debt, the absence of draws on the credit facility, the repurchase of

common stock, and dividends paid on common stock.
During the first six months of 2012, Cleco retired $68.0 million of long-term bonds. Cleco also used $38.1 million for dividend payments, $10.0 million for payments on the credit facility, and $8.0 million for the repurchase of common stock.
During the first six months of 2011, Cleco repaid a $150.0 million bank term loan, $15.0 million of credit facility draws, and $6.3 million of long-term bonds. Cleco also used $32.2 million for the payment of common stock dividends. This was partially offset by $10.0 million in credit facility draws.

Cleco Power Cash Flows

Net Operating Cash Flow
Net cash provided by operating activities was $93.5 million during the first six months of 2012, compared to $71.8 million during the first six months of 2011. Cash provided by operating activities during the first six months of 2012 increased $21.7 million from the first six months of 2011 primarily due to the following items:

- lower pension plan contributions of $60.0 million,
- higher collection of receivables of $8.5 million,
- the absence of tax movie credits purchased in 2011 of $4.0 million, and
- the absence of 2011 tax payments of $2.2 million.

These increases were partially offset by:

- lower fuel oil inventory sales of $28.0 million,
- lower expenditures for other fuel inventories and related transportation of $18.4 million, primarily petroleum coke and coal, and
- higher vendor payments of $12.2 million.

Net Investing Cash Flow
Net cash used in investing activities was $91.6 million during the first six months of 2012, compared to $49.6 million during the first six months of 2011. Net cash used in investing activities during the first six months of 2012 was higher than the first six months of 2011 primarily due to higher additions to property, plant, and equipment and lower transfers of cash from restricted accounts, partially offset by higher property, plant, and equipment grants received.
During the first six months of 2012, Cleco had additions to property, plant, and equipment, net of AFUDC of $97.0 million, partially offset by $4.6 million of grants received.
During the first six months of 2011, Cleco Power had additions to property, plant, and equipment, net of AFUDC of $56.6 million. This was partially offset by the transfer of $5.8 million of cash from restricted accounts, primarily related to GO Zone bonds.

Net Financing Cash Flow
Net cash used in financing activities was $59.2 million during the first six months of 2012, compared to $57.3 million during the first six months of 2011. Net cash used in financing activities during the first six months of 2012 was higher than the first six months of 2011 primarily due to higher repayments of long-term debt, partially offset by the issuance of long-term debt and $10.0 million of lower distributions made to Cleco Corporation.

Contractual Obligations and Other Commitments
Cleco, in the normal course of business activities, enters into a variety of contractual obligations. Some of these result in direct obligations that are reflected in the Condensed Consolidated Balance Sheets while other commitments, some

firm and some based on uncertainties, are not reflected in the consolidated financial statements.

For more information regarding Cleco's Contractual Obligations and Other Commitments, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Contractual Obligations and Other Commitments" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Off-Balance Sheet Commitments and Disclosures about Guarantees

Cleco Corporation and Cleco Power have entered into various off-balance sheet commitments, in the form of guarantees and standby letters of credit, in order to facilitate their activities and the activities of Cleco Corporation's subsidiaries and equity investees (affiliates). Cleco Corporation and Cleco Power have also agreed to contractual terms that require them to pay third parties if certain triggering events occur. These contractual terms generally are defined as guarantees in the authoritative guidance. For more information on off-balance sheet commitments, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Off-Balance Sheet Commitments" and "— Disclosures about Guarantees."

Regulatory and Other Matters

Generation RFP

Renewable Energy Pilot Program

In November 2010, the LPSC established a two-part renewable energy pilot program implementation plan consisting of a research component and an RFP component. Cleco Power is meeting the requirements of the research component by developing eight self-build renewable energy projects, each with a maximum nameplate rating of 300 kilowatts. The RFP component of the program requires each LPSC jurisdictional utility to conduct an RFP for new long-term renewable resources, while prohibiting the utilities from bidding self-build projects into the long-term RFP. Cleco Power's requirement is 43 MW of renewable energy with a minimum term of 10 years and a maximum term of 20 years, and can reasonably be expected to be deliverable within the 2011-2014 time period. Because Madison Unit 3 is designed to burn biomass fuel, with minor modifications, in addition to its primary fuel, Cleco Power has been given an exception allowing it to conduct an RFP for biomass fuel along with identifying the costs to co-fire biomass fuel in Madison Unit 3. In November 2011, Cleco Power received LPSC approval for recovery of the test burn costs, and performed a biomass test burn at Madison Unit 3 during the fourth quarter of 2011. Cleco Power issued its final RFP for biomass fuel in February 2012, and received all proposals by April 17, 2012. Cleco plans to file in August 2012 a written report to the LPSC regarding the cost of co-firing biomass fuel in Madison Unit 3. Following its review of the results of Cleco Power's RFP and Cleco Power's written report, the LPSC may authorize Cleco Power to pursue co-firing biomass fuel in

Madison Unit 3 or require Cleco Power to conduct an additional RFP for 43 MW of renewable energy as discussed above. For more information on Cleco's renewable energy pilot program, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

RFP for Short-Term 2012 Resources

In August 2011, Cleco Power issued an RFP for short-term 2012 resources to enhance reliability for the period January through April 2012. Cleco Power selected and negotiated two agreements from the RFP, a power purchase agreement with NRG Power Marketing LLC, and a tolling agreement with Evangeline. The NRG agreement provided 200 MW of capacity and energy from January 1, 2012, through April 30, 2012, while the Evangeline agreement provided 250 MW of capacity and energy from January 1, 2012, through April 30, 2012.

RFP for Contractual Resources to Meet CSAPR Beginning in May 2012

In September 2011, Cleco Power issued a draft RFP for resources to meet CSAPR and conducted a bidders conference on October 13, 2011. The final RFP seeking up to approximately 750 MW of capacity and energy for a three- or five-year term was published on October 21, 2011. In March 2012, Cleco Power received approval from the LPSC for a three-year power purchase agreement providing 730 MW of capacity and energy with Evangeline for a delivery term beginning May 1, 2012, and ending April 30, 2015. Because Cleco Power and Evangeline are affiliates, Cleco Power also received approval from FERC to make power sales between affiliates pursuant to Section 205 of the Federal Power Act.

2012 Long-Term RFP for Capacity and Energy Resources

In May 2012, Cleco Power issued a draft RFP for long-term resources beginning May 2015 to meet long-term capacity and energy needs due to load growth and environmental regulations. Cleco Power conducted a bidders conference in May 2012, and issued the final RFP in July 2012 seeking up to approximately 800 MW of capacity and energy. Proposals are due from potential suppliers in August 2012.

Coughlin Acquisition Offer

Evangeline's responses to Cleco Power's RFP for Contractual Resources to meet CSAPR beginning in May 2012 included a proposal for a power purchase agreement containing an option under which Cleco Power could acquire the Coughlin Power Station from Evangeline (Coughlin Acquisition Offer). Evangeline's Coughlin Acquisition Offer was unsolicited. The proposal that Cleco Power selected, which resulted in the three-year power purchase agreement with Evangeline, did not include the Coughlin Acquisition Offer. Separate and apart from the three-year power purchase agreement with Evangeline, Cleco Power has tentatively and provisionally accepted Evangeline's Coughlin Acquisition Offer, subject to market-based testing of such offer against other proposals from non-affiliated market participants in Cleco Power's 2012 Long-Term RFP.

Environmental Matters

Cleco is subject to extensive environmental regulation by federal, state, and local authorities and is required to comply with numerous environmental laws and regulations, and to obtain and comply with numerous governmental permits, in operating its facilities. In addition, existing environmental laws, regulations, and permits could be revised or reinterpreted; new laws and regulations could be adopted or become applicable to Cleco or its facilities; and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions. Cleco may incur significant additional costs to comply with these revisions, reinterpretations, and requirements. Cleco Power would then seek recovery of additional environmental compliance costs as riders through the LPSC's environmental adjustment clause or its FRP, or as a base rate adjustment as appropriate. If Cleco fails to comply with these revisions, reinterpretations, and requirements, it could be subject to civil or criminal liabilities and fines.

On June 26, 2012, the United States Court of Appeals for the D.C. Circuit issued a decision, unanimously ruling in favor of the EPA in its efforts to regulate greenhouse gases (GHG). The Court affirmed the EPA’s first round of GHG regulations in all respects. These regulations included the EPA's 2009 endangerment finding, its motor vehicle GHG emission rule, its timing rule in which it commenced GHG regulation of stationary sources under the Prevention of Significant Deterioration (PSD) and Title V permitting programs, and its tailoring rule in which it limited PSD and Title V regulation to large industrial sources. The suite of rules were challenged by a large number of businesses, business associations, and several states. The effects of this ruling will continue to develop as the EPA implements the rule, but for now Cleco’s power generating units are subject to the GHG permitting requirements under PSD and Title V. As such, these rules will apply to existing units only if a physical or operational change is made that increases the unit's emissions by 75,000 tons per year or more. Any modification that triggers PSD will be required to undergo GHG permitting, which will include a detailed Best Available Control Technology (BACT) analysis for GHG’s as prescribed by the EPA. The guidance from the EPA regarding the BACT for steam electric generating units, for the most part, consists of considerations of efficiency in various aspects of the modification. However, Cleco expects this process to become increasingly stringent as the BACT will change with technology improvements. New and renewed Title V permits will be required to enumerate GHG emissions as well.

For a discussion of other Cleco environmental matters, please read “Business — Environmental Matters” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Retail Rates of Cleco Power

For information concerning amounts accrued and refunded by Cleco Power as a result of the FRP and information on the LPSC Staff’s FRP reviews, see Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 9 — Electric Customer Credits.”

For information on certain other regulatory aspects of retail rates concerning Cleco Power, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other

Matters — Retail Rates of Cleco Power" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Wholesale Rates of Cleco

Transmission Service
On March 29, 2012, Cleco Power filed a request with the FERC for revisions to its Open Access Transmission Tariff (OATT). The revisions are proposed to allow adoption of a formula rate methodology for transmission delivery and ancillary services provided by Cleco Power under the OATT and the existing bilateral Electric System Interconnection Agreements that preceded the OATT. The new formula rates also will permit recovery of Cleco Power's FERC-jurisdictional investments in transmission and other assets placed in service since the existing rates were established. The FERC scheduled a settlement conference, which was held on June 21, 2012. As a result of the settlement conference, Cleco Power received a set of data requests. Cleco Power responded to these data requests in July 2012. Cleco Power anticipates settlement of this rate proceeding in late 2012.
For more information on the wholesale rates of Cleco, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Wholesale Rates of Cleco" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Market Restructuring

Wholesale Electric Markets
For more information on regulatory aspects of wholesale electric markets affecting Cleco, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring — Wholesale Electric Markets" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Retail Electric Markets
For a discussion of the regulatory aspects of retail electric markets affecting Cleco Power, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring — Retail Electric Markets" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Lignite Deferral
At June 30, 2012, and December 31, 2011, Cleco Power had $17.8 million and $19.1 million, respectively, in deferred lignite mining costs remaining uncollected.
For more information on Cleco Power's deferred lignite mining expenditures, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Lignite Deferral" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Acadiana Load Pocket Project
In September 2008, Cleco Power entered into an agreement with two other utilities to upgrade and expand interconnected transmission systems in south central Louisiana in an area known as the Acadiana Load Pocket. The project received LPSC and SPP approval in February 2009. Cleco Power's estimated cost for its portion of the project is $125.0 million, including AFUDC. As of June 30, 2012, Cleco Power had spent $112.0 million on the project, including AFUDC. A return on and recovery of the costs associated with the completed portions of the Acadiana Load Pocket project are included in base revenue. The project was substantially completed by the end of June 2012.

Remaining portions of the project are expected to be complete by December 2012. For more information, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Acadiana Load Pocket Project” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011. For information on the impact the Acadiana Load Pocket project is expected to have on base revenue, see “Results of Operations — Comparison of the Three Months Ended June 30, 2012, and 2011 — Cleco Power — Base.”

AMI Project

In May 2010, Cleco Power accepted the terms of a $20.0 million grant from the DOE under the DOE’s small-grant process to implement advanced metering technology for all of Cleco Power’s retail customers. Cleco Power estimates the project will cost $73.0 million, with the DOE grant providing $20.0 million toward the project and Cleco Power providing the remaining $53.0 million. The grant program is a part of the American Recovery and Reinvestment Act of 2009, an economic stimulus package passed by Congress in February 2009. Advanced metering technology includes the installation of electric meters that enable two-way communication capabilities between a home or business and a utility company. At June 30, 2012, Cleco Power had incurred $24.7 million in project costs, of which $10.6 million has been submitted to the DOE for reimbursement. As of June 30, 2012, Cleco Power had received $8.1 million in payments from the DOE. The project is expected to be completed in the third quarter of 2013. For more information, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — AMI Project” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Financial Reform Legislation

In July 2010, the President signed the Dodd-Frank Act into law. Title VII of the Dodd-Frank Act established a comprehensive new regulatory framework for swaps and security-based swaps, including mandatory clearing, exchange trading, collateral requirements, margin requirements, and other transparency requirements. In July 2012, the Commodity Futures Trading Commission (CFTC) published final rules for the definition of a swap. Management will continue to monitor this law and its possible impact on the Registrants.

Franchises

On March 13, 2012, the City of Slidell unanimously voted to renew the franchise agreement with Cleco Power. The renewal extends the agreement for 33 years until April 2045. Approximately 16,400 Cleco Power customers are located in Slidell.

On April 5, 2012, the City of Oakdale unanimously voted to renew the franchise agreement with Cleco Power. The renewal extends the agreement for 27 years until April 2039. Approximately 3,400 Cleco Power customers are located in Oakdale.

On April 10, 2012, the Town of Berwick unanimously voted to renew the franchise agreement with Cleco Power. The renewal extends the agreement for 22 years until April 2034. Approximately 2,700 Cleco Power customers are located in Berwick.

For more information on other electric service franchises, please read "Business — Regulatory Matters, Industry Developments, and Franchises — Franchises" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Other Franchise Matters

On March 9, 2010, a complaint was filed in the 27th Judicial District Court of St. Landry Parish, State of Louisiana on behalf of three Cleco Power customers in Opelousas, Louisiana. The complaint alleges that Cleco Power overcharged the plaintiffs by applying to customers in Opelousas the same retail rates as Cleco Power applies to all of its retail customers. In addition, on May 11, 2010, a second complaint repeating the allegations of the first was filed on behalf of a number of Opelousas residents. For more information regarding these complaints, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — City of Opelousas."

Recent Authoritative Guidance

For a discussion of recent authoritative guidance, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 2 — Recent Authoritative Guidance" of this Combined Quarterly Report on Form 10-Q, which discussion is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

Cleco's critical accounting policies include those accounting policies that are both important to Cleco's financial condition and results of operations and those that require management to make difficult, subjective, or complex judgments about future events, which could result in a material impact to the financial statements of Cleco Corporation's segments or to Cleco as a consolidated entity. The financial statements contained in this report are prepared in accordance with accounting principles generally accepted in the United States of America, which require Cleco to make estimates and assumptions. Estimates and assumptions about future events and their effects cannot be made with certainty. Management bases its current estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. On an ongoing basis, these estimates and assumptions are evaluated and, if necessary, adjustments are made when warranted by new or

updated information or by a change in circumstances or environment. Actual results may differ significantly from these estimates under different assumptions or conditions.

In July 2012, a law was passed that changes the calculation of minimum pension funding requirements. The effect of this law will be to lower minimum funding requirements in the short-term (about two to three years). This law is not expected to impact overall minimum plan contributions over the long-term.

For more information on Cleco's critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in the Registrant's Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

CLECO POWER — NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

Set forth below is information concerning the results of operations of Cleco Power for the three and six months ended June 30, 2012, and June 30, 2011. The following narrative analysis should be read in combination with Cleco Power's Unaudited Condensed Consolidated Financial Statements and the Notes contained in this Combined Quarterly Report on Form 10-Q.

Cleco Power meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q and is therefore permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies. Accordingly, Cleco Power has omitted from this report the information called for by Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following Part II items of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities). Pursuant to the General Instructions, Cleco Power has included an explanation of the reasons for material changes in the amount of revenue and expense items of Cleco Power between the first six months of 2012 and the first six months of 2011. Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

For an explanation of material changes in the amount of revenue and expense items of Cleco Power between the second quarter of 2012 and the second quarter of 2011, see "— Results of Operations — Comparison of the Three Months Ended June 30, 2012, and 2011 — Cleco Power" of this Combined Quarterly Report on Form 10-Q, which discussion is incorporated herein by reference.

For an explanation of material changes in the amount of revenue and expense items of Cleco Power between the first six months of 2012 and the first six months of 2011, see "— Results of Operations — Comparison of the Six Months Ended June 30, 2012, and 2011 — Cleco Power" of this Combined Quarterly Report on Form 10-Q, which discussion is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Overview

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 and natural gas in the industry on different energy exchanges.

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 since Cleco Power takes physical delivery and the instruments and positions are used to satisfy customer requirements. When positions close, actual gains or losses are included in the fuel adjustment clause and reflected on customers’ bills as a component of the fuel cost adjustment.

Cleco’s exposure to market risk, as discussed below, represents an estimate of possible changes in the fair value or future earnings that would occur, assuming possible future movements in the interest rates and commodity prices of power and natural gas. Management’s views on market risk are not necessarily indicative of actual results, nor do they represent the maximum possible gains or losses. The views do represent, within the parameters disclosed, what management estimates may happen.

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

Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. Market conditions during the past few years have limited the availability and have increased the costs of capital for many companies. The inability to raise capital on favorable terms could negatively affect Cleco’s ability to maintain and expand its businesses. After assessing the current operating performance, liquidity, and credit ratings of Cleco, management believes that it will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. Cleco Corporation and Cleco Power pay fees and interest under their respective credit facilities based on the highest rating held. If Cleco Corporation or Cleco Power’s credit ratings were to be downgraded by Moody’s and Standard & Poor’s, Cleco Corporation or Cleco Power, as the case may be, would be required to pay additional fees and higher interest rates under their respective credit facilities. Cleco Power’s collateral for derivatives is based on the lowest rating held. If Cleco Power’s credit ratings were to be downgraded by Standard & Poor’s or Moody’s, Cleco Power would be required to pay additional collateral for derivatives.

Interest Rate Risks

Cleco monitors its mix of fixed- and variable-rate debt obligations in light of changing market conditions and from time to time may alter that mix, for example, refinancing balances outstanding under its variable-rate credit facility with fixed-rate debt. For details, see Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 5 — Debt." Calculations of the changes in fair market value and interest expense of the debt securities are made over a one-year period.

Sensitivity to changes in interest rates for variable-rate obligations is computed by assuming a 1% change in the current interest rate applicable to such debt.

At June 30, 2012, Cleco had no short-term variable rate debt outstanding.

At June 30, 2012, Cleco Corporation had no borrowings outstanding under its $250.0 million credit facility.

On November 14, 2011, Cleco Power entered into a forward starting interest rate swap contract in order to mitigate the interest rate exposure on coupon payments related to a $50.0 million fixed-rate forecasted debt issuance. The forward starting interest rate swap has a spot 30-year all-in swap rate of 3.05%, notional amount of $50.0 million, with the pricing date of May 14, 2013, or the issuance of the notes, whichever is earlier. The forward starting interest rate swap meets the criteria of a cash flow hedge under the authoritative guidance as it relates to derivatives and hedging. The fair market value of the forward starting interest rate swap is the difference between the present value of the fixed payments to be paid by Cleco Power and the present value of the three-month LIBOR payments to be received by Cleco Power. Cleco Power recognized $6.2 million and $1.5 million of unrealized mark-to-market losses in other comprehensive income for the three and six months ended June 30, 2012, respectively. The offsetting liability was recorded on Cleco and Cleco Power's Condensed Consolidated Balance Sheets as an interest rate risk management liability. There was no impact to earnings due to ineffectiveness for the three and six months ended June 30, 2012. For every 0.01% change in the three-month LIBOR forward curve, the value of the forward starting interest rate swap changes by approximately $0.1 million.

Commodity Price Risks

Management believes Cleco has controls in place to minimize the risks involved in its financial and energy commodity activities. Independent controls over energy commodity functions consist of a middle office (risk management), a back office (accounting), and regulatory compliance staff, as well as monitoring by a risk management committee comprised of officers and the General Manager – Internal Audit, who are approved by Cleco Corporation's Board of Directors. Risk limits are recommended by the Risk Management Committee and monitored through a daily risk report that identifies the current VaR, current market conditions, and concentration of energy market positions.

Cleco Power provides fuel for generation and purchases power to meet the power demands of customers. Cleco Power has entered into positions to mitigate the volatility in customer fuel costs, as encouraged by an LPSC order. Cleco Power's fuel stabilization policy targets certain levels of hedging

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percentages to help mitigate the volatility in customer fuel costs. The change in positions could result in increased volatility in the marked-to-market amounts for the financial positions. These positions are marked-to-market with the resulting gain or loss recorded on the balance sheet as a component of the accumulated deferred fuel asset or liability and a component of the energy risk management assets or liabilities. When these positions close, actual gains or losses are deferred and included in the fuel adjustment clause in the month the physical contract settles. Based on market prices at June 30, 2012, and December 31, 2011, the net mark-to-market impact related to open natural gas positions was losses of less than $0.1 million and $5.3 million, respectively. All of these natural gas positions open at June 30, 2012, will close over the next 12 months. Deferred losses relating to closed natural gas positions at June 30, 2012, and December 31, 2011, totaled $0.5 million and $1.2 million, respectively.

Cleco utilizes a VaR model to assess the market risk of its hedging portfolios, including derivative financial instruments. VaR represents the potential loss in fair value for an instrument from adverse changes in market factors over a defined period of time with a specified confidence level. VaR is calculated daily, using the variance/covariance method with delta approximation, assuming a holding period of one day, and a 95% confidence level for natural gas and power positions. Volatility is calculated daily from historical forward prices using the exponentially weighted moving average method. Based on these assumptions, the VaR relating to Cleco Power's hedge transactions for the three and six months ended

June 30, 2012, as well as the VaR at December 31, 2011, is summarized as follows:

	FOR THE THREE MONTHS ENDED JUNE 30, 2012		
(THOUSANDS)	HIGH	LOW	AVERAGE
Fuel cost hedges	$243.4	$73.3	$174.9

	FOR THE SIX MONTHS ENDED JUNE 30, 2012			AT JUNE 30,	AT DECEMBER 31,
(THOUSANDS)	HIGH	LOW	AVERAGE	2012	2011
Fuel cost hedges	$382.0	$73.3	$230.3	$124.2	$196.1

Cleco Power

Please refer to "— Risk Overview" for a discussion of market risk inherent in Cleco Power's market risk-sensitive instruments.

Cleco Power has entered into various fixed- and variable-rate debt obligations. Please refer to "— Interest Rate Risks" for a discussion of how Cleco Power monitors its mix of fixed- and variable-rate debt obligations and the manner of calculating changes in fair market value and interest expense of its debt obligations.

Cleco Power had no short- or long-term variable-rate debt as of June 30, 2012.

Please refer to "— Commodity Price Risks" for a discussion of controls, transactions, VaR, and market value maturities associated with Cleco Power's energy commodity activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of June 30, 2012, evaluations were performed under the supervision and with the participation of Cleco Corporation and Cleco Power LLC (individually, "Registrant" and collectively, the "Registrants") management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). The evaluations assessed the effectiveness of the Registrants' disclosure controls and procedures. Based on the evaluations, the CEO and CFO have concluded that the Registrants' disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms; and that the Registrants' disclosure controls and procedures are also effective in ensuring that such information is accumulated and communicated to the Registrants' management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of the Registrants' management, including the CEO and CFO, the Registrants evaluated changes in internal control over financial reporting that occurred during the quarter ended June 30, 2012, and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CLECO
For information on legal proceedings affecting Cleco, see Part I, Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation."

CLECO POWER
For information on legal proceedings affecting Cleco Power, see Part I, Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation."

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed under the heading "Risk Factors" in Item 1A of the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "2011 Annual Report on Form 10-K"). For risks that could affect actual

results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Registrants, see the risk factors disclosed under "Risk Factors" in Item 1A of the 2011 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Common Stock Repurchases
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.
The following table summarizes the common stock repurchases by Cleco Corporation during the quarter ended June 30, 2012.

PERIOD	TOTAL NUMBER OF	AVERAGE PRICE PAID PER	TOTAL NUMBER OF SHARES	MAXIMUM NUMBER OF

	SHARES PURCHASED	SHARE	PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS	
April 2012	—	—	—	—	
May 2012	200,000	$ 40.00	200,000	200,000	*
June 2012	—	—	—	—	

*Management does not anticipate repurchasing any shares of common stock during the third quarter of 2012. Pursuant to the objectives of the program, repurchases under the program should resume in 2013.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Combined Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

CLECO CORPORATION	
10.1	Note Purchase Agreement dated May 8, 2012, by and among Cleco Power and the Purchasers listed on the signature pages thereto (incorporated by reference to Exhibit 10.1 to Cleco Corporation's Form 8-K dated May 9, 2012).
12(a)	Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Stock Dividends for the three-, six-, and twelve-month periods ended June 30, 2012, for Cleco Corporation
31.1	CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
31.2	CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
32.1	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
95	Mine Safety Disclosures
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
CLECO POWER	
10.2	Note Purchase Agreement dated May 8, 2012, by and among Cleco Power and the Purchasers listed on the signature pages thereto (incorporated by reference to Exhibit 10.1 to Cleco Power's Form 8-K dated May 9, 2012).
12(b)	Computation of Ratios of Earnings to Fixed Charges for the three-, six-, and twelve-month periods ended June 30, 2012, for Cleco Power
31.3	CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
31.4	CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
32.3	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.4	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
95	Mine Safety Disclosures
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLECO CORPORATION
(Registrant)

By: /s/ Terry L. Taylor
Terry L. Taylor
Controller & Chief Accounting Officer

Date: July 31, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLECO POWER LLC
(Registrant)

By: /s/ Terry L. Taylor
Terry L. Taylor
Controller & Chief Accounting Officer

Date: July 31, 2012